



Integrated Report 2020



KUMBA IRON ORE LIMITED



Kumba's history



View of Kolomela mine.

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 CDP Climate Change and Water programmes

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

Reinstated dividends

Introduced 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

Approved the Tswelelopele strategy with three horizons to achieve margin enhancement and extend the life of our assets to 2040

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 Heuningkranz prospecting right

2019

Kumba remained fatality-free for more than three years, supported by our elimination of fatalities framework

UHDMS project re-evaluated – optimal value will be achieved through life-of-mine extension and increasing product quality

Zandriverspoort – expiry of prospecting rights in Limpopo, strategic focus remains in Northern Cape



Introduction

About this report

Reporting scope and boundary

This report presents Kumba's strategic framework for creating value over the short, medium and long term; it provides a concise review of how the Company's performance and governance over the past year is delivering on this strategy and includes a frank reflection on how we have created, preserved or eroded value over time.

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 2020 to 31 December 2020. 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 40 and an overview of the principal outcomes of our activities is provided on pages 22 to 27. 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 recently revised 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 relevance 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 14 and 15), our business model (page 18) and our activities and impacts on the capitals across our value chain (page 20), forms the basis for appreciating how Kumba creates, preserves or erodes 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 33), the material risks and opportunities facing our business (page 43), and the material interests of our key stakeholders (page 40). Making an informed assessment of the quality of our strategic response requires an appreciation of our strategy (page 6), our performance (page 12), our leadership team (page 82), and our governance and remuneration practices (page 86).

Our materiality process

To identify the material matters for inclusion in our integrated reports, each year we run an independently facilitated materiality discussion with around 15 members of our executive and senior management teams. This annual materiality review includes a detailed consideration of the following issues:

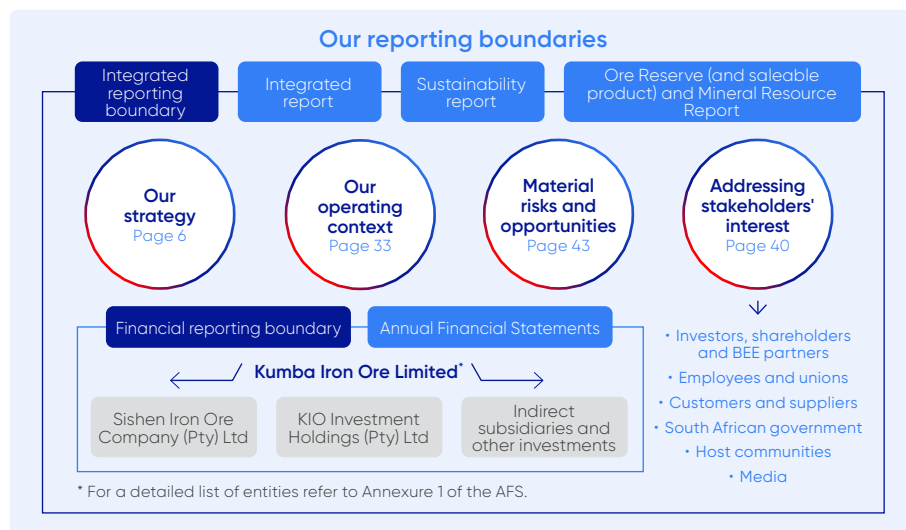
- Our business model:** how Kumba creates value;
- Outcomes:** the material impacts and influence of our activities on the six capitals across our value chain;
- The external environment:** considering the most material trends, risks and opportunities impacting value;
- Stakeholders:** noting the material interests of our key stakeholders; and
- Strategy:** the implications of (and for) our business strategy of this analysis. The results of this materiality process inform our annual reports. A 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. This year, PwC assured our 2020 AFS (see page 19 of AFS), while Nexia SAB&T assured key sustainability information in our 2020 SR (see page 117 of the SR). Both of those processes inform our 2020 IR, which contains both financial and non-financial indicators. Due to the national lockdown restrictions imposed by the South African government in reaction to the Covid-19 pandemic, the planned external audits for Sishen Ore Reserves and Mineral Resources and associated estimation processes have been postponed to 2021. Kumba follows a structured internal and external review programme to verify representative Ore Reserves (and saleable product) as well as Mineral Resources estimation.

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 16 to 18 of the AFS.

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

 People Everything we do depends on the wellbeing, skills, knowledge, experience, productivity, motivation and behaviour of our employees, the leadership team, contractors and service providers	 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	 Financial capital Access to cost-effective financial capital – such as equity, debt and reinvestment – is an essential basis for sustaining and creating further value across all capital stocks	 Natural resources Our business model involves converting natural resources into social and economic value; doing so has some unavoidable environmental impacts	 Relationships Trusted relationships with stakeholders is essential to securing our reputation and licence to operate, and enabling us to deliver on our ambitious Tswelopele strategy	 Intellectual capital Delivering on our strategy and business model requires a strong performance-based culture, effective management systems and continuing innovation in processes and technology to produce the most efficient and effective outcomes
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⊕ For more information on our capitals see page 22.

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:

 Safety and health To do no harm to our workforce	 Environment To minimise our impact on the environment	 Socio-political To partner in the benefits of mining with local communities and government	 People To create sustainable competitive advantage through capable people and an effective, purpose-led, high-performance culture	 Production To sustainably produce valuable product	 Cost To be competitive by operating as efficiently as possible	 Financial To deliver sustainable returns to our shareholders
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⊕ For more information on our KPIs, see page 12.

To indicate Covid-19-related impacts throughout the document

Covid-19



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.





➤ An overhead view of the primary cone crusher at Sishen mine.



Our business

At the onset of the Covid-19 crisis we acted quickly to position the business to meet the challenges of the pandemic. Kumba supported and worked in close collaboration with its stakeholders, strengthened partnerships and demonstrated the positive impacts of mining. We redirected sales to maximise value, while proactively supporting our suppliers and contractors to manage potential challenges.

Matters discussed in this section

- Strategy
- Governance supporting our strategy
- Measuring our performance
- Who we are
- Where we operate
- Chairperson's review
- Business model
- Value chain activities and impacts
- Creating value: interdependencies and the capitals



Strategy

In 2017, Kumba embarked on its “Tswelolepele” (Ore to Awe) transformation journey aimed at unlocking our full potential and delivering sustainable value for all our stakeholders. Our strategic ambition is to ensure that; we eliminate fatal incidents through a culture of zero harm; increase the life of mines to 2040; enhance our margin by 2022; and continue to be the employer of choice in South Africa. During 2020, Kumba adapted its business quickly and comprehensively to meet the challenges of the likely enduring reality of Covid-19. We have emerged stronger and have built a solid foundation to unlock further value for the longer term. We continue to explore value accretive opportunities that leverage Kumba’s capabilities and resources, while operating in a circular economy and remaining relevant in a decarbonising 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

Enhance product premium by US\$2/tonne, above lump and Fe premium and contain C1 unit costs below US\$34/tonne

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 Tswelolepele 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 UHDMs 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**



Impacting 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)

Unlock our full asset potential

Short-term initiatives aimed at enhancing product premium, and improve operational efficiency and contain C1 unit costs at or below US\$34/tonne. These strategic initiatives, with low capital intensity and that optimise technology, 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

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 logistics capacity to reach optimal rail and port capacity
- benefiting *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 in nature to deliver than Horizon 1, as these require higher capital investment, have a longer timeframe, 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 further margin improvements and 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 decarbonising 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



General view of the stacker reclaimer in the ore stockyard.



Our business

Strategy continued

Delivering on strategic ambitions

Achieving these strategic ambitions requires 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 2020, reviewed throughout this report, indicates that the Company is up to this challenge, building on the valuable progress made in previous years since the adoption of this strategy. 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 each of the strategic focus areas and key enablers is provided on pages 54 to 57.

Eliminate fatal incidents through a culture of zero harm	Improve margins to remain globally competitive and sustainable	Sustainably extend the life of our Northern Cape operations to 2040	Become the employer of choice, through a high-performance culture driven by healthy motivated employees
✓ Fatality-free for four years and seven months	✓ Total cost savings of R1.3 billion (including R613 million of Covid-19-related savings), above the full year target of R1.1 billion, bringing the total savings from our programme to R2.6 billion	✓ We have successfully increased the Ore Reserve by a cumulative 206.4 Mt (before depletion) since 2018 as follows: +112.1 Mt in 2018 (before depletion) primarily as a result of pit slope steepening as per phase 1 of the Sishen geotechnical pit design optimisation study	✓ Further progress in rolling out our leadership and culture programme, despite the challenges of the shift to remote working in many areas of the business
✓ Total recordable case frequency rate (TRCFR) of 1.74 against a target of 2.01 (2019: 2.06)	✓ Solid improvement in the EBITDA margin from 45% in 2018 to 57% in 2020, underpinned by enhanced product premium	+12.8 Mt in 2019 (before depletion) primarily as a result of improved resource to reserve conversion, and +81.5 Mt in 2020 (before depletion) mainly due to the optimisation of the Sishen pit layout considering more favourable long-term forward-looking economic assumptions as well as incorporating optimised haul road designs and steeper pit slope design angles for certain lithologies based on phase 2 of the Sishen geotechnical study, which could only be incorporated into the design after the mine demonstrated that it can achieve final pit boundaries as planned As a result of the 2020 optimisation the Sishen life-of-mine was extended from 2032 to 2035	✓ Through our comprehensive WeCare Covid-19 healthcare programme, we implemented wide-ranging protective measures and adapted our operations to a new way of working amidst the pandemic. Our protocols include screening and social distancing through small cell work groups, sanitising, and avoiding exposure for at-risk individuals, as well as testing and quarantine facilities
✓ Reduced to two high potential incidents (2019: 12)	✓ Platts 62% break-even price constant at US\$45/tonne, with the gains of a higher price premium, weaker currency and reduced spot freight rate, offset by higher units costs, increased on-mine SIB capex, lower lump premium and increased royalties		✓ Processed third annual award of the Karolo broad-based employee share ownership scheme in August 2020
✓ Fourth consecutive year with no level 3 to 5 environmental incidents	✓ Total capex of R5.7 billion, spent on capital spares, mining fleet replacement and infrastructure upgrades to maintain our business. Capex for Kapstevel South project, UHDMs feasibility study costs and P101 operational efficiency initiatives support the expansion of our business		
✓ Achieved our 90:90:90 health target	✗ Increase in operating expenses, primarily attributable to higher mining-related costs	✓ Board approval for the Kapstevel South project at Kolomela on 24 July 2020, which will contribute significantly to sustaining production of ~13Mt for the remaining life of mine	
✗ Increase in LTIFR to 0.80 (2019: 0.69)		✓ UHDMs project was approved in February 2021 and offers the potential to enhance product quality and with the potential to extend the Sishen life-of-mine by three to four years. Commissioning is expected in the second half of 2023.	

Delivering on climate change ambitions

As part of the Anglo American Group, Kumba is committed to be part of the global response to climate change. This is best for the long-term sustainability of our business and the right thing for society. We have a critical role to play in providing the materials needed for a cleaner, greener and more sustainable world.

⊕ A more detailed review of our performance in terms of each of these climate change ambitions is provided on page 17 of our sustainability report.



Our vision for carbon neutral mining by 2040



50% reduction
of freshwater use



30% reduction
in energy use and
greenhouse gas
(GHG) emissions
(against 2016
baseline)



Conservation of
biodiversity by
ensuring a
**net positive
impact on
conservation of
biodiversity**
by 2030



2040 target
carbon neutrality
across all our
operations



Governance supporting our strategy

During the year the Board and its various committees addressed the following issues, each of which has a material bearing on the Company's ability to create long-term value for its shareholders and other stakeholders. The following material issues were discussed in 2020:

Kumba Board	Chairperson – MSV Gantsho	Number of meetings: 5 Board attendance: 93%
TM Mkhwanazi, BA Mazarura, BP Sonjica, SG French, TP Goodlace, SS Ntsaluba, NB Langa-Royds, MS Bomela, DG Wanblad, MA Jenkins, NS Dlamini*		
Governance outcomes for 2020 - Approved Board policies based on the recommendation of the Nominations and Governance Committee - Monitored the Company's response to Covid-19 and the risk mitigation strategy - Approved of the Kapstevl South Project - Monitored implementation of the Company's strategy - Approved the 2021 budget - Undertook virtual roadshows and engagements with shareholders and investors ahead of the 2020 AGM		
Audit Committee	Chairperson – SS Ntsaluba	Number of meetings: 5 Committee attendance: 100%
TP Goodlace, MS Bomela, MA Jenkins*		
Governance outcomes for 2020 - Consideration of the JSE's guidance on proactive monitoring of annual financial statements - Oversight of the transition of the external auditors - Assessment of IT governance and related control environment - Reviewed the group's significant accounting matters and recommending the approval thereof to the Board - Received regular updates on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the JSE Listings Requirements - Review quarterly business performance, and solvency and liquidity and going concern assessments - Evaluate external auditor's audit plan, reports and fees - Evaluate internal audit (ABAS) plan, reports and resources		
Strategy and Investment Committee	Chairperson – TP Goodlace	Number of meetings: 4 Committee attendance: 97%
SS Ntsaluba, M Mkhwanazi, DG Wanblad, BA Mazarura, MA Jenkins, SG French, NS Dlamini*		
Governance outcomes for 2020 - Considered the impact of Covid-19 on the Company's strategy - Approved the 2020 Resource Development Plan - Approved the life-of-mine strategic design - Considered the Kapstevl South Project investment and recommended the project to the Board for approval - Considered updates on the implementation of the Tswelopele strategy - Considered the update on the Sishen UHMS feasibility study		
Social, Ethics and Transformation Committee	Chairperson – BP Sonjica	Number of meetings: 4 Committee attendance: 100%
TP Goodlace, M Mkhwanazi, NB Langa-Royds, DG Wanblad, NS Dlamini*		
Governance outcomes for 2020 - Considered the technical report on the Brumadinho Tailings dam burst with application of lessons learnt and received quarterly reports on the status of the tailings storage facilities - Reviewed the Company's quarterly transformation and stakeholder engagement reports - Approved the regulatory compliance plan for 2020 and received quarterly reports on the compliance in line with the plan - Received reports from the Ethics function relating to the code of ethics, whistleblowing reports and implementation of the Business Integrity Plan - Approved the Kumba water strategy - Virtual roadshows and engagements with shareholders and investors ahead of the 2020 AGM		
Human Resources and Remuneration Committee	Chairperson – NB Langa-Royds	Number of meetings: 5 Committee attendance: 96%
MSV Gantsho, TP Goodlace, MS Bomela, SG French		
Governance outcomes for 2020 - Received reports on the Company's response to the Covid-19 impact on the workforce - Considered material risks and mitigation related to the retention of skills and labour relations - Reviewed and approved the 2020 Team+ management short-term incentive business results and critical tasks performance metrics and weightings - Approved the 2021 salary mandate on behalf of the Board - Considered the remuneration issues raised by shareholders during the 2020 AGM governance roadshow - Received updates on the implementation of the Employee Share Scheme		
Nominations and Governance Committee	Chairperson – MSV Gantsho	Number of meetings: 4 Committee attendance: 100%
SS Ntsaluba, TP Goodlace, BP Sonjica, NB Langa-Royds		
Governance outcomes for 2020 - Reviewed the composition of the Board and its subcommittees to ensure the appropriateness of skills, experience, background and diversity - Considered and recommended to the Board for approval, the revision of several policies, including, the Board Succession Policy; Guidelines on directorships on other Boards; Board policy on Access to Professional Advice; Board Policy on Trading in Company Shares; Policy on the promotion of broader diversity at Board level and the Board Policy on the Disclosure of Information - Considered the results from the Board and committee evaluations - Received reports on the impact of Covid-19 on governance - Considered the succession plans for the Board and Chief Financial Officer and Chief Executive - Review of the governance framework, charters, terms of reference and annual work plans		



Resigned as non-executive director on 6 July 2020

Actions for 2021

- Increased focus on ESG
- Stakeholder engagement

Strategic focus area and key enablers



§ Appointed to the Committee on 1 February 2020

Actions for 2021

- Continued focus on governance and the regulatory control environment
- Continued focus on the robustness of the internal control framework over financial reporting to support the Chief Executive and Chief Financial Officer's responsibility
- Reviewing the business performance against targets
- Continued focus on IT governance and the related control environment

Strategic focus area and key enablers



Ceased to be a member of the committee following her resignation as non-executive director on 6 July 2020

Actions for 2021

- Monitoring and oversight of group strategic initiatives
- Sishen UHDMs
- Continued monitoring of the implementation of major projects

Strategic focus area and key enablers



Ceased to be a member of the committee following her resignation as non-executive director on 6 July 2020

Actions for 2021

- Monitor key indicators on accidents and incidents and, where appropriate, ensure that such information is communicated within the Company and with relevant stakeholders.
- Monitor non-compliance of the Company's corruption and business integrity policy and the code of conduct to ensure that robust controls remain in force
- Monitor that there was a healthy balance between transformation activities and to ensure adequate skills to maintain stability in the Company
- Monitor the Company's community development activities and its efforts toward occupational health and hygiene

Strategic focus area and key enablers



Actions for 2021

- Monitor implementation of the new three-year wage agreement for the period 2020 to 2023
- Review the 2021 performance scorecards for the Chief Executive and executive management
- Review the bonus metrics for bargaining and non-bargaining employees

Strategic focus area and key enablers



Actions for 2021

- Review the Board Policy on Stakeholder Engagement
- Targeted focus on Board succession planning

Strategic focus area and key enablers





Measuring performance

for the year ended 31 December

Key performance indicators (KPIs)

2020

2019

2018



Safety and health

Fatal injury frequency rate (FIFR)	✓	0	0	0
Total recordable case frequency rate (TRCFR)	✓	1.74	2.06	1.80
New cases of occupational disease	✓	0	8	5



Environment

Energy consumption (million GJ)*	✓	8.10	8.78	8.85
GHG emissions (Mt CO ₂ -equivalent)*	✓	0.91	1.00	0.96
Total water withdrawals (million m ³)*	✓	29.4	30.5	30.8
Number of level 3, 4 or 5 environmental incidents	✓	0	0	0



Socio-political

Compliance with Social way 3.0 (% compliance) For more detail on the new integrated social performance management system launched in 2020 refer to page 60 of the SR	✓	62	100	76
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People

Voluntary labour turnover (%)	✓	3.2	3.4	4.1
Women in management (%)	✓	27	25	24
Women in workforce (%)	✓	24	23	23
Historically disadvantaged South Africans (HDSAs) in management (%)	✓	72	71	68



Production

Sishen (Mt) (for detail refer to page 70 of the IR)*	✗	25.4	29.2	29.2
Kolomela (Mt) (for detail refer to page 71 of the IR)*	✗	11.7	13.2	13.9

* Performance in 2020 impacted by the Covid-19 pandemic



Key performance indicators (KPIs)

2020

2019

2018



Cost

Sishen free-on-rail (FOR) cash unit cost

Rand/tonne (for detail refer to page 70 of the IR)	✗	361.8	345.1	290.0
US\$/tonne (for detail refer to page 70 of the IR)	✓	22.0	23.9	21.9
Kolomela FOR cash unit cost				
Rand/tonne (for detail refer to page 71 of the IR)	✗	304.3	269.9	248.6
US\$/tonne (for detail refer to page 71 of the IR)	✓	18.5	18.7	18.8



Financial

Return on capital employed (ROCE) (%)	✓	109	83	49
Earnings per share (Rand per share)	✓	71.03	50.73	30.08
Attributable free cash flow (Rm)	✓	20,699	17,130	7,817

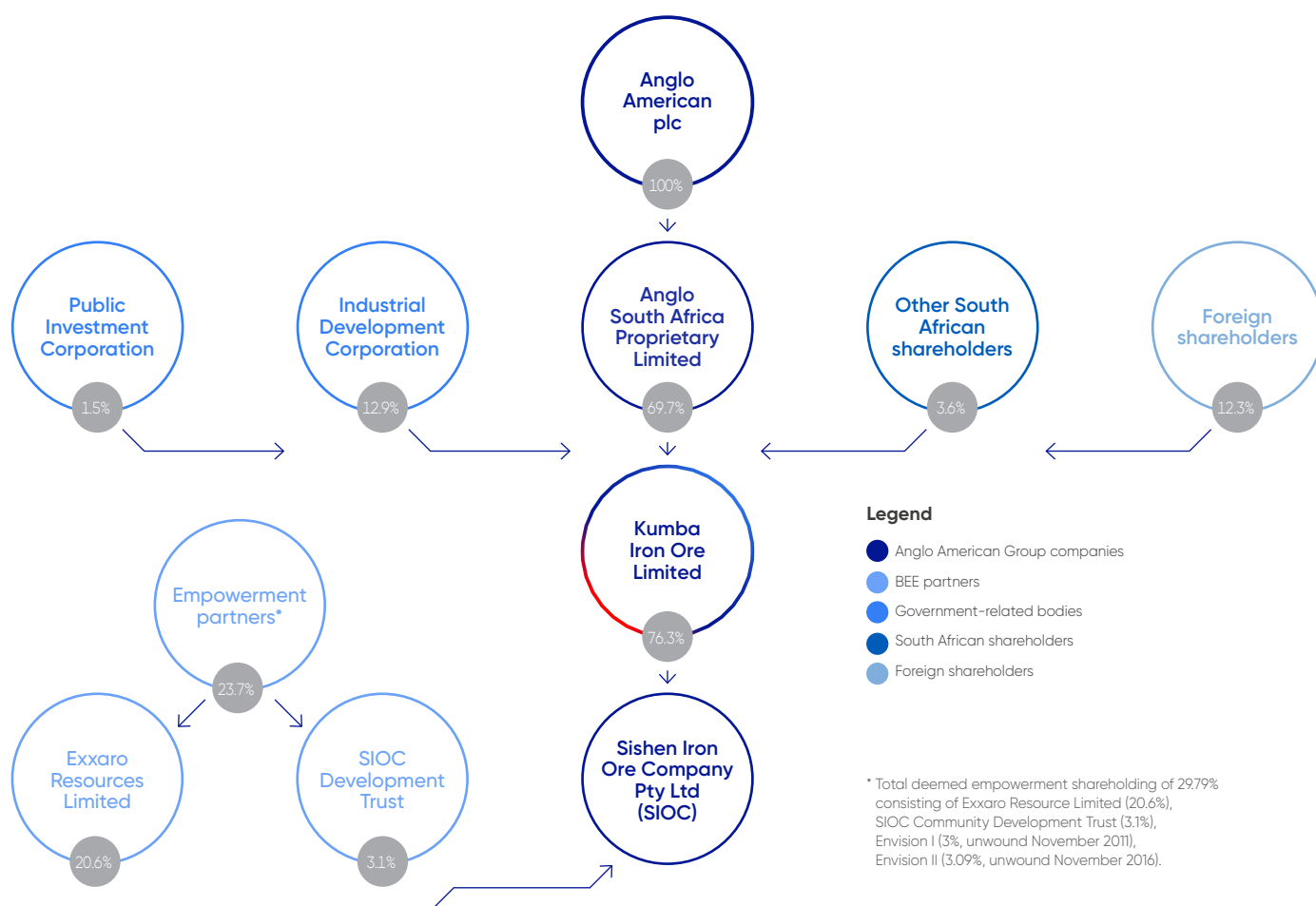
- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome



Kumba Exco visit to Kolomela mine.



Who we are



Kumba Iron Ore Limited ownership structure

At a glance

37.0 Mt

Production
(2019: 42.4 Mt)

39.3 Mt

Export sales
(2019: 40.0 Mt)

11,392

Employees
(2019: 12,217)

256.3 Mt

Total tonnes mined
(2019: 2979 Mt)

0.4 Mt

Domestic sales
(2019: 2.2 Mt)

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



Where we operate

For more information see
www.angloamericankumba.com



2a
Sishen

Our flagship operation
in the Northern Cape
province

- Commissioned in 1953
- Located in Kathu
- Life-of-mine: 15 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

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: 12 years

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

2020 performance

Zero fatalities; LTIFR of 1.02
Production of 25.4 Mt
Lump:Fine ratio of 71:29
184.7 Mt total tonnes mined,
including ex-pit ore of 36.2 Mt
and waste of 148.5 Mt
25.6 Mt railed on the Sishen/Kolomela-
Saldanha iron ore export channel (IOEC)
Unit cash cost: R362/tonne
Stripping ratio: 4.1
4,360 permanent full-time employees
and 3,386 full-time contractors
R77.6 million invested in
social and community projects
ISO 14001, ISO 9001,
and OHSAS 18001 certified

Zero fatalities; LTIFR of 2.00
Production of 11.7 Mt
Lump:Fine ratio of 60:40
71.6 Mt total tonnes mined
including ex-pit ore of 15.4 Mt
and waste of 56.2 Mt
12.0 Mt railed on the IOEC
Unit cash cost: R304/tonne
Stripping ratio: 3.7
1,488 permanent full-time employees
and 1,170 full-time contractors
R58.2 million invested in
social and community projects
ISO 14001, ISO 9001 certified,
and OHSAS 18001 certified

Zero fatalities; LTIFR of zero
Total volumes railed
to Saldanha Bay: 37.5 Mt
Total shipped volumes:
39.3 Mt
Export sales:
39.3 Mt
Total cost and freight (CFR)
volumes: 27.0 Mt
26 permanent full-time employees
ISO/IEC 17025
accredited QC laboratory

⊕ For more information on this operation
see page 70 of this report.

⊕ For more information on this operation
see page 71 of this report.

⊕ For more information on this operation
see page 72 of this report.



Looking back on a year of unprecedented challenges, Kumba has emerged a resilient corporate citizen. Its rapid and effective response to the Covid-19 pandemic demonstrated both its underlying ethos of "zero harm" and "safety first", as well as its strategic and operational agility in responding to a volatile operating environment.

Dr Mandla Gantsho
Chairperson

Re-imagining mining to

Caring response to the Covid-19 pandemic

The immediate priority in the Company's response to the pandemic was to protect the lives and livelihoods of employees and their dependants, as well as of suppliers and host communities. Through its *WeCare* Covid-19 response programme, Kumba proactively implemented a comprehensive set of risk-based prevention and control measures. Dedicated resources have been provided for extensive screening, testing, case management and return-to-work activities, backed up by specific interventions to support the mental health and wellbeing of employees.

Workplace initiatives were complemented by collaborative community response plans aimed at supporting host communities. Kumba provided essential services such as water, healthcare packs and food parcels, distributed PPE and bulk sanitisers to clinics and hospitals in the area, and donated face masks to schools. The Company also successfully implemented a community primary healthcare plan, supporting remote host community clinics in screening, testing, tracing and caring for those who tested positive while managing existing chronic diseases. These initiatives, and the collaborative manner in which they were developed and rolled out, are indicative of the "people-first" mindset that informs Kumba's decisions and actions.

Strong financial performance in a buoyant commodity market

Kumba has delivered a very satisfactory financial and operational performance, supported by a buoyant commodity market and favourable exchange rate. We saw exceptional growth in EBITDA of 37% to R45.8 billion, a return on capital employed of 109% (up from 83% in 2019), and cash flow from operations up 16% to R40.3 billion. Given Kumba's strong performance and balance sheet, the Board declared a final cash dividend of R41.30 per share. Combined with the interim dividend of R19.60 per share, this represents a total pay-out ratio of 86% of headline earning per share for 2020, in excess of our 50 to 75% dividend pay-out policy. In total, this year the Company declared R19.6 billion in value for

shareholders, and R29.2 billion in value for employees, the fiscus and BEE suppliers, supporting our investment commitment in South Africa.

Operational performance were in line with guidance. Production volumes were mainly impacted by Covid-19-related restrictions, weather-related delays and equipment reliability challenges. The Company delivered significant cost savings of R1.3 billion, exceeding the target and demonstrating the benefits of our margin enhancement strategy. A strong collaborative spirit with Transnet and other parties enabled optimal use of the iron ore export channel (IOEC). A value adding R3.6 billion of investment has increased Sishen's life-of-mine potential by three to four years to 2039.

The Company's performance, along with a constructive global iron ore market, confirms the merit of the Tswelelopele transformation journey. While all iron ore producers benefited from the increase in ore prices, Kumba's competitive advantage of higher product quality realised a greater product premium. While we anticipate ore prices will moderate over the medium term, we are confident that demand for Kumba's high quality iron ore products will remain buoyant. Kumba is progressing its ambition to extend the life-of-mine to 2040. We have increased the Sishen life-of-mine to 2035 through pit optimisation and the Board has approved the ultra-high dense media separation (UHDMS) project. This will maximise product quality and extend Sishen's life-of-mine to 2039.

A challenging socio-economic environment in South Africa

Prior to the pandemic, South Africa faced, among others, a depressed economy, energy supply challenges, poor performance of state-owned enterprises (SOEs), and high levels of joblessness and indebtedness. Going forward, the uncertainty around the modalities of an effective Covid-19 vaccine roll-out, the unresolved bigger question of the empowerment requirements that apply to the minerals industry in the context of the "once empowered, always empowered" principle and the potential for social unrest in the run up to local government elections, continue to present risks



to the country's long-term investment climate. To instil investor confidence, we will also need to see concerted action in addressing constraints relating to energy and transport infrastructure, and the scourge of corruption.

We are encouraged by the promise of the Zondo Commission of Inquiry and government's stated commitment to address corruption. However, action is eagerly awaited. We are also appreciative of the support provided by government, especially by the minister and the Department of Mineral Resources and Energy, to the mining sector during the various stages of the Covid-19 pandemic lockdown. If it was not for this support, the minerals industry would not have been able to safely take advantage of the buoyant global commodity markets and thus preserve livelihoods to the extent we did.

As a sector, and a Company, we remain committed to working with government to stimulate inclusive economic development, aided by a regulatory and policy environment that fosters long-term innovation and attracts foreign direct investment.

Pleasing results on our ESG performance

Last year I referred to growing investor interest on environmental, social and governance (ESG) issues, specifically within the extractive sector. This interest has further intensified this year,

overall workforce (2019: 23%), 21% of core disciplines (2019: 20%), and 27% of management positions.

This pleasing ESG performance is a tribute to the focus and commitment of Kumba's leadership team and employees and reflects the successful infusion of a culture of safety and responsibility across the Company.

Ensuring good governance

Kumba is committed to maintaining excellent standards of corporate governance and to ensuring full application of the King IV™ principles, with the Board providing an effective oversight function that empowers management to manage the business effectively and efficiently in delivering on its strategy. During the year, we enhanced our strategy and investment oversight through the work of a dedicated committee in this regard. We are confident that the composition of the Kumba Board has the right balance of skills, experience and diversity of perspective needed to fulfil our fiduciary responsibilities and to provide the necessary oversight over both the development and implementation of the Company's strategic direction. During the reporting period there was only one change to the Board membership. Mrs Nonkululeko Dlamini, who was appointed to the Board as a shareholder representative of the Industrial Development Corporation (IDC) in November 2016, resigned as non-executive director with effect

improve people's lives

accompanied by heightened pressure for a shift to "stakeholder capitalism" and growing calls globally for companies to serve a social purpose. As I mentioned last year, Kumba has a long tradition of leadership on sustainability challenges, both in its own right and as part of the Anglo American Group. This is reflected in the Company's purpose – to re-imagine mining to improve people's lives – and its commitment to FutureSmart Mining™, an innovation-led approach that strives to fundamentally reshape mining to be safer, more sustainable, and better harmonised with the needs of our host communities and society more broadly.

It is pleasing to see that the Company has continued to deliver strong ESG performance. This is most strikingly demonstrated by Kumba's safety performance, with the Company remaining fatality-free for four years and seven months and achieving an 83% reduction in high potential incidents. On occupational health, it is pleasing to report that there were no new cases of any occupational diseases, this was the fifth consecutive year with no cases of noise-induced hearing loss, and the Company has eliminated direct employee exposure to respirable dust and silica above the occupational exposure limit. In terms of environmental performance: this was the fifth successive year with no major (level 3 to 5) environmental incidents. The Company reduced greenhouse gas emissions by 10% (ahead of its 2020 target of 4%) and developed a roadmap to achieving carbon neutrality by 2040; and achieved its 2020 target of 17% reduction in freshwater usage against a 2015 baseline.

Kumba has an exemplary track record of leadership in driving transformation and facilitating broad-based black economic empowerment (BBBEE) by stimulating local and inclusive enterprise development, promoting preferential procurement, and enhancing the involvement of women. This year, Kumba directed R9.8 billion towards HDSA businesses, of which R3.6 billion was spent on suppliers in host communities. We made further progress in advancing employment equity during the year under review – at year end, HDSAs represented 89% of our total workforce and held 72% of management positions, while women made up 24% of our

from 6 July 2020. On behalf of the Board and in my own name, I sincerely thank Nonkululeko for her contribution to the Board and wish her the very best going forward.

Closing thoughts

On the Board's behalf, I extend our collective appreciation to our Chief Executive, Mr Themba Mkhwanazi and the executive team for the leadership shown in their response to the Covid-19 pandemic, as well as thanking all of Kumba's employees whose hard work provides the foundation for the Company's ability to deliver on its strategic agenda. I personally thank my colleagues on the Kumba Board for their continued advice and support during the year under review and for the past three and a half years I have been the Chairperson of the Board. The recent passing of our former colleague Dolly Mokgatle, saddens me as she was a highly respected former Board member of Kumba, inspirational business leader, and passionate advocate of transformation and gender equity. My sincere condolences to her family.

Kumba has shown this year that it has the strategic and operational resilience to flourish in a volatile, uncertain, complex and ambiguous environment. In the context of the profound social and economic challenges that we continue to face, I remain confident that Kumba is well-placed to meet these challenges and continue to deliver on its stated purpose, playing a meaningful role in contributing to a more prosperous, sustainable and inclusive economy.

Dr Mandla Gantsho
Chairperson

26 March 2020



Business model

Our value proposition



ESG excellence

A safe and sustainable business, to support thriving communities and remain a trusted corporate leader

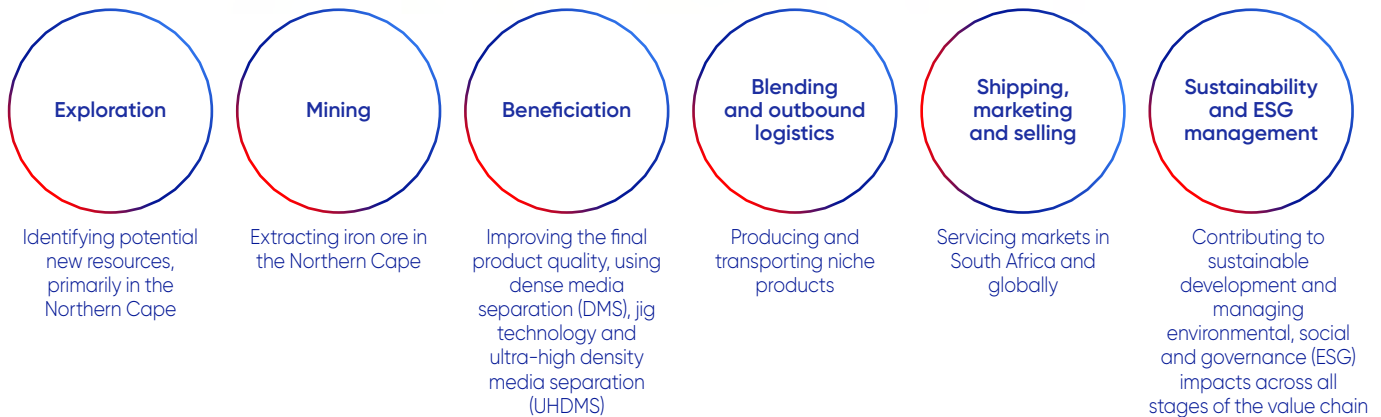


Margin performance

The reliable supply of high-quality iron ore coupled with product premia continue to support margin enhancement

Our value chain activities

⊕ For more information see page 20 of the IR



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

⊕ For more information on capital inputs
See pages 22 to 27 of the IR.

Key relationships

- Utilities suppliers (especially Eskom), service providers, including Transnet and contractors
- National, provincial and local government
- Department of Mineral Resources and Energy (DMRE)
- 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
- Academia

⊕ For more information on stakeholders
See pages 40 to 42.

Our top 10 risks

⊕ For more information see page 43 of the IR

1 Global health pandemic	2 Commodity markets and currency fluctuations	3 Safety and health	4 Operational performance (current year)	5 Managing change (transformation of the business)
6 Cyber risk	7 Third-party infrastructure (IOEC operating efficiency)	8 Socio-economic challenges	9 Current South African governance and political challenges	10 Fiscal compliance and regulatory certainty

How we measure value

⊕ For more information see page 12 and 13 for the IR

Safety and health	Environment	Socio-political	People	Production	Cost	Financial
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Our value proposition continued



Life-of-mine extension

Unlock the full potential of our resource base using UHDS technology



Capital discipline

A resilient balance sheet, while reinvesting in the business with attractive, sustainable shareholder return

Revenue drivers

Iron ore prices

We secure a premium for higher quality ore

Iron ore sales

Volumes were lower due to lower 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 (64.3% Fe versus 62% Fe benchmark), the demand for which is strengthening in response to more stringent environmental standards globally
- + Price differential potential due to higher lump:fine ratio (69:31 versus global average of 20:80)
- + Ability to diversify customer portfolio with sales in regions utilising direct-charge materials
- + Differentiation from FutureSmart Mining™ activities, including through improved efficiencies
- + Stronger price realisation, driven by effective marketing activities
- + The ability to unlock value in the logistics chain through effective partnerships
- × Challenges in terms of reduced volume and productivity due to Covid-19 restrictions, ongoing major port refurbishment, and reduced sales to local customer

Cost drivers

To maintain the current value proposition:

Distribution (rail, port and freight)	Labour	Corporate overheads
Energy (liquid fuel & electricity)	Social investments	Maintenance
Capital expenditure	Consumables	Drilling, blasting and hauling
Mining & non-mining contractors	Rehabilitation	Beneficiation

To expand the value proposition:

Capital expenditure	Exploration	Marketing
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Potential for cost differentiation

- + Scope for differentiation through UHDS technology
- + Further leverage in operating costs through enhanced operating efficiencies
- + Cost savings programme targeting over R2 billion by 2022
- × Higher stripping ratio due to inherent characteristics of the ore body resulting in higher mining costs, with implementation of the UHDS project the stripping ratio is expected to reduce
- × Higher rail costs from mine to port
- × Higher costs associated with distance from ports, and Australian competitors closer to the key market in China

Operating context: issues impacting value

[For more information see page 33 of the IR](#)

The Covid-19 pandemic

Continuing volatility in the iron ore price

Competitive pressure from a flatter producer cost curve globally

Investor and stakeholder pressure for enhanced ESG performance

Sustained sector-based commitment to eliminate all employee and contractor fatalities

Group-wide Anglo American drives for operational excellence and sustainable development

Maintaining the quality of iron ore reserves and life of asset, including critical third-party assets such as Transnet

Governance concerns and challenging economic outlook in South Africa

Wind-down of ArcelorMittal SA's operations at Saldanha Steel plant

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

Sensitivity analysis

Export volume	(570)	570
Export price	(700)	700
Currency	(730)	730

Sensitivity analysis Change per unit of key operational drivers, each tested independently

	Unit change	2020 EBITDA impact
Currency (R/US\$)	R0.10/US\$	R440m
Export price (US\$/t)	US\$1.00/t	R615m
Volume (kt)	100 kt	R145m
	Unit change	Break-even price impact
Currency (R/US\$)	R1.00/US\$	US\$3.00/t

Output

370 Mt (2018: 42.4 Mt) high-quality haematite iron ore, with a lump-to-fine ratio of 68:32 (2019: 67:33). This year, Sishen produced products with an average Fe content of 64.7%, and Kolomela averaged 64.5%. 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
	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. ⊕ A more detailed review of material inputs by capital stock is provided on pages 22 to 27.		
Activities* across the full value chain	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.	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, underpinned by a strong operating model, ESG practices and a commitment to FutureSmart Mining™.	We use DMS and UHDMs 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.
Key outcomes Implications of our activities on value in each stage of the value chain	✓ Commenced exploration activities, including drilling on near-mine properties, through option agreements with current third-party right holders (NC and MC) ✓ All environmental authorisations and permit applications approved for Kolomela (NC and SC) ✓ Enhancing Kumba's long-term financial viability (FC) ✓ Developing intellectual capital through enhanced technologies and techniques (IC) ✓ Building stakeholder relationships in the Northern Cape (SC) ✓ Positive contribution to junior miners and government stakeholders (SC) ✓ Contributing to tax base throughout the value chain (SC) ✗ Comparatively minor, well managed environmental impacts (NC)	✓ Zero fatalities and 16% improvement in the TRCFR (HC) ✓ Implementing the Safety Rhythm and Routine (Heartbeat), to drive a positive safety mindset with the focus on high-risk work and critical controls for Covid-19 and safety (SC and HC) ✓ Implement innovative technologies such as guided spotting, adaptive controls, truck speed digital twin and real-time condition-based monitoring (IC and HC) ✗ Performance impacted by Covid-19 and weather-related incidents and, to a lesser extent, equipment reliability and availability (FC) ✗ Informal settlements and increased unemployment due to Covid-19, around our operations placing pressure on service delivery (SC) ✗ Dust emissions (HC)	✓ Board approval for UHDMs project, to maximise product quality and extend the LoM of Sishen (MC) ✓ Contribution to government beneficiation objectives (SC) ✓ Enhanced intellectual capital and technology development (IC) ✓ Securing market premium and build financial capital through enhanced quality product (FC) ✗ Dust emissions (HC)
✓ Positive outcome – Neutral outcome ✗ Negative outcome	HC – Human capital SC – Social capital FC – Financial capital IC – Intellectual capital NC – Natural capital MC – Manufactured capital		
			Output

Strategic focus area



Focus on the Northern Cape



Extend life of current mines



Compete through premium products



Extend life of current mines



Sustainably operate mines at lower unit costs



Extend life of current mines



Use technology to extract maximum value



Use technology to extract maximum value



Use technology to extract maximum value



Proactively engaging with key stakeholders



Provide leadership through responsible citizenship



Provide leadership through responsible citizenship



Blending and outbound logistics

Shipping, marketing and selling

Sustainability and ESG management

* Our business needs responsible safety, health and environmental (SHE) management, as well as continued stakeholder engagement across all 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 have been selling to ArcelorMittal SA.

The life-cycle of the mine needs responsible ESG management practices to ensure the sustainable use of our key capital inputs both during and after our operations.

- ✓ Worked closely with Transnet to manage production, logistics and sales along the value chain to match Transnet's rail capacity (SC and FC)
- ✓ Focused collaboration with Transnet lead to improved rail performance in the second half of 2020 (SC and FC)
- ✓ Working with Transnet to improve rail performance with a rail replacement programme to remove speed restrictions on the export line (SC and FC)
- ✓ Maximise value from the resource investment in technologies and techniques (FC)
- ✓ Contribution to tax base (SC)
- ✗ Covid-19-related operational and logistics constraints (FC)

- ✓ Loading directly from rail to ship at Saldanha Bay port resulted in higher loading rates (FC)
- ✓ Changes to stockpile layout and reducing time to reclaim from stockpiles to the vessels (FC)
- ✓ Integrated sales and operational teams jointly managed production, logistics and sales, including coordinating stock buffers along the value chain to leverage every opportunity to increase export sales volumes (FC)
- ✓ Benefit of geographically diverse customer portfolio ensured that we could regain market share outside of China (FC)
- ✗ Lower domestic sales due to reduced local demand from ArcelorMittal SA (FC)
- ✗ Covid-19-related logistics constraints (FC)

- ✓ Protect lives and livelihoods of employees and the community through the WeCare Covid-19 response plan (SC and HC)
- ✓ Community support by providing essential services like water, healthcare pack and food parcels to vulnerable families (SC and HC)
- ✓ Significant progress was made in permitting management (SC and FC)
- ✓ Positive biodiversity impacts in set-aside and off-set areas (NC)
- ✓ Improved mine rehabilitation and responsible mine closure (NC)
- ✓ Progress with zero waste to landfill at Kolomela (NC)
- ✗ Increased financial rehabilitation provisions (FC)
- ✗ Delays in granting certain licences due to Covid-19 lockdown challenges (SC)
- ✗ Dust emissions (HC)

37.0 Mt (2019: 42.4 Mt) of safely mined high-quality haematite iron ore, with a lump-to-fine ratio of 68:32 (2019: 67:33). This year, Sishen produced products with an average Fe content of 64.7%, and Kolomela averaged 64.5%. 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



Compete through premium products



Provide leadership through responsible citizenship



Unlock full infrastructure potential to support maximum export volumes



Align marketing and operational activities



Align marketing and operational activities



Reinforce product quality and consistency



Creating value

Interdependencies with the capitals

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.

Capitals	Necessary inputs	Challenges in securing these inputs
 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. Action to enhance employee contribution We aim to resource the Company with a capable, engaged and productive workforce and are committed to ensuring no harm comes to any of those who work with us. Our activities and investments in attracting and retaining talent, 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 in these areas is provided in the following sections of our 2020 reports: • Leadership and culture (IR – page 57) • Provide leadership through responsible citizenship (IR – page 57) • Our people (SR – page 33) • Building social capital (SR – page 59)	• Employees and contractors operating within an environment fostering a zero-harm, performance-based culture (2020: 6,184 permanent employees, 4,556 contractors and 652 learnerships) • An experienced and sufficiently diverse leadership team, demonstrating values-driven behaviour • Service providers, delivering on agreed terms and conditions (including specifically on ESG issues), and facilitating our drive for transformation, local development and safety	There remain significant competitive pressures, both within the mining sector and more broadly, in attracting and retaining top skills and diverse talent. We seek to secure, retain and develop top talent through our human resource activities.
 Our relationships Trusted relationships with all our stakeholders is essential to maintaining our reputation and licence to operate, and to enabling us to deliver on the Tswelelopele strategy. Actions to enhance our relationships A review of our activities aimed at strengthening stakeholder relations is provided in the following sections of our 2020 reports: • Addressing stakeholder interests (IR – page 40) • Provide leadership through responsible citizenship (IR – page 57) • Building social capital: Making a positive social contribution (SR – page 63) • Our People: Workforce culture and capability (SR – page 50) • Stakeholder engagement (SR – page 30)	• 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	Increasing stakeholder expectations for all businesses, relating to strong ESG performance, coupled with declining levels of trust in institutions in many countries, has heightened the importance of developing strong relationships. Managing the sometimes 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, with business in South Africa that have been further exacerbated by the significant socio-economic impacts of the Covid-19 pandemic.



- Positive outcome ✓
Neutral outcome –
Negative outcome ✗

Outcomes

The effect of our activities on employees

- ✓ Sustained strong safety and occupational health performance
 - Zero work-related fatalities among employees and contractors (2019: zero)
 - Total recordable case frequency rate (TRCFR) of 1.74, against a target of 2.01 (2019: 2.06)
 - No new cases of noise-induced hearing loss or occupational respiratory disease
- ✓ Ensured a rapid and effective response to Covid-19
 - Risk-based control strategies implemented to mitigate Covid-19 impacts on employees and communities
 - 7,008 tests carried out – 1,399 tested positive; 94% recovery rate
 - Supplied and operated the PCR testing facility at Saldanha for use by our industry partners, for example Transnet
 - Regrettably eight employees died from Covid-19-related complications, since the onset of the pandemic
- ✓ A multi-pronged approach, with various special measures considered on an individual basis, to best accommodate and protect every vulnerable employee during Covid-19
- ✓ Successfully concluded a multi-year collective bargaining agreement with the three representative trade unions, for the period 1 July 2020 to 30 June 2023
- ✓ Paid basic salaries with all allowances (forfeit allowances only if employee could not report for duty); employer retirement fund contributions and medical subsidy benefits were maintained for all employees during the 16-day period in April 2020
- ✓ Further enhanced employee skill-set, wellbeing and diversity commitment:
 - R5.0 billion spent on employee salaries and benefits (2019: R5.0 billion)
 - R263.0 million invested on training and development (2019: R289.0 million)
 - Leadership and culture initiatives to support employees through the Tswelelopele journey
 - Diversity: 72% HDSA in management (2019: 71%); 24% women in total workforce (2019: 23%)
 - Progress made in black female appointments: 63 into core positions and four in senior management positions in the technical function, with an additional 34 females appointed in mid-level management positions in the technical function
 - One black female Exco member was promoted to another Anglo American business unit
- Eight employee grievances referred to Commission for Conciliation, Mediation and Arbitration (CCMA) (2019: 31)

Covid-19



The effect of our activities on our relationships

- ✓ Continued to maintain strong employee relations
 - 3.18% employee turnover rate, well below the industry benchmark
 - No industrial action since 2012
 - In August 2020, we processed the third and final annual award (of three tranches) of the 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 III and National Development Plan (NDP) expectations
 - No fines for non-compliance during the year
 - R14.4 billion total tax contribution (2019: R11.9 billion)
- ✓ Working in close collaboration and strengthening partnerships with Transnet to mitigate Covid-19 challenges
- ✓ Maintained confidence from shareholders and investment community through strong financial performance
- ✓ Benefit of geographically diverse customer portfolio, during Covid-19 pandemic, ensured that we could regain market share quickly outside of China
- ✓ Encouraging relationships with communities, with comprehensive Covid-19 response, active engagement and provision of economic opportunities, infrastructure and services:
 - 90% of Kumba employees recruited from local areas
 - R3.6 billion spent on more than 300 suppliers from our host communities (2019: R2.4 billion)
 - R9.8 billion B-BBEE procurement spend (2019: R6.1 billion)
 - R263.6 million social investment, including Covid-19 support of R93.2 million, in health, education and infrastructure (2019: R170.9 million)
 - Provided essential services, including water, healthcare and emergency medical services, distribution of food parcels and healthcare packs, provided critical medical equipment and more than 400 additional beds for ICU, quarantine and isolation purposes to local hospitals to combat Covid-19
- ✗ 45 community complaints, relating mainly to environmental impacts
- ✗ Backlog in planned community development projects as a result of Covid-19 lockdown restrictions



Capitals	Necessary inputs	Challenges in securing these inputs
 Natural resources Our business model involves converting mineral resources into social and economic value; doing so has some unavoidable environmental impacts. Actions 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 2020 reports: • Provide leadership through responsible citizenship (IR – page 57) • Environmental impacts (SR – page 73)	• Inclusive mineral resources: 1,434.7 Mt • Water: Total withdrawal of 29.4 million m³ (4% decrease year-on-year) • Energy: Total consumption of 8.11 million GJ (8% reduction year-on-year) • Diesel: 183.6 Ml purchased (7% reduction year on year) • Land: 83,402 hectares land under management; 2,500 hectares set aside for biodiversity offsets	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.
 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. Actions to optimise financial capital Through the Tswelelopele 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”, and implementation of our FutureSmart Mining™ commitments, 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 2020 reports: • Chief Executive review (IR – page 30) • Review of our strategic focus areas (IR – page 54) • Provide leadership through responsible citizenship (IR – page 57) • Building social capital: Making a positive social contribution (SR – page 63)	• Market capitalisation: R134.3 billion at end of 2019 • Capital expenditure to execute growth projects: R589 million • Robust balance sheet • Cash generated from operations: R40.3 billion • Continued focus on margin enhancement and strong financial discipline • Debt free since March 2017 • Good track record of responsible financial management practices	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 state of the global and regional economy more generally. Current bleak prospects regarding South Africa’s economic outlook and fiscal sustainability – compounded by the profound local and global impact of the pandemic, and continuing concerns with South Africa’s state-owned enterprises, corruption and political uncertainty – are negatively impacting fundamentals and investor sentiment. The recent downgrade by ratings agencies has raised the cost of financial capital.



Outcomes

The effect of our activities on natural resources

- ✓ No serious (level 3 to 5) environmental incidents for fifth 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 m³/month)
- ✓ 110 hectares rehabilitated during the year
- ✓ Increase in overall Ore Reserves of 6% (38.2 Mt), mainly attributable to a larger pit layout at Sishen and a substantial increase of 24% (134.5 Mt) in Mineral Resources, due to the increase in the size of the resource shell at Sishen
- ✓ Decrease of 9% in total greenhouse gas emissions over the year (to 0.91 million tonnes CO₂e)
- ✓ Continuing the exploration programmes in the Northern Cape to develop our resource pipeline
- Further progress in mitigating dust emissions at our mining operations
- ✗ 10 environmentally-related community grievances relating mainly to water quantity and quality and stock theft (2019: 11)
- ✗ 16,399 hectares disturbed by mining, processing and mineral waste disposal

The effect of our activities on financial capital

- ✓ Resilient and efficient balance sheet with strong cash flows and no debt
- ✓ Improvement in return on capital employed from 83% in 2019 to 109% in 2020
- ✓ Ended the year with a net cash position of R22.2 billion
- ✓ Earnings before interest, tax, depreciation and amortisation: R45.8 billion
- ✓ Total cash dividend of R60.90 per share
- ✓ 49% increase in share price from R417 per share at end of 2019 to R623 per share at end of 2020
- ✓ Increased market capitalisation of R200.6 billion at end of 2020



Capitals



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.

Actions to enhance manufactured assets

A review of our activities is provided in the following sections of our 2020 reports:

- Chief Executive review (IR – page 30)
- Chief Financial Officer review (IR – page 58)
- Review of our strategic focus areas (IR – page 54)

Necessary inputs

- Well maintained and functional property, plant and equipment: 2020 book value of R40.6 billion
- Maintaining opportunities for growth through our exploration 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 requires a strong performance-based ethical culture, effective management systems and continuing innovation in technology and processes to produce the most efficient and effective outcomes.

Actions to enhance intellectual capital

A review of our activities aimed at enhancing intellectual capital is provided in the following sections of our 2020 reports:

- Review of our strategic focus areas (IR – page 54)
- Our People: Workforce culture and capability (SR – page 50)

- 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
- Continued investment of R181 million in the technology roadmap

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.



Grade control and Reverse Circulation drilling in the Leeuwfontein pit at Kolomela. Pictured here are drill operators, Bradley Mouton and Sylvester Williams, on the rig, with pit geologist Bianka Bronkhorst and sampler Manuel Legalamitlwa that will use the results from the drilling to map out the grade of the resources.

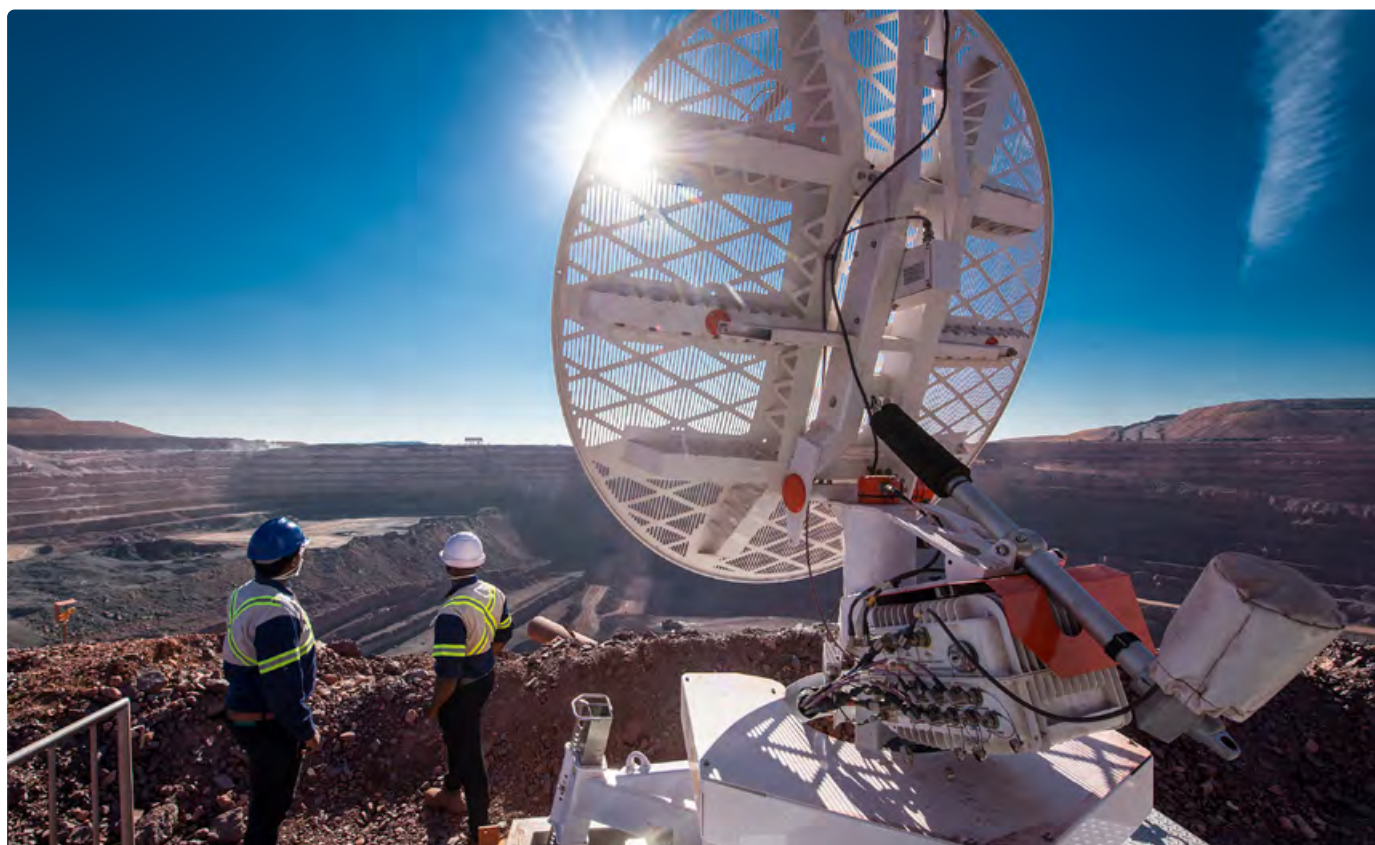
Outcomes

The effect of our activities on manufactured capital

- ✓ Manufactured assets enhanced through R5.7 billion investment of capital expenditure in plant, equipment and deferred stripping costs capitalised
- ✓ Continued focus on improving operational efficiency through P101 productivity improvements and various efficiency programmes at operations through the implementation of technology
- ✓ Board approved the UHDMS project that will maximise product quality and extend the LoM of Sishen to 2039
- ✓ Construction of the Kapstevl South pit at Kolomela commenced in October 2020, which will maintain Kolomela's current LoM at 13 years
- ✗ Occasional equipment reliability and availability issues and weather-related delays impacting access to logistical support services
- ✗ Deferred R1.0 billion of non-critical capex to mitigate the impact of Covid-19

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: R263 million
 - Investment in technical studies: R119 million
 - Successful roll out of innovation in technologies and processes in both our operations



⚡ Mine overseer, Jones Galane and Mining engineer, Tsundzukani Mhangane pictured next to the ground stability radar that monitors pit wall movement in the Leeuwfontein pit.





Our operating context and strategy

In 2020, the world faced an extraordinary set of challenges. Covid-19 created a humanitarian and economic crisis of immense proportions, testing our ability as a nation and as a mining industry to protect both lives and livelihoods. As with the rest of the industry, Kumba's resilience was tested and we have delivered on our priorities of supporting our stakeholders, ensuring business continuity, strengthening our balance sheet and providing sustainable returns.

Matters discussed in this section

Chief Executive's review

Operating context

Addressing stakeholder interests

Material risks and opportunities



Kumba's collective response to the challenges presented by the Covid-19 pandemic, and the Company's pleasing performance this year under tough conditions, has demonstrated the benefits of our commitment to delivering on our core purpose: re-imagining mining to improve people's lives. Having shown strong resilience in the first half of the year, responding quickly, collectively and with empathy to the immediate impacts of the pandemic, the second half of the year was characterised by the Company's resurgence, proving that we are well on our way to fortifying the business into the future.

Themba Mkhwanazi
Chief Executive

Creating enduring value

While our activities this year have clearly been impacted by the pandemic, with lower production and sales volumes due to operational disruptions, these impacts have been less severe than for many other businesses. We operate an essential service, and were in a strong position prior to the crisis, with a resilient balance sheet, positive stakeholder relationships, and a high-quality product, supported this year by a more favourable commodity market. Kumba achieved particularly strong growth this year in earnings before interest, tax, depreciation and amortisation (EBITDA), up 37% to R45.8 billion, assisted by stronger iron ore prices, a weaker Rand, and R1.3 billion in cost savings. We ended the year with a net cash position of R22.2 billion, generating attributable free cash flow of R20.7 billion, up 21% year-on-year. Through our activities this year, we supported our investment commitment in South Africa and created around R60 billion in enduring value for our stakeholders.

Delivering on our purpose through our Tswelelopele strategy

Since the implementation of our Tswelelopele strategy in 2018, we have consistently created enduring value for all our stakeholders. Our four strategic ambitions are as follows (please refer to page 6 for further details on our strategic ambition):

- achieving our goal of zero fatalities
- margin enhancement
- sustainably extending the life of our Northern Cape operations to 2040
- becoming the employer of choice in South Africa

2020 was no different as we delivered on our strategic ambition and our purpose of improving people's lives – harnessing the collective strength of our people, our culture, our balance sheet and our ore body. The underlying ethos that informs our purpose, was evidenced this year in the nature of our collective response to the Covid-19 pandemic and in the decisive action that was taken to protect the health, wellbeing and livelihoods of our employees, contractors and communities. Through our WeCare Covid-19

response programme, we saw a committed effort from the leadership team and shared responsibility across the workforce to minimise exposure to risks, manage infection rates, and actively support the mental health and physical wellness of employees, dependants and health workers.

Achieving our goal of zero fatalities

We had outstanding safety performance this year, remaining fatality-free for the fourth successive year, and achieving a 75% reduction in the number of high potential incidents. Being fatality-free for four years and seven months is a significant accomplishment that reflects our commitment to instilling a culture of zero harm and to delivering the right safety mindset and leadership, supported by effective safety management systems and processes. Our total recordable case frequency rate (TRCFR) this year was 1.74, ahead of our target of 2.01 and down from 2.06 in 2019. Pleasingly, there were no new cases of any occupational diseases, and this was our fifth consecutive year of no new cases of noise-induced hearing loss (NIHL). Our commitment to environmental stewardship is also reflected in a 10% reduction in greenhouse gas emissions, ahead of our 2020 target of 4%; reduced fresh water usage by 17%; and had a fifth consecutive year with no major environmental incidents.

Driving margin enhancement

To improve our cost competitiveness, we have been driving an ambitious margin enhancement strategy. This year, we delivered cost savings of R1.3 billion (including R613 million of Covid-19-related savings), ahead of our R1.1 billion target for this year and exceeding our cumulative target of R2.6 billion ahead of time. Our EBITDA margin increased with 12 percentage points from 2018 to 57% in 2020. Despite Covid-19-related challenges, the activities of our integrated sales and operations team contributed to a 19% increase in the average realised FOB iron ore price of US\$115/tonne. We maintained our high product quality at an average Fe of 64.3% and a lump-to-fine ratio at 69:31, contributing to an Fe premium of US\$4.1/tonne and a lump premium of US\$6.5/tonne;



together with a US\$5.8/tonne premium for marketing effort, we delivered a total price uplift of US\$17.2/tonne to US\$114.6/tonne FOB Saldanha, a 19% increase year-on-year, and US\$15.75/tonne above the Platts 62 FOB index and ahead of our peers.

We contained the break-even price at US\$45/tonne, with the gains of a higher price premium, reduced spot freight rate and a weakening in the Rand/US\$ exchange rate being offset by a lower lump premium, higher unit costs, and increased on-mine SIB capex and royalty charges. Recognising that the non-controllable elements of our business – such as price, currency, freight costs, and geological and cost inflation – have the potential to significantly impact our earnings, and given anticipated further cost pressures, we will be continuing with our drive to operate our assets at their full potential.

Extending the life of our mines

Despite some pandemic-related challenges, we made encouraging progress this year on our mine-life extension initiatives, achieving a significant milestone by delivering on our ambition, set in 2018, of replenishing our ore reserves by 200 Mt well ahead of the original timeframe of 2022. We have increased the ore reserve by a cumulative 206.4 Mt (before depletion)

54% is represented by black females. We continue to enjoy a stable and productive industrial relations environment, and successfully concluded a multi-year collective bargaining agreement this year with the three representative trade unions. In August, we processed the third and final tranche award in our broad-based employee share ownership plan (ESOP), Karolo, and are currently reviewing a potential extension of the scheme.

Operational performance

Operationally, production volumes were lower compared to 2019, at both our mines as a result of Covid-19 lockdown restrictions, various equipment challenges and weather delays. At Sishen, production volumes were down 13% year-on-year to 25.4 Mt, slightly below revised market guidance, while unit costs were up R17/tonne to R362/tonne, with lower deferred stripping contributing to the increase that was partially offset by lower mining volumes and maintenance costs. At Kolomela, production was down 12% to 11.7 Mt, and unit costs were up R34/tonne to R304/tonne, due to higher mining and maintenance costs related to the catch-up in our mining fleet maintenance activities. Total sales volumes this year were down 6% to 39.7 Mt; export sales of 39.3 Mt were 0.7 Mt below the prior year, with shipments affected due to Covid-19-

for all stakeholders

through various initiatives, including improved resource-to-reserve conversion, pit-layout optimisation at Sishen, the Sishen UHDMs project, which will add an additional 110 to 130 Mt of reserves, and the Kolomela Kapstevle South project, while continuing our exploration programme in the Northern Cape as we develop our resource pipeline.

As a result of these various initiatives, the reserve life at Sishen has increased from 2032 to 2035, and with the approval of the UHDMs project in February 2021 there is the potential to add a further three to four years, at an average 29.2 Mtpa saleable product output for the bulk of the reserve life up to 2035 and then dropping to 15 Mtpa in the last three years. Additional technologies, such as bulk ore sorting, will enable us to upgrade this material and achieve higher yields and thus additional volumes. For Kolomela we estimate a 12-year remaining reserve life, at an average 12.6 Mtpa saleable product output. In addition to extending Kumba's life-of-mine, we made progress this year in partnering with Transnet and other industry players in an industry forum to identify and implement various rail and port improvement projects that will extend the longevity of the rail and port logistics network to meet our mine-life extension ambitions.

Becoming the employer of choice

Delivering on our fourth strategic ambition of being the employer of choice in the South African mining sector is a critical enabler for our Tswelelope programme. In addition to driving a collaborative, people-centric response to the Covid-19 pandemic, we continued to work this year on embedding an organisational culture that fosters safety, diversity, innovation and organisational effectiveness. Adapting our activities to provide for the shift to remote working, we implemented various leadership and culture initiatives, employee engagements and team development processes, building on the strong foundations of our culture change interventions of the previous two years. We made pleasing progress in improving female representation across the business, with women now accounting for 32% of our talent pool, of which

related production losses, while domestic sales of 0.4 Mt were 84% lower, following lower off-take demand from ArcelorMittal SA.

This year the volume railed to Saldanha was 4.4 Mt below the prior year, as a result of Covid-19 challenges, logistics constraints, and various weather delays. Total shipments were 0.7 Mt lower than 2019 due to a number of interventions that offset logistical constraints. Through effective implementation of our Covid-19 measures, combined with initiatives to increase workforce capacity at Transnet, the iron ore export channel haulage rates returned to pre-Covid levels by the third quarter, contributing to a significant improvement in throughput at Saldanha port in the second half. In these challenging times, it was heartening to see the strong teamwork between industry and Transnet. By working closely together, we could respond more quickly to issues, and optimise the use of the rail and port infrastructure. We are continuing to work with Transnet to simplify the product portfolio, revise the stockyard layout at Saldanha, and blending ore into trains at the mines to reduce time lost for blending at Saldanha.

Re-imagining mining to improve people's lives

As part of Anglo American plc, Kumba shares the group's commitment to FutureSmart Mining™, an innovation-led approach to sustainable mining that looks to harness the power of technologies and digitalisation to fundamentally transform how we mine, process, move and market our products in a manner that tackles our most pressing environmental and social challenges in line with our core purpose.

Following extensive internal and external engagement, the strategy has ambitious stretch goals, aligned with the UN SDGs, that are challenging us to innovate to deliver on these goals by 2030. To meet these goals, our teams at Kolomela and Sishen have been developing tailored five-year sustainable mining plans (SMPs) that are responsive to the local context, while remaining aligned with the global ambitions. These SMPs are underpinned by comprehensive baseline assessments that use spatial planning



and analysis to identify and deliver collaborative regional development projects that we believe will leave a positive legacy long after mine closure, contributing directly to at least 12 of the 17 UN SDGs. These initiatives will be further complemented by some of the exciting energy investments and agricultural projects that we have been exploring as part of our Horizon Three (H3) strategic focus areas.

Together, these SMP and H3 projects will deliver significant value across our various stakeholder groups, in addition to the economic value-add that Kumba is already providing through its core activities. This year, for example, we directly improved people's lives by creating R60 billion of enduring value, including:

- paying corporate income tax of R10.1 billion (2019: R7.8 billion) and mineral royalties of R3.0 billion (2019: R2.6 billion), thereby making a meaningful contribution to government's development priorities
- investing R5.7 billion (2019: R5.6 billion) of capital
- providing jobs and employees with R5 billion in salaries, benefits and share-based payments
- declaring R19.6 billion in dividends to shareholders (2019: R15.1 billion)
- continuing to promote broad-based economic transformation, with R9.8 billion of products and services procured from BEE suppliers, of which R3.6 billion was spent directly on businesses within host communities, and R0.1 billion spent by major suppliers subcontracting to host community businesses
- spending R263.6 million in our host communities through our direct social investment

Although there are inevitably some trade-offs in generating this value – which we review in more detail in this report and in our accompanying sustainability report – it is clear that overall Kumba makes a significant net positive contribution, not only by playing an important part in keeping the engine of the South African economy running, but also through the use of our downstream products as part of the transition to a more environmentally sustainable economy.

Outlook

The longer-term implications of the pandemic are uncertain. Although we have taken significant steps to mitigate the health risks for employees and neighbouring communities, and we have managed to maintain encouraging levels of operational performance, concerns remain regarding the pandemic's long-term impacts on lives and livelihoods, economies and markets, and on the physical and emotional wellbeing of employees and communities. We will continue to work in partnership with relevant stakeholders to mitigate these impacts where we can, and to contribute to building an economy that seeks to deliver value to all stakeholder groups.

High iron ore prices on the back of strong demand in China and supply constraints in Brazil and Australia are anticipated to moderate, albeit remaining above US\$100/tonne in the medium term. Given the structural factors relating to decarbonisation and strengthening environmental regulation, we are confident that there will be sustained demand for Kumba's quality iron ore products that command a higher premium. The strong V-shaped market recovery saw traditional markets outside of China rebounding to a 47% market share in the last quarter of 2020, giving rise to further optimism.

In terms of our full year 2021 performance guidance, production is expected to be between 40 and 41 Mt. Based on this, unit cost is projected to be between R395 and R405/tonne for Sishen and

between R300 and R310/tonne for Kolomela. With cost pressure from fuel, labour and maintenance expected to continue, we are targeting R1.0 billion of cost savings in each of 2021 and 2022. Total sales guidance, including lower domestic sales, is expected to be between 40 and 41 Mt. It is anticipated that the refurbishment of the ship loading equipment by Transnet will continue into 2021, limiting opportunities to divert domestic sales to export markets.

Given the volatile external environment that we operate in, Kumba needs to ensure that we accelerate our efforts to remain competitive and sustainable over the longer term. An organisational restructure was announced in March 2021 to ensure that we have the right structure to effectively and efficiently deliver on our strategic ambitions during these challenging times. The process is designed to create a fit for purpose organisational structure to realise efficiencies and improved productivity. We will conclude this process with care and respect and show empathy to all our employees.

The UHDMs technology project has received Board approval on 19 February 2021. It firmly positions Kumba as a niche producer and provides value uplift. We will be able to increase the product grade and earn an additional US\$1/tonne product premium, from 2024. Sishen will have potential life-of-mine of a further three to four years to 2039. This makes our longer-term sustainability initiatives in terms of solar power and hydrogen fuel, more viable. Best of all we are able to create enduring value for all of our stakeholders especially employees and host communities, 54% of whom are either directly or indirectly dependent on the mine for their livelihoods.

With our value proposition we are well positioned for the longer term. Consistent with our values and way of doing business, safety and sustainability will continue to be our primary focus. Margin performance is the second key value driver. We see upside potential from product premium over time, with high quality products likely to be increasingly important to our customer base. In the short term we'll focus on delivering our P101 programme and continue to meet our cost ambitions. Our third focus will be to continue to unlock the full potential of our resource base. Finally, continued capital discipline, we intend to keep a strong balance sheet while investing in the business and providing shareholders with highly attractive returns.

Appreciation

Kumba's demonstrated resilience during the turbulent first half of the year, laid the foundation for our subsequent resurgence, is testament to the dedication and teamwork of the incredible people across the Company who have had to work under incredibly demanding conditions this year. I would like to thank each of Kumba's employees, contractors and the executive team for this commitment that I believe lays the foundation for the Company's continued success. I also extend my appreciation to the Kumba Board for their support and advice in developing and delivering on Kumba's strategic ambitions. Our Chairperson has indicated that he intends to retire from the Kumba Board, I wish to thank Dr Mandla Gantsho for his impeccable leadership and guidance over the past three years and we wish him every success as he focuses on his personal business interests.

Themba Mkhwanazi
Chief Executive

26 March 2021



Operating context

This year we have identified the following nine priority issues in the external environment as having a material impact on Kumba's ability to create value.

1 The Covid-19 pandemic	2 Continuing volatility in the iron ore price	3 Competitive pressure from a flatter producer cost curve globally	4 Investor and stakeholder pressure for enhanced ESG performance	5 Sustained sector-based commitment to eliminate all employee and contractor fatalities
6 Group-wide Anglo American drives for operational excellence and sustainable development	7 Maintaining the quality of iron ore reserves and life of asset, including critical third-party assets such as Transnet	8 Governance concerns and challenging economic outlook in South Africa	9 Wind-down of ArcelorMittal SA's operations at Saldanha Steel plant	

1. The Covid-19 pandemic



Global and national operating context profoundly impacted by the Covid-19 pandemic

The business environment has been profoundly impacted by the Covid-19 pandemic, globally and nationally. After being identified in Wuhan City in China in January 2020, the virus spread rapidly around the world, with the first reported cases in South Africa in early March 2020. On 26 March, the South African government imposed a "Level 5" lockdown for 21 days, which was subsequently extended to 35 days. Kumba was placed into care and maintenance for the first few days; following consultation with government, our mines were permitted to operate with 50 percent of our workforce. In May, all open pit mines were allowed to operate at full capacity and we ramped up to pre-Covid run-rates by June. Although we have taken significant steps to mitigate the health risks for employees and neighbouring communities, and have managed to maintain encouraging levels of operational performance, there remain significant concerns regarding the longer-term impacts of the pandemic on lives and livelihoods, economies and markets, and the physical and emotional wellbeing of employees and communities.

Implications for value

The Covid-19 pandemic has had a significant impact on most businesses and business models: various sectors of the economy have been shut down (some for extended periods), supply chains and conventional working patterns have been disrupted, existing inequalities have been exacerbated, and employee health and wellbeing has been affected. While Kumba's activities have undoubtedly been impacted by the pandemic, with production levels down particularly in the second quarter, the impact has been less severe than for many other businesses. Kumba operates an essential service, and we were in a strong business position prior to the crisis, with a resilient balance sheet, good partnerships with key stakeholders, and a high-quality product, supported by a more favourable iron ore market and weaker currency.

Strategic response

From the onset of the virus, Kumba reacted quickly and decisively in developing and implementing comprehensive response plans to safeguard and support employees and host communities, and to maintain our operations and support livelihoods without compromising health and safety. Our Covid-19 critical controls and prevention measures ensured effective management of infection rates at our operations, with stringent preventative measures supported by dedicated resources for screening, testing, tracing and treatment, extensive awareness raising activities, and well implemented employee health and wellness interventions. In our communities, our mining operations leveraged our Social Way, collaborating with key stakeholder groups to help communities mitigate and recover from the social and economic effects of the pandemic by continuing to provide essential services, supporting local businesses and entrepreneurs with business opportunities and development initiatives, and providing relief packages to the most vulnerable members of the community. In addition to taking proactive measures to protect production in our own operations, we have collaborated strongly with Transnet to mitigate risks in our export channel. We also proactively amended both the quality and regional sales mix during 2020 to ensure that there were no lost sales as a result of reduction in demand from China in the first half of the year and reduction in demand from Europe and the rest of the market in the second half of 2020. Working in collaboration with Transnet and the rest of the industry to provide support for a rapid recovery on the outbound supply chain when port volumes were impacted by Covid-19 (lower staff availability which resulting in reduced operating hours). While the pandemic has raised risk levels across our value chain, it has also created the possibility to "reset" our outlook and prospects, including by fast-tracking and highlighting new opportunities and applications for digital technologies.

Strategic enablers



Leadership and culture
(page 57)



Provide leadership through responsible citizenship
(page 57)



Proactively engaging with key stakeholders
(page 57)



2. Continuing volatility in the iron ore price

Despite a strong recovery in the global iron ore market, some volatility remains

During 2020, the Platts 62% IODEX CFR China index averaged US\$109/tonne CFR, up 17% on the prior year. This valuable increase was off the back of robust industrial demand from China, particularly in the second half of the year boosted by China's rapid post-Covid-19 economic recovery, with Chinese steel production reaching a record high of 1,054 Mt at year end, up 6% year-on-year. Economic stimulus measures in China fuelled a strong recovery within the infrastructure and property sectors. From a steep 20% year-on-year decline in the first quarter, infrastructure investment growth registered a V-shape recovery starting in the second quarter and finished the year stronger with 0.9% year-on-year growth in December. The property investment improved to 7% year-on-year by December 2020, after falling by 16% year-on-year between January and February 2020. Global supply disruption from inclement weather conditions in Brazil and South Africa, combined with Covid-19-related restrictions, that also impacted supply from Canada, Chile and Peru, provided further price support. It is estimated that shipments from Brazil reduced by 3% or ~9 Mt in the period. Australian shipments however ended the year 4% higher, despite the impact of cyclones early in 2020 and temporary closures for maintenance, as Covid-19-related restrictions were not implemented across the mining industry in Australia. Despite buoyant steel production in China, iron ore port inventories at 45 Chinese ports stabilised to 124 Mt by year end compared with 108 Mt in June. Also, higher iron ore prices have kept marginal producers in the market as China's domestic mine utilisation rates averaged at ~68% in the second half of 2020, compared with 63.1% in the first half of 2020 and 64% during 2019.

The Platts 65-62 differential increased to US\$13/tonne (2019: US\$11.2/tonne), while the lump premium averaged US\$0.15/dmtu, down from US\$0.27/dmtu in 2019. In the first half of the year, mill closures due to the Covid-19 lockdown in Europe, Japan, South Korea and India, which tend to have a higher demand for pellet, resulted in pellet cargoes being redirected to the Chinese market. This created pressure on both the pellet and lump premia. Additionally, high coking coal prices lowered the demand for lumps, placing further pressure on the lump premium. In the second half of the year, the iron ore market improved significantly as markets outside of China began to recover following the lifting of Covid-19 restrictions. Demand strengthened further as vaccines were approved and programmes for the rollout of vaccines were announced in multiple countries, while supply concerns relating to the onset of the second wave and the restocking of supplies ahead of the Chinese New Year in 2021 fuelled a significant increase in premia in the last quarter of the year.

Over the long term, the structural factors relating to decarbonisation and the adoption of Scope 3 carbon reduction interventions by steel manufacturers will continue to support demand for Kumba's high quality iron ore products and we will continue to focus on maximising Fe and lump content. The Covid-19 lockdowns and the steel mill closures in the second quarter outside China, resulted in the share of traditional (Europe, Japan and South Korea) markets of total sales for the period decreasing to 35% from 42% at the end of last year, however; the strong market recovery in the last quarter of 2020 saw the share of traditional markets outside of China rebounding to a 47% market share.

This year Kumba achieved a lump premium of US\$6.5/tonne. Combined with an Fe premium of US\$4.1/tonne and a US\$5.8/tonne premium for marketing effort, we delivered a total price uplift of US\$17.2/tonne to US\$114.6/tonne FOB Saldanha, an increase of 19% against the US\$97.4/tonne achieved for the comparative period.

Implications for value

As a price-taker in the global iron ore commodity market, Kumba is impacted by continuing price volatility. We see the growing premium for higher quality iron ore as an important positive differentiator for the Company. This increasing premium is being driven by more stringent environmental regulations in China, both in response to climate change commitments and in an effort to combat smog as part of the country's "blue skies" policy; other environmental and climate change regulations globally are further contributing to this trend.

Strategic response

Given the expectation that there will be slight reduction in global iron ore prices in the short to medium term, we will retain a strong focus on enhancing Kumba's competitiveness by further improving margins through our Tswelopele programme. Regulations pertaining to decarbonisation and the adoption of Scope 3 carbon reduction interventions by steel manufacturers will continue to support demand for Kumba's high quality iron ore products and is a key driver for sales in Europe. We are continuing to identify and realise various opportunities to optimise our product portfolio to secure the price premium associated with our higher quality iron ore. During 2020, through focused implementation of the Tswelopele programme, our premium products made up 18% of sales (2019: 19%).

Strategic focus areas



Sustainably operate mines at lower unit costs (page 54)



Unlock full infrastructure potential (page 55)



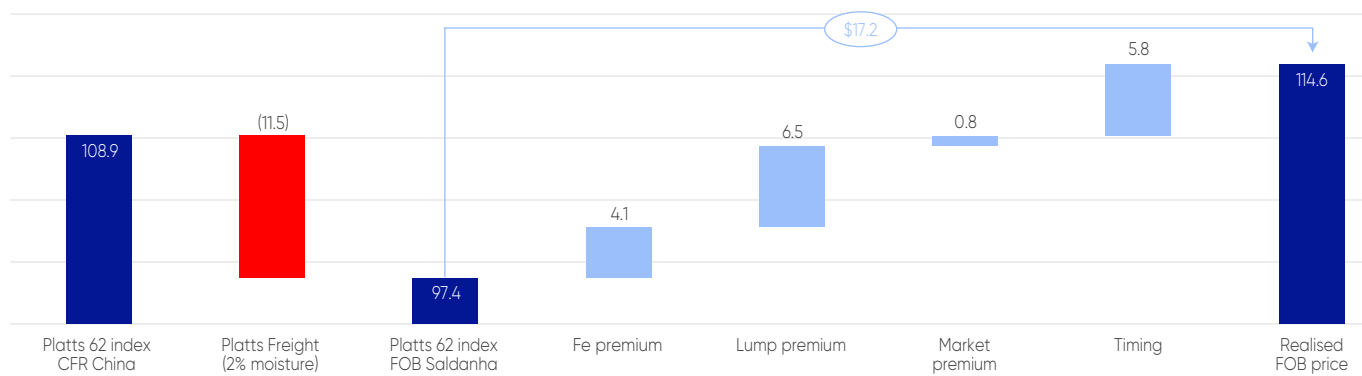
Use technology to extract maximum value (page 55)



Compete through premium products (page 54)



Kumba 2020 realised FOB price (US\$/tonne)



2020 average Fe content, peer comparison (%)



2020 achieved price, peer comparison (US\$/dmt, FOB)



3. Competitive pressure from a flatter producer cost curve globally

Driving operational efficiencies remains a priority given our position on the global cost curves

In response to the downward trend in global iron ore prices between 2011 and 2015, there has been a strong efficiency drive across iron ore producers globally. This drive has contributed to a flattening of the production cost curve across the sector that has been achieved by delivering enhanced efficiencies, aided in some instances by mining technology innovations, realising new low-cost supply opportunities, and benefiting from weaker currencies in some producer markets. With key competitors bringing lower-cost production online, Kumba is currently in the third quartile of the global cost curve. This year, both our controllable and non-controllable costs remained flat.

Implications for value

Heightened cost competition from our global competitors, most of whom have a greater capacity to reduce costs given the nature of their export channels and their proximity to key markets, has obvious implications for Kumba. Together with increasing cash costs and the volatile price environment, this emphasises the critical importance of maintaining a concerted cost efficiency focus.

Strategic response

Responding to this heightened competitive pressure has been a key driver behind our Tswelelopele strategy, which seeks to enhance the performance of our current assets and deliver a substantial margin improvement, through R2.6 billion in cumulative savings over this period. During 2020 we secured R1.3 billion in cost savings, well above our market guidance of R1.1 billion. Given continuing cost pressure from rising geological inflation and higher input costs, as well as higher royalty charges from increased profitability, we are maintaining a strong focus on managing controllable costs to ensure our competitiveness in a lower price environment. Informed by a recent review of operating expenses and identified opportunities for savings in our fixed cost base and further optimisation of outside services, we have reached our R2.6 billion in cumulative savings target ahead of time. Since implementing our strategy in 2018, our EBITDA margin has improved from 45% to 57% and this has provided a strong foundation for further efficiencies.

Strategic focus areas

Sustainably operate mines at lower unit costs (page 54)

Unlock full infrastructure potential (page 55)

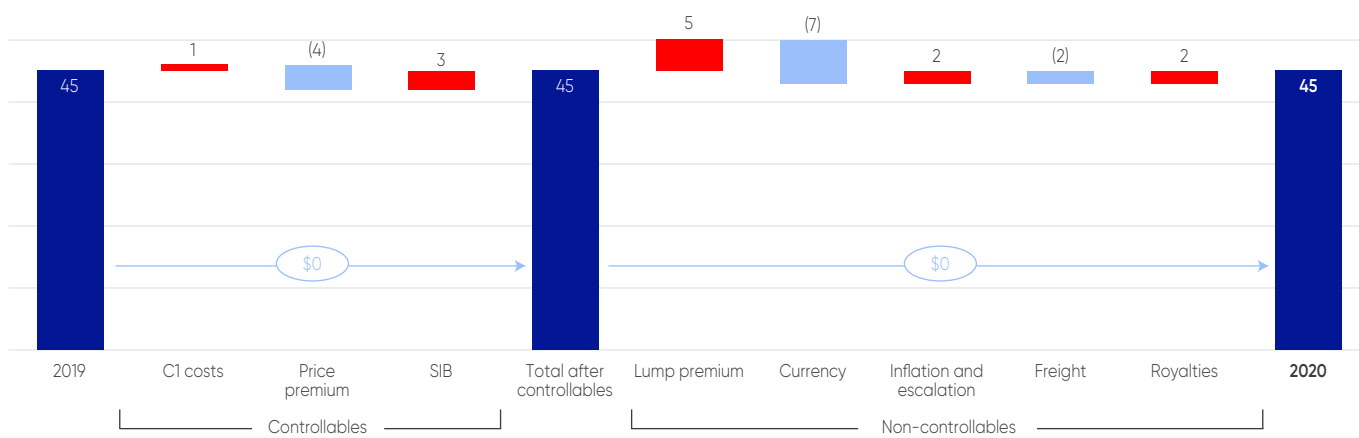
Compete through premium products (page 54)



Our operating context and strategy

Operating context continued

Break-even price (US\$/tonne)



4. Investor and stakeholder pressure for enhanced ESG performance

Increasing uptake of "stakeholder capitalism" and heightened expectations on companies to deliver a "social purpose"

There has been a marked increase in investor interest in environmental, social and governance (ESG) issues in recent years, reflecting increased investor appreciation of the growing materiality of social and environmental issues on company performance, as well as strengthening stakeholder calls for greater corporate accountability of their societal impacts. This forms part of a broader shift towards "stakeholder capitalism", and heightened expectations on companies and Chief Executives to take the lead in driving positive change and deliver a social purpose, including specifically on issues relating to climate change, the circular economy, inequality and the protection of jobs. The calls for enhanced business leadership on societal issues have been strengthened this year by the impacts of the pandemic, the renewed momentum behind the Black Lives Matter movement, and increased concerns regarding a failure of political leadership. While companies across all business sectors are coming under increasing scrutiny from different stakeholders, the mining sector faces particularly strong expectations given the nature of its social and environmental impacts. In South Africa, continuing challenges in government service delivery and corruption, and the high levels of unemployment and inequality exacerbated by the pandemic, have highlighted the critical importance of the mining sector playing a proactive role in helping host economies to "build back better".

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". For us, smart mining means re-imagining how we work at the mine and what we offer to society as our social contract in a changing world. Through our implementation of FutureSmart Mining™ and sustainable mining plan, we are committed to leveraging innovative and sustainable methods to drive safe, responsible production, and high-performance teams. Our plans and collaborative stakeholder approach are a key part in ensuring that we continue to support thriving communities, including through jobs, skills, education and other livelihoods outside our mine gates. With our shipping activities we use only low sulphur diesel and we are introducing LNG vessels into the fleet to further reduce emissions. Providing leadership through responsible citizenship and adopting a partnership approach underpinned by proactive stakeholder engagement, are two key strategic enablers. For details on how we created value for our partners refer to page 22.

Strategic enablers



Proactively engaging with key stakeholders (page 57)



Provide leadership through responsible citizenship (page 57)



5. Sustained sector-based commitment to eliminate employee and contractor fatalities

Instilling a culture of zero harm remains a key priority across the sector

Between 1993 and 2020 the South African mining sector saw a dramatic reduction in mining-related fatalities, reflecting the impact of a sustained sector-wide focus on improving safety and health. This enhanced effort between companies, unions and government contributed to the gratifying and overdue reduction in mining fatalities in the country. Despite this progress, safety remains a key challenge for the mining industry. As at 14 December 2020, the industry tragically lost 58 people compared to 49 at the same time in 2019. This represents an overall 18% regression in the number of fatalities year-on-year. Globally, the tragedy at Vale's operations in Brazil in 2019, in which 270 people died following the collapse of a tailings dam, provided a devastating reminder of the risks associated with mining activities, and heightened the sector's focus on the management of tailings dams. 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, underpinned by the recognition that safety and health in the industry starts with, and ultimately 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 we have been fatality-free for four years and seven months, and that we have continued to see improvements across most leading and lagging indicators. This year, our total recordable case frequency rate (TRCFR) was 1.74 against a target of 2.01, and there were two safety-related high potential incidents (HPIs), an 83% improvement on 12 HPIs in 2019.

Strategic enabler



Provide leadership through responsible citizenship (page 57)



Proactively engaging with key stakeholders (page 57)



Elimination of fatalities (SR page 41)

6. Group-wide Anglo American drives for operational excellence and sustainable development

Ambitious group-wide targets in place to drive efficiency and contribute to the UN SDGs

In the context of some of the key trends referenced above – commodity price volatility, heightened competitive pressure, growing investor and stakeholder expectations on ESG performance, and the sector-wide drive to eliminate fatalities – our parent company, Anglo American, has been driving a radical restructuring process since 2013. Through its FutureSmart Mining™ programme and sustainable mining plan, the group is looking to deliver a step-change across the entire mining value chain, with the aim of driving business efficiencies, resilience and agility, and delivering strong performance on societal issues. Developed through extensive internal and external engagement, and an analysis of critical opportunities and risks, the strategy includes ambitious long-term commitments and targets. These are 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 has 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.



Our operating context and strategy

Operating context continued

Strategic response	Strategic focus areas	Strategic enablers
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. Both Kolomela and Sishen have developed and begun to implement the initial phases of their five-year sustainable mining plans.	 Sustainably operate mines at lower unit costs (page 54)	 Provide leadership through responsible citizenship (page 57)
	 Unlock full infrastructure potential (page 55)	 Leadership and culture (page 57)
	 Implement the Anglo Operating Model (page 54)	 Proactively engaging with key stakeholders (page 57)
	 Use technology to extract maximum value (page 55)	
	 Compete through premium products (page 54)	

7. Maintaining the quality of iron ore reserves and life of asset, including critical third-party assets such as Transnet

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

As of 31 December 2020, Kumba, from a 100% ownership reporting perspective, had access to an estimated haematite ore reserve of 7299 Mt at an average unbeneficiated or feed grade of 58.8% Fe from our two mining operations: Kolomela (158.0 Mt at 62.1% Fe, against a 50% Fe cut-off grade) and Sishen (571.9 Mt at 57.9% Fe, against a 40% Fe cut-off grade). The net increase this year in saleable product, ore reserves and mineral resources reflects the improved long-term market outlook, especially in terms of the US\$ to ZAR exchange rate (critical for Kumba being primarily an exporter), combined with optimised haul road designs and another year of advances made as a result of a geotechnical pit design study at Sishen. As a result of the above, the reserve life of Sishen has increased from 12 to 15 years. Further details are provided in the Ore Reserve (and Saleable Product) and Mineral Resource report, summarised on pages 73 to 79.

Following the finalisation of the 2020 resources and reserves, the Kumba Board approved the Sishen UHDMS project which will extend the LoM by an additional three to four years at an average production rate of 10 to 15 Mtpa.

Implications for value

Our ability to generate revenue and stakeholder value is entirely dependent on having reliable and cost-effective access to quality iron ore reserves. To maintain our capacity to generate value over the long term, it is critical that we identify and realise new opportunities to extend production beyond the current life-of-mines. In addition to maintaining the quality of our iron reserved and extending the life of our own assets, it is essential that we ensure the availability of stable and reliable rail and port infrastructure over the life of these assets.

Strategic response	Strategic focus areas
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 are partnering with Transnet and other industry players in an industry forum to ensure a stable and reliable Iron Ore Export Channel (IOEC) that will be able to service its users' needs into the long term.	 Use technology to extract maximum value (page 55)
	 Extend life of current assets (page 55)
	 Focus on the Northern Cape (page 55)
	 Unlock full infrastructure potential (page 55)



8. Governance concerns and a challenging economic outlook in South Africa

Governance challenges in South Africa underpin concerns regarding the country's economic prospects

Prior to the pandemic, South Africa faced significant challenges associated with the country's depressed economy, high unemployment, ongoing load-shedding and continuing concerns regarding the viability of state-owned enterprises and persistent corruption, all of which had a profoundly negative impact on business, consumer and investor sentiment. These concerns have been exacerbated by the impacts of the pandemic. Hopes that we will see an economic rebound in 2021 remain subdued in the absence of a clear timeline for a vaccine rollout in the country, further lockdowns and load-shedding, the risk of a public sector strike associated with a proposed wage freeze, and the country's very high debt burden. The local government elections scheduled for August, and the ANC leadership contest due in 2022, are likely to heighten the risk of political and social unrest. From a policy and regulatory perspective, although the revised Mining Charter has provided greater 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.

Implications for value

Strong governance and effective institutions, supported by regulatory and fiscal certainty, are essential to encourage long-term investment and boost economic growth which is 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.

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 (page 57)



Provide leadership through responsible citizenship (page 57)

9. Wind-down of ArcelorMittal SA's operations at Saldanha steel plant

Realising opportunities to increase export sales capacity to compensate for lower domestic sales

In November 2019, ArcelorMittal SA announced its decision to undertake an orderly wind-down of their steel operations at Saldanha Works. As part of this wind-down process ArcelorMittal SA has been 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 2020 decreased by 6%, mainly driven by the 84% 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 99% 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 (page 55)



Proactively engaging with key stakeholders (page 57)



Provide leadership through responsible citizenship (page 57)



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 together 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. 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:

The degree to which we depend on the stakeholder's support in achieving our strategic goals

The degree to which the stakeholder can influence organisational performance

The significance of the issues linking the stakeholder to Kumba

The risks that we are exposed to should we not deliberately plan our interventions to address stakeholder issues

Engaging our key stakeholders

Informed by the criteria, we have grouped our stakeholders as outlined in the table on pages 40 to 42. Through our interactions, we identified their priority interests, concerns and expectations. We carefully review 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.



Investment community, shareholders, BEE partners

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
- Shareholders/investors, (including strategic shareholders Anglo American plc and IDC; and our BEE partners (Exxaro and SIOC-cdt) - Sell-side and buy-side analysts	- Investor days and roadshows - SENS announcements - Website - Results reporting presentation - Mine visits - Analyst round table - Individual meetings - Investor conference - Board meetings	- Life-of-mine extension - Impact of Covid-19 pandemic on sales and supply of critical equipment and capital spares - Management of costs and mining inflation - Impact of unscheduled maintenance on production, costs and capital expenditure - Securing mining rights and other regulatory issues - Transformation and empowerment status - Payment of dividends - Social value and the Dingleton resettlement - Managing logistical constraints on Iron Ore Export Channel - Environment, social and governance issues - Capital expenditure	    



Employees and trade unions

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
NUM, AMCU, Solidarity and UASA	- Ongoing dialogue through established channels - Operational leadership teams - Visible felt leadership (VFL) - Tripartite Health and Safety Initiative - Future forums - Managers/team dialogues – Surveys and employee presentations - Focus groups - Company intranet and newsletters - Electronic notice boards/public display, Mobi app - Stakeholder days - Executive roadshows	- Conditions of employment - Wages and benefits (wage negotiations) - Housing and living conditions - Changes in shift patterns - Safety and health (Kumba response to Covid-19) - Employee share ownership scheme - Job grading and career progression - Productivity, production and performance - LoM and/or strategic direction - Transformation - The future of work	  



South African government

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
- 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 governments - District municipalities (DM) and local municipalities (LM) where Sishen and Kolomela operate – John Taolo Gaetsewe DM, Gamagara LM, Tsantsabane LM, GA Segonyana LM and Joe Morolong LM, ZF Mgcawu	- Mine visits - Stakeholder days - Meetings - Presentations - Workshops - Press releases - Annual reports - Website - Rehabilitation trust - Regulatory audits/inspections - Integrated development programme forums - Working groups - Council presentations - Local economic development forums	- Legal compliance, especially on safety, health and environmental performance (Kumba response to Covid-19) - Transformation and B-BBEE delivery - Community development and progress on the implementation of social and labour plans - Legacy initiatives beyond the life-of-mine - Licensing authorisations - Creating jobs through growth - Sustained contribution to national tax base - Contribution to local infrastructure and service delivery - Ensuring responsible governance practices and respect for human rights - Dingleton resettlement (relocation of remaining homeowners and institutions, and the sustainability and integration of Siyathemba, demolishing and de-proclamation of Dingleton) - Municipal capacity development - Timely resolution of tax-related matters	   



Host communities

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
Tsantsabane and John Taolo Gaetsewe community groups, and our labour sending communities	- Complaints and grievance procedure - Socio-Economic Assessment Toolbox (SEAT) and other community engagement sessions - Website, Facebook and Twitter - SMME Workshops and Chief Executive engagements with business forums - Stakeholder day - Advertorials, radio interviews, flyers and notices - Annual reports	- Localised preferential procurement and employment opportunities - Social and Labour Plans - Enterprise development - Community investment initiatives, to last beyond life of mine - Nature of engagement structures - Management of environmental impact - Kumba response to Covid-19 - Transparency and engagement measures - Financial compensation for Dingleton community - Education - Host stakeholder days every two years	   



Media

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
National and local media	- Holding statement - Press releases - Results presentations - Mine visits and media day - Interviews - Annual reports - Advertorials	- Company performance - Dingleton resettlement - Good corporate citizenship - Mining rights and regulatory issues - Strategy and Company sustainability - Labour relations - Transformation - Technology roadmap - Markets and products - Kumba response to Covid-19	    



Our operating context and strategy

Addressing stakeholder interests continued



NGOs

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
- Action Aid Family South Africa; - Raising leaders foundation; - Love life	- Mine visits - Stakeholder days - Annual report - Website - Meetings - Round tables	- Funding for community development - Collaboration on community projects - Human rights - Dingleton resettlement - Transparency in environmental disclosures - Responsible mining	



Suppliers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
- Suppliers; and - Service providers	- Direct supplier engagements - Annual reports and website - Meetings with local community business forums - Workshops - Contractor days	- Procurement opportunities, even beyond Kumba - Contract terms and performance - Promoting localised procurement - Development of an industrial park in Kathu - Iron Ore Export Channel tariffs and penalties and efficiencies/optimisation - Collaboration with junior miners - Safety	



Political parties

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
- African National Congress; - Democratic Alliance - Economic Freedom Front	- Meetings - Annual reports - Website	Similar to South African government issues above	



Business peers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
- Minerals Council of South Africa - Neighbouring mining companies (Northern Cape Mining Leadership Forum) - Other businesses operating in local municipalities	- Meetings and presentations - Leadership forums - Annual reports - Website - Safety tripartite sessions	- Mining Charter review and its impact on the industry - Local preferential procurement - Education and career development and critical skills - General knowledge sharing on our approach to managing material issues - Shared Value and Shared Vision (a joint socio-economic development strategy for the Northern Cape) – Collaborative Regional Development - Safety	



Customers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
Local and export customers	- Regular meetings - Website - Technical conferences - Mine visits - Industry conferences - Annual reports	- Product/service quality and consistency - Security of supply - Contracts/price - Performance reliability	



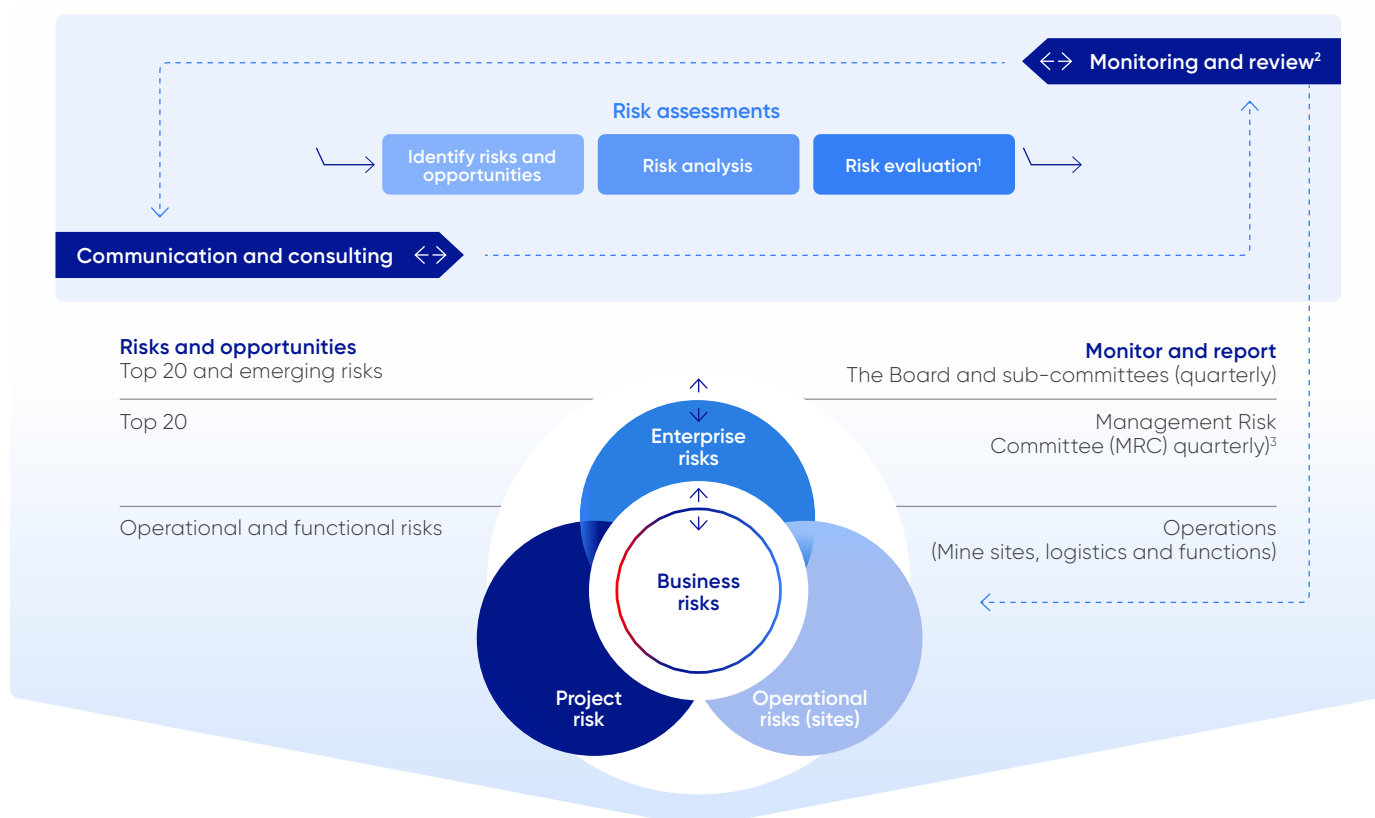
Material risks and opportunities

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 receive regular feedback from management on all risk-related activities. The Board sub-committees regularly 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 appropriately defined and responded to.

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



¹ Ensure that appropriate controls and responses are in place to mitigate the risks and manage identified opportunities (recorded in risk registers).

² Regularly analysing and monitoring the effectiveness of current controls (three lines of defence). Regular and timely reporting to Exco, the risk and opportunities committee and the Board. Risk management is integrated within management's everyday agenda to ensure that mitigation actions for identified risks are implemented.

³ The MRC is a sub-committee of Exco responsible for managing risks.

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. The Board reviews and approves the risk tolerance and appetite on a quarterly basis, to ensure effective delivery of the Company's strategy in the context of a continuously changing operating environment.

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.



Our operating context and strategy

Material risks and opportunities continued

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 Tswelelopele programme aimed at securing Kumba's "Transformation to full potential", we have committed resources to realising the following opportunities:

Opportunities	Capitals enhanced
Significantly improving margins through various initiatives that will optimise our production portfolio to deliver the price premium associated with higher quality ore	
Enhancing the performance of our current assets by improving overall equipment efficiency, reducing external spend and optimising the Anglo Operating Model	
Leveraging our endowment and growing our core business to further extend our life-of-mine to 2040	
Increasing port throughput to increase capacity in the logistics value chain to enable Kumba to re-direct lower local sales to export markets	
Partnering with national/international donor organisations and implementing agencies to improve impact on our surrounding communities	
Unlock and identify Horizon 3 opportunities	
Re-engineering our "Way of working"	

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
Failure of infrastructure or key equipment on the logistics channel	
A major failure of infrastructure or key equipment on the logistics channel, could result in prolonged rail or port disruption and unavailability	Business continuity plan Contingent business interruption insurance cover Oversight on infrastructure or key equipment maintenance programmes for the logistics channel
Slope failure or dump failure	
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	Geotechnical design Slope stability monitoring Geotechnical inspections Emergency response plans and emergency preparedness plans
Tailings storage facility failure	
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	Inspections and regular audits by Manager technical services and the Operational Risk Assurance process Automated warning system Emergency response plans and emergency preparedness plans
Fire and/or explosion	
Fire and explosion risks are present at all mining operations and processing facilities	Event risk reviews identify key fire and explosion risks and provide mitigation recommendations Emergency response plans and emergency preparedness plans



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:

Continued business resilience	Impact of price volatility on projects	Timely delivery of strategic projects	Class action lawsuit	New large-scale global iron ore deposits
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 extend the life of our operations to 2040, to mitigate the risks we face in order to deliver sustainable value to our stakeholders.	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 the impact of price volatility or defer these projects.	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.	A class action settlement was signed (in May 2018) between a number of South African mining companies who have historical or current interests in the gold mining sector (including Anglo American) that will see compensation paid to eligible mineworkers suffering from silicosis or tuberculosis. More class action lawsuits could be instituted by law firms on behalf of mineworkers for occupational health and other related claims. Kumba continues to monitor and review possible exposure with regards former employees who were exposed to occupational dust. We have conducted an assessment on current occupational dust management to ensure that control measures comply with legislative requirements and industry benchmarks.	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 2020. 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	
Likely				6 3 7	
Possible				10	
Unlikely					
Rare					

Risk

1	Global health pandemic	↑	6	Cyber risk	↓
2	Commodity markets and currency fluctuations	→	7	Third-party infrastructure (IOEC operating efficiency)	↓
3	Safety and health	↑	8	Socio-economic challenges	↓
4	Operational performance (current year)	↑	9	Current South African governance and political challenges	↓
5	Managing change (transformation of the business)	↑	10	Fiscal compliance and regulatory certainty	↓

 All risks impacted by the Covid-19 pandemic will be identified with this icon.



Our operating context and strategy

Material risks and opportunities continued

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 Global health pandemic			New risk
Root cause	Impact on value	Mitigating actions	Outlook
Large-scale outbreak of infectious disease increasing morbidity and mortality over a wide geographic area causing significant economic, social and political disruption and impacting the wellness of our people and communities and resulting in interruption to normal operations 	- Health and wellbeing of our people - Short-term fiscal shocks and longer-term negative shocks to economic growth impacting demand and/or reduced prices for commodities and products produced and marketed - Pandemic mitigation measures can cause significant social and economic disruption	- Preventative measures to stop the spread of the virus within host community in collaboration with the government - Site emergency response plans, business continuity and crisis management plans - Ongoing mental health and employee fatigue awareness and engagement - Ongoing support to our host communities through our <i>We Care</i> programme	Anticipated virus mutation resulting in further restriction on movement and economic activities. Prolonged vaccination rollout programme
Capitals at risk   			Strategy focus area  Eliminate fatal incidents through a culture of zero harm
			Key enablers  Provide leadership through responsible citizenship
			 Leadership and culture



Returning employees queue at the entrance of the Kolomela One Stop medical facility, observing social distancing. Each employee is monitored for Covid-19 signs before entering the facility.



2 Commodity markets and currency fluctuations

Decrease in risk (2019: 1)

Root cause	Impact on value	Mitigating actions	Outlook
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 As Kumba's iron ore export prices are determined in US\$, we negotiate iron ore prices in this currency with customers. By contrast almost all of our costs are incurred in Rand 	- As a price taker, changes in iron ore prices significantly impact Kumba's revenues, profitability and cash flow - Revenue is in US\$. While some capital and other expenditures are incurred in US\$, the majority of our costs are denominated in Rand - A fluctuating currency can have both positive and negative impacts on our revenue and cash position Capitals at risk 	- 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 - We employ price-risk management mechanisms to mitigate exposure and impact of price volatility - We are maximising the Fe units of product sold to customers to take advantage of the higher index prices for high-grade products - Continue to develop customers and market penetration in regions that value premium products (Europe, Japan and South Korea) - Our continuous focus on cost stewardship and production efficiency improvements help to protect margins and improve cash flow - Our policy is not to hedge currency risk. A natural hedge is achieved through our foreign sales that are denominated in US\$ - 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	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 create further uncertainty on the longer-term sustainability of current prices 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 Strategy focus areas  Compete through premium products  Operate mines at lower unit costs  Unlock full infrastructure potential Key enabler  Reinforce product quality and consistency

3 Safety and health

Decrease in risk (2019: 2)

Root cause	Impact on value	Mitigating activities	Outlook
There are inherent safety risks associated with mining activities across the value chain. A continuously changing operating environment and conditions can heighten these risks 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 	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 Capitals at risk 	Various initiatives have been implemented as part of our commitment to zero harm: - Comprehensive Covid-19 mitigation measures - Sacred covenant code with employees and families to do our utmost to minimise harm - Implement safety improvement plans and elimination of fatalities framework - Risk and change management systems in place - Focus on priority unwanted events and critical controls - Preventing repeat incidents through effective learning from incidents - Driving disciplined and consistent execution of the basics and compliance with safety standards - Scheduled visible felt leadership (VFL) interventions with employees	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 Strategic ambition  Eliminate fatal incidents through a culture of zero harm Key enablers  Provide leadership through responsible citizenship  Leadership and culture



Our operating context and strategy
Material risks and opportunities continued

4 Operational performance (current year)			No change in risk (2019: 4)
Root cause	Impact on value	Mitigating actions	Outlook
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 	• Qualities may be negatively impacted • Higher than budgeted unit cost due to lower than budgeted production • Higher mining cost due to additional contractor capacity as well as trucking-in of additional finished product • Compliance to plan not achieved, posing a risk to following years • Increased safety risks • Reduced profit margins Capitals at risk   	• Continuous focus on OEE improvement and execution schedule compliance • Feed strategy to increase product quality impact and production tonnes • Budget execution plans to prioritise high risk areas and drive performance • Monitoring compliance to mine to plan and mine to design	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 Strategic focus areas  Implement the Anglo Operating Model  Use technology to extract maximum value  Operate mines at lower unit costs  Unlock full infrastructure potential Key enablers  Reinforce product quality and consistency  Leadership and culture



5 Managing change (transformation of the business)

No change in risk (2019: 5)

Root cause	Impact on value	Mitigating actions	Outlook
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: - uncertain iron ore price outlook - potential market downturn - increases in cost inflation - competitive impact of the higher comparative stripping ratio and transport costs, with Kumba being in the third quartile of the global cost curve - peak production tapering off by 2035 - inability to drive change and rapidly adapt to the external environment to achieve the targeted break-even price 	- Potentially unprofitable business in the short to medium term - Declining asset/market value impacting future cash flow - Reduced future ability to acquire new footprint, due to capital intensive nature of iron ore operations Capitals at risk  	- Multi-year programme in place to increase our margin by 2022, touching every part of our business - Evaluating options to sustainably extend our Northern Cape footprint to 2040 - Exploration activities and low-grade opportunities to extend the life-of-mine for both operations - Safety improvement plans, including the elimination of fatalities prevention framework, have been developed and are in place - Continuous alignment of Tswelelopele strategic ambitions to business plan	Maintaining a committed focus to improving margins, extending the life of our Northern Cape operations to 2040, and achieving zero fatalities Strategic focus areas  Identifying and realising opportunities  Use technology to extract maximum value  Unlock full infrastructure potential  Compete through premium products Key enablers  Leadership and culture  Reinforce product quality and consistency

6 Cyber risk

Increase in risk (2019: 7)

Root cause	Impact on value	Mitigation actions	Outlook
With increased use of technology, integration of operating technology platforms and working from home, there is enhanced exposure to cyber attacks These attacks have become increasingly frequent and sophisticated globally, with attractive returns for criminals 	- Cyber attacks can lead to a loss of commercially sensitive information, theft of intellectual property, disruption to operations, financial loss, and negative impacts on reputation - Safety risk as a result of loss of control of operating systems due to cyber attack Capitals at risk    	- Identify IT assets and understand vulnerabilities - Protective measures in place include restricting access to servers and PCs, reducing use of portable media, and extending awareness - Detect security incidents on our network, firewall and cloud services through rollout of IBM's QRadar system - Respond rapidly to incidents by integrating our security tools with our IT service management platform - Recovery measures include risk assessments, mitigation plans and incident scenarios - Ongoing security training and awareness campaigns to raise appreciation of information security threats	Cybercrime is an ever-evolving and increasingly sophisticated threat requiring increased monitoring and investment in security capability Strategic focus area  Use technology to extract maximum value Key enabler  Leadership and culture



Our operating context and strategy
Material risks and opportunities continued

7 Third-party infrastructure (IOEC operating efficiency)			Decrease in risk (2019: 3)
Root cause	Impact on value	Mitigating actions	Outlook
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 Any incidents on the IOEC (such as derailments) affect business continuity Ageing infrastructure requires significant maintenance to improve reliability and efficiency and maintain capacity, particularly as we extend our life-of-mine 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 	- An adverse impact on logistical capabilities and failure to obtain supporting facilities may pose a business continuity risk - Unavailability of key infrastructure affects delivery of products to customers and impacts revenue - IOEC challenges can also increase freight costs Capitals at risk 	- Ongoing engagement with Transnet to optimise the channel throughput. Joint Executive Steering Committee established - Following improvements at the port: - increasing minimum vessel size at the port - improved direct loading from rail together with increased loading rates - simplified stockyard layout to reduce time lost from stacking and reclaiming - Improved operational flexibility at our operations to maximise Fe units/ quality of the ore to take advantage of higher prices for premium ore - Improved on-mine operating parameters: optimised loading, reduced loading variability and improved turnaround times - Proactively seek solutions to introduce BEE players on the IOEC to limit operational risk	Continue strengthening the relationship with Transnet to further explore opportunities to improve the stability of the network and to deliver enhanced efficiencies to achieve targeted throughput Strategic focus area  Unlock full infrastructure potential Key enabler  Proactively engaging with key stakeholders

8 Socio-economic challenges			Decrease in risk (2019: 6)
Root cause	Impact on value	Mitigating actions	Outlook
Low levels of economic growth in South Africa, worsened by the impact of the Covid-19 pandemic, exacerbate existing challenges of poverty, inequality and unemployment prevalent in our host communities Poor socio-economic conditions in these communities increase expectations for employment and other socio-economic benefits Governance and political challenges could impact key stakeholders on whom we depend 	- Increased reliance and growing expectations on mining companies by local government and communities - Community activism and lack of local service delivery may cause disruptions at operations - Increased cost of living on our host communities - Negative impact on investor confidence in South Africa and higher cost of doing business - Instability within municipalities in our host communities and lack of municipal capacity Capitals at risk 	"Yes Programme" to put more local graduates at Kumba for work exposure - Localised preferential procurement targets have been set - Implement municipal capacity development programme (MCDP) - Partnerships with like-minded organisations for maximum impact being pursued - Anglo American education programme - Community development programmes - Supplier development programme - Localised procurement opportunities - Develop a shared vision and shared value journey with communities, youth, municipality, provincial government, NGOs, religious organisations, peer mining companies and local business	Structural challenges in the South African economy and broader political environment are likely to persist into the short to medium term, significantly compounded by the pandemic, impacting business and investor confidence and further raising community expectations Key enablers  Provide leadership through responsible citizenship  Proactively engaging with key stakeholders



9 Current South African government and political challenges

Decrease in risk (2019: 8)

Root cause	Impact on value	Mitigating actions	Outlook
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 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 	- A challenging political and macro-economic environment negatively impacts investor confidence and raises the cost of capital - Unstable communities and workforce can impact production and safety - Potential impact on quality of relationships with regulators, communities and other stakeholders - Protracted domestic policy uncertainty and continued deterioration in perceptions of the quality of governance Capitals at risk   	- Ongoing stakeholder engagement with government and regulator through Anglo American and development of social compact - Scenario planning and analysis on South Africa's direction as a country and identify actions through Anglo American plc	Rating agency Moody's has cut South Africa's sovereign credit rating to sub-investment grade, meaning the country now has a junk rating from all three major international rating agencies. Structural challenges in the South African economy and broader political environment are anticipated to persist, particularly given the profound socio-economic impact of the Covid-19 pandemic Key enablers  Provide leadership through responsible citizenship  Proactively engaging with key stakeholders  Leadership and culture

10 Fiscal compliance and regulatory certainty

Decrease in risk (2019: 9)

Root cause	Impact on value	Mitigating actions	Outlook
There has been an increase in legislation covering the broad spectrum of activities across the business value chain, including on the nature of mining rights, transformation, and safety, health and environmental performance There remains some uncertainty relating to the potential for the state to expropriate land in public interest without compensation An increased focus and frequency in audits from SARS	- Changes in the regulatory environment could require changes to the way we mine, and/or increase production costs - Failure to comply could result in the suspension of necessary authorisations, licences and rights, and contribute to reputational damage - A lack of regulatory certainty impacts our ability to take long-term investment decisions Capitals at risk   	- Monitor regulatory developments and ensure readiness to comply with new legislation - Monitor and report on our compliance with all applicable legislation and legislative changes. - Addressing any gaps arising from adoption of Mining Charter 2018 - Proactively engage government to explore progressive ideas and models to resolve the land question - Ongoing engagement with SARS with the assistance of Group Tax and Group Legal	We anticipate continued regulatory pressure and further policy developments on a range of issues relating to our business activities Key enablers  Provide leadership through responsible citizenship  Proactively engaging with key stakeholders



⤴ General view of the stacker reclaimer at the ore stockyard.



Our performance

Kumba delivered a record EBITDA of R45.8 billion while keeping our commitment on health and safety and supporting our communities as we navigated exceptional conditions. Our business resilience and balance sheet strength, together with the hard work of our dedicated workforce and suppliers, allowed us to meet Covid-19's challenges from a position of strength. We have emerged stronger and we are even more focused on building a better business for the longer term.

Matters discussed in this section

- Delivering on the strategy
- Chief Financial Officer's review
- Operational performance
- Ore reserves (and saleable product) and mineral resources



Delivering on the strategy

Kumba's pleasing performance in a challenging operating environment impacted by the global pandemic, reflects the effective execution of our Tswelelopele strategy, aided by a more buoyant iron ore price and favourable exchange rate. Our Tswelelopele strategy aims to unlock Kumba's full potential and deliver value for all our stakeholders by: enhancing our margins; extending the life of our assets beyond 2040; eliminating all fatal incidents; and becoming the employer of choice in South Africa.

This year we continued our activities to embed our safety culture, remaining fatality-free for the fourth successive year and achieving an 83% reduction in the number of high potential incidents. Our EBITDA margin improved five percentage points to 57%, assisted by stronger ore prices, a weaker Rand and R1.3 billion in cost savings, offset by lower sales and a higher royalty rate. Operationally, production volumes were lower than 2019 at both our mines as a result of Covid-19 lockdown restrictions, various equipment challenges and weather delays. While progress on some of our mine life extension initiatives was hampered by the pandemic, we made encouraging progress in working with Transnet to improve rail performance and to identify options to extend the longevity of the rail and port logistics network. All of these activities have been underpinned by our continuing focus on instilling the right leadership and culture across the Company.

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 strengthen our competitiveness in the context of continuing market volatility and heightened cost competition, we are driving an ambitious programme to lower the unit cost at our mines. We have been realising efficiencies across our operations by reducing our core cost base, implementing a lean support structure, and delivering a step-up in productivity. We continue to implement the Anglo Operating Model throughout our business (see separate strategic focus area below), 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.

This year, our focused efficiency drive contributed to overall cost savings of R1.3 billion, above our target of R1.1 billion, bringing the total savings from our programme to R2.6 billion (excluding Covid-19-related costs savings). We contained the break-even price at US\$45/tonne for the year, with the gains of a higher price premium, weaker currency and reduced spot freight rate offset by higher units costs, increased on-mine SIB capex, lower lump premium and increased royalties. Unit production costs at both Sishen and Kolomela increased compared to 2019, as a result of production losses and inflation linked input cost pressures at both mines. At Sishen, the unit cost of production was R362/tonne for the year, R17/tonne higher than 2019, and at Kolomela the unit cost was R304/tonne, R34/tonne above 2019.

The new target of R2 billion of savings by 2022, 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, Kumba is not able to compete effectively with large global iron ore producers on a volume basis. We have thus chosen to compete by maximising the price premium through the provision of premium quality products and differentiated customer relationships.

We have 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 (Fe_2O_3) and magnetite (Fe_3O_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. We build on this advantage. By understanding and responding to the specific technical needs of different customers, we are able to offer niche products.

⊕ Further details on the quality of Kumba's iron ore, and the resulting price premium, are provided on page 56 (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

We maintained a strong focus this year 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.

This year, production volumes were impacted by Covid-19-related restrictions, equipment challenges and weather delays. At Sishen, volumes were 3.8 Mt lower than the prior year and at Kolomela production decreased by 1.5 Mt. Owner fleet efficiency decreased from 68% to 63%.

A number of interventions have been implemented to mitigate these impacts. We enhanced our high rainfall readiness and associated recovery plans to manage through such weather impacts in the future. Our focus on improving equipment uptime through the implementation of defect elimination and work management programmes, as well as artisan and supervisor skills development programmes, is also delivering results and improvements in equipment reliability across the fleet.



Strategic focus areas

Extend life of current mines through UHDMS technology and business development activities	A major milestone was achieved in 2020, with Kumba delivering on its ambition, set in 2018, of replenishing its ore reserves by 200 Mt on or before 2022, through efficiency improvements, resource utilisation and exploration. In line with this strategy, we have successfully increased the ore reserve by a cumulative 206.4 Mt (before depletion) through various initiatives including pit slope steepening and optimisation of the pit layout at Sishen, improved resource to reserve conversion and the Sishen UHDMS project. We completed a feasibility study this year to re-evaluate the value proposition of the UHDMS project, taking into consideration rail logistical constraints exacerbated by the lower domestic off-take from ArcelorMittal SA. The UHDMS project was approved by the Board in February 2021 and will maximise product quality and extend Sishen LoM until 2039. This year, Sishen's published ore reserves increased materially by 52.6 Mt (+10%) year-on-year, as a result of the pit optimisation conducted in 2020, which considered more favourable long-term economic assumptions. The overall waste stripping ratio in the 2020 Sishen life-of-mine plan increased from 3.4 : 1 in 2019 to 3.8 : 1 in 2020. For Sishen mine, a 15-year reserve life at an average 29.2 Mtpa saleable product output has been quoted in the 2020 life-of-mine plan. For Kolomela mine, a 12-year remaining reserve life, at an average 12.6 Mtpa saleable product output has been quoted in 2020. Following the finalisation of the 2020 Resource and Reserve statement, the Sishen UHDMS project was approved by the Kumba Board in February 2021 and will extend life of the operation with a further three to four year, at between 10 and 15 Mtpa. The LoM stripping ratio will reduce from 3.8 to 3.1.
Focus on the Northern Cape as the region contains the most attractive ore bodies for both current operations and targeted brown fields exploration	We have retained our strategic commitment to leverage our endowment in the Northern Cape, targeting a 2040 life-of-mine ambition, achieved through enhanced efficiency and optimisation, our 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. Kolomela will launch a study in 2021 to convert the 59.1 Mt Ploegfontein Measured and Indicated Mineral Resources to Ore Reserves. As a result of Covid-19 restrictions, access to explore neighbouring properties between Sishen and Kolomela was delayed.
Use technology to extract maximum value from ore, focusing on step-change opportunities	We have been investigating and implementing various game-changing opportunities, using digitisation and innovative technologies to achieve our zero-harm target, maximise current and future resource utilisation, and drive down costs by improving productivity and efficiencies. Recent technology initiatives at Sishen and Kolomela include: • rolling out autonomous braking solutions on our haul trucks • upgrading 10 existing drills at Sishen to autonomous by the end of 2022 • completing implementation of real-time condition-based monitoring (RTCBM) at Kolomela and rolling this out at Sishen • completing plant automation and advanced process control of the Sishen DMS wash and screening plant and commencing automation of the cyclone and drum plant • using drone technology with scanners and cameras to create three-dimensional images to calculate volume • rolling out guided spotting on trucks and shovels at Kolomela
Unlock full infrastructure potential to support maximum in export volumes over the medium term	Due to the distance of our mining operations from the Saldanha port, Kumba faces higher rail costs and increased associated logistical challenges than our competitors. We have been collaborating with Transnet to investigate and initiate various rail and port performance and operational improvement projects that will unlock and extend the full potential of our third-party infrastructure. Collectively, our successful implementation of Covid-19 measures, combined with initiatives to increase workforce capacity at Transnet, resulted in the iron ore export channel run rates returning to pre-Covid levels by the third quarter, contributing to a significant improvement in throughput at Saldanha Port in the second half. This year the volume railed to Saldanha was 4.4 Mt lower than 2019 due to Covid-19 challenges and lower domestic demand from ArcelorMittal SA, derailments, and various weather delays and infrastructure failures. Over the year, there was an average of 21.2 trains per week at an 85.3% utilisation rate. Total shipments were 0.7 Mt below the prior year as a result of Covid-19-related challenges. To assist with improving port throughput, we are working with Transnet to simplify the product portfolio, revise the stockyard layout at Saldanha, and blending ore into trains at the mines to reduce time lost for blending at Saldanha.



Our performance

Delivering on the strategy continued

Strategic focus areas

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

To enhance our potential for longer-term growth, we are identifying a range of various growth opportunities that fit well with Kumba's current strategic direction, and that provide for global decarbonisation goals and operate within a circular economy. These "close-to core" opportunities will seek to leverage our core capabilities and resources, including both our agility as a smaller mid-tier player and our access to the broader Anglo American Group.

These various 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

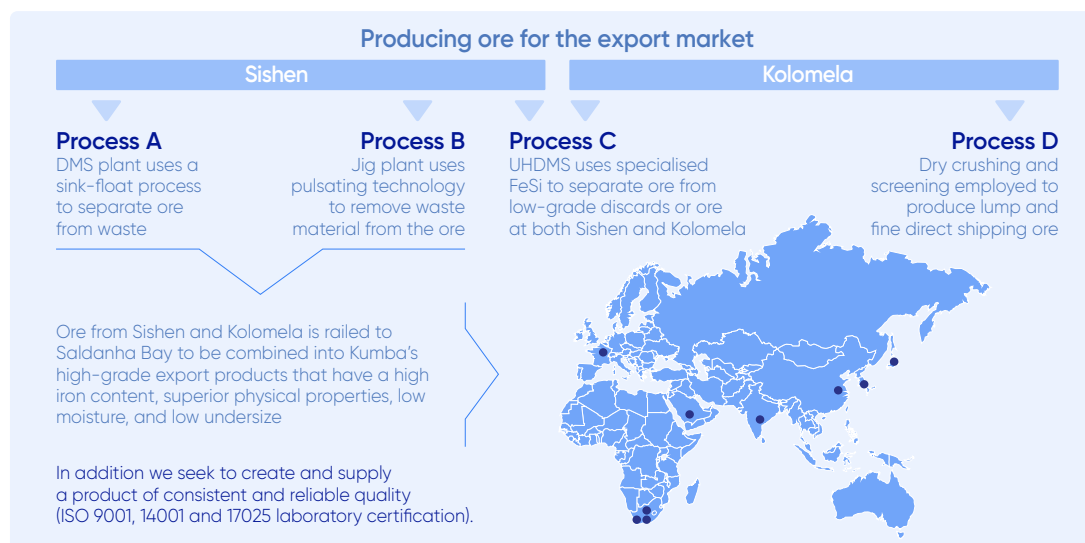
Underpinning our strategic ambition is a sustained focus on our key strategic enablers: aligning our marketing and operational activities; reinforcing our reputation for product quality and consistency; engaging proactively with stakeholders; providing leadership through responsible citizenship; and 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 consciously blend between the various products to maximise value and 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 were 0.7 Mt below the prior year, with shipments affected due to Covid-19-related production losses; domestic sales were 1.8 Mt below that of 2019, as a result of lower demand from ArcelorMittal SA.

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



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 64.3% Fe, and our lump:fine ratio of 69:31, enables us to sell our product in an over-supplied iron ore market and to attract Fe and market premia relative to standard products. This year, Kumba achieved a realised FOB price of US\$114.57/tonne. This was US\$15.75/t above the Platts 62 FOB index, aided by a lump premium of US\$6.5/dmt, an Fe premium of US\$4.1/dmt and a US\$0.8/dmt premium for marketing effort. With the approval of the Sishen UHDMS project the average product grade from Sishen will increase by 0.4% Fe from 2024. It is estimated that this will attract an additional marketing premium of US\$1/tonne on 50% of our total production.

We are further diversifying our customer portfolio, increasing sales in various regions utilising direct-charge materials and growing the share of premium products to 30% of total sales. This year China represented 62% of our export sales portfolio (2019: 56%) with sales to Europe/MENA decreasing to 19% (2019: 25%) and sales to Japan and South Korea down slightly to 17% (2019: 18%). Contractual sales comprised 77% (2019: 78%) of export sales; 69% of sales (2019: 68%) were on a CFR basis with the remainder sold free on board.



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. In keeping with this, Kumba hosts stakeholder days every two years, bringing Kumba and SIOC boards of directors and the executive team together with national, provincial and local government, labour unions, business and development partners, suppliers, host community groups and civil society, to discuss transformation and sustainability. Unfortunately the stakeholder day scheduled for 2020 was suspended due to the national lockdown; a new date shall be communicated once the situation has eased. The Covid-19 regulatory restrictions and social distancing requirements disrupted many of our other stakeholder engagement practices. As a result we have adapted our channels of engagement and expanded our use of digital communication channels.

⊕ Further details on our stakeholders and stakeholder engagement activities are provided on page 40

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

Ensuring effective management of environmental, social and governance (ESG) issues, and providing leadership through responsible corporate citizenship, 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. As part of the Anglo American Group, we are responding through our commitment to FutureSmart Mining™ and our sustainable mine plan, which is linked both to the UN Sustainable Development Goals and our business strategy.

Following is a summary of our 2020 performance on some of our most material ESG impacts and activities:

- Remaining fatality-free for four consecutive years, reflecting our strong safety culture, underpinned by critical control risk monitoring, risk reduction initiatives and elimination of fatalities programme
- Two safety-related high potential incidents (HPIs) (2019: 12)
- Total recordable case frequency rate (TRCFR) of 1.74 against a target of 2.01 (2019: 2.06)
- Sadly eight Covid-19-related fatalities; 1,399 positive cases and 1,350 recoveries reported
- Fifth consecutive year of no new cases of noise-induced hearing loss (NIHL)
- Met all our 90:90:90 health performance 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)
- Fifth consecutive year with no level 3 to 5 environmental incidents
- 287.0 ha rehabilitated in 2020; both Sishen and Kolomela exceeded reshaping targets
- R9.8 billion procurement on HDSA businesses (2019: R6.1 billion); R3.6 billion on host community suppliers (2019: R2.4 billion)
- R263.6 million direct social investment (2019: R170.9 million)
- 27% women in management (2019: 25%); 24% women in total workforce (2019: 23%)

A detailed review of our sustainability strategy, sustainable mining plan and ESG performance is provided in our comprehensive Sustainability Report:

🌐 <https://www.angloamericankumba.com/investors/annual-reporting>

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

Our approach to leadership and culture is the most significant enabler for our Tswelopele programme. From January 2018 to January 2020, we focused on cutting-edge, high quality leadership and culture interventions, delivering robust employee engagement, team development, a leadership 360 degree capability assessment, bespoke leadership programmes, and diversity workshops, underpinned by our Kumba Leadership Code. While these areas remain relevant, we have been less intervention-centric this year, focusing more on leader-led actions and behaviours to sustain the foundations established through our interventions, and adapting our interventions to provide for the shift to remote working resulting from the Covid-19 pandemic.

- 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: We conduct an annual 360-degree leadership survey to assess how Kumba leaders are “showing up” in terms of the Leadership Code, against a baseline survey conducted in 2018; this informs specific actions to address any identified concerns.
- Leadership and culture initiative: This year we rolled out the Kumba Expeditions Leadership Programme virtually across our leadership and supervisory teams; this is an “immersive” learning experiences aimed at developing leaders with the right capabilities to deliver on our Leadership Code.
- 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: In building leadership capability and fostering the right culture, Kumba is committed to accelerating the recruitment, development and promotion of designated groups. We are encouraged that women account for 32% of our talent pool, of which 54% is represented by black females; 69% of short-term successors for Exco and Head of Department roles is represented by historically disadvantaged South Africans (HDSAs).

In July 2018, we introduced a new broad-based employee share ownership scheme, Karolo, for permanent employees below middle and senior management level. The scheme has maintained a 99.4% acceptance rate. In August 2020, we processed the third and final annual award.

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>



Our performance

Chief Financial Officer's review



Since implementing our Tswelopele margin enhancement strategy in 2018, we have seen a consistent margin uplift from 45% to 57%. Capitalising on our quality product portfolio and strong iron ore prices, supported by our cost savings, we delivered a record EBITDA growth of 37% to R45.8 billion and attributable free cash flow of R20.7 billion.

Bothwell Mazarura
Chief Financial Officer

EBITDA (Rbn)



Headline earnings per share



Enhancing shareholders' returns

Record EBITDA growth of 37% to R45.8 billion

Delivered cost savings of R1.3 billion against a target of R1.1 billion

Achieved a 19% higher average realised FOB export price of US\$115/tonne

Strong headline earnings of R22.8 billion, translating into R71.07 per share

Final cash dividend of R41.30 per share, with total cash dividend of R60.90 per share

Enhancing shareholder returns and maximising value

Kumba's Tswelopele strategy delivered a record EBITDA and return on capital employed (ROCE) of 109%, up from 83% in the previous year. Our margin enhancement strategy achieved an average realised price of US\$115/tonne and cost savings successfully contained our C1 unit cost at US\$31/tonne. This translated into a net cash position of R22.2 billion (2019: R12.3 billion) after generating operating cash flow of R40.3 billion, representing an increase of 16% from the prior period. This, together with a resilient balance sheet, allows us to sustainably create value for our shareholders.



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 57%, up five percentage points from 52% in the prior period. Our integrated sales and operations team contributed to a 19% increase in the average realised FOB iron ore price of US\$115/tonne (2019: US\$97/tonne). Further margin benefits came from a 14% weakening in the Rand/US\$ exchange rate as well as cost savings of R1.3 billion – above our R1.1 billion target for 2020, 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. The break-even price was impacted by production losses and higher stay-in-business (SIB) capex. This was over and above higher royalty charges, and ongoing increases in mining inflation and lower lump premium.

Our product portfolio ranges from standard and premium lump and fines to super-premium lump with an average quality of 64.3% Fe (2019: 64.2% Fe) and a lump:fine ratio of 69:31 (2019: 68:32). We captured a US\$4/tonne uplift from the Fe and market premia and a US\$2/tonne decrease in the Platts freight rates together with a US\$16/tonne increase in the Platts 62 index price, which was partially offset by a US\$5/tonne decrease in the lump premium, resulting in a higher average realised price of US\$115/tonne for 2020.

With the benefit of our geographically diverse customer portfolio we quickly regained market share outside of China. By the end of 2020, Kumba's sales to the rest of the world increased to 47% compared to only 34% for the first half of the year. For the full year, China's strong economic recovery resulted in the market share of Europe/Middle East and North Africa/Americas and the rest of the world, decreasing from 25% in 2019 to 19% in 2020. This contributed to the share of premium products decreasing slightly to 18% of total sales.

2. Strong financial discipline

We further strengthened our balance sheet and liquidity position through our cash preservation programme, which delivered cost savings of R1.3 billion for the year and the deferral of R1.0 billion of non-critical capital expenditure. SIB spend was streamlined to the minimum necessary to sustain our business and support our production targets. Both deferred stripping and expansion spend were maintained at similar levels.

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 2020 Kumba delivered a ROCE of 109% (2019: 83%) and robust attributable earnings of R22.8 billion (2019: R16.3 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 from market volatility and ensures that an appropriate level of capital is allocated to life extension projects and long-term growth prospects.

With Kumba's substantial cash flow generation of R40.3 million, demonstrating the success of our Tswelelopele strategy, the headline earnings per share for the year were R71.07 (2019: R50.88). The Board declared a final cash dividend of R41.30 per share (2019: R15.99), resulting in a total cash dividend for the year of R60.90 per share (2019: R46.78). This equates to 86% of headline earnings for 2020.

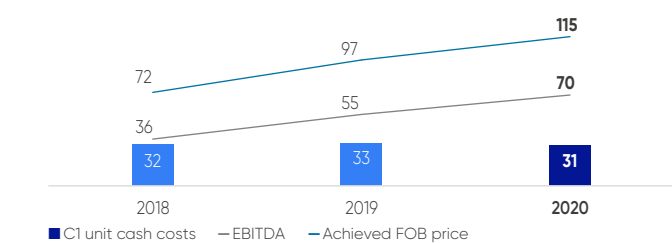
Enhanced product portfolio (US\$/tonne)



Cost savings (US\$/tonne)



Containing costs and leveraging higher iron ore prices (US\$/tonne)





Our performance

Chief Financial Officer's review continued

2020 Financial performance

The analysis of our performance drivers should be viewed together with the strategy on pages 6 to 9 of this report.

Revenue – driven by stronger prices and currency gains

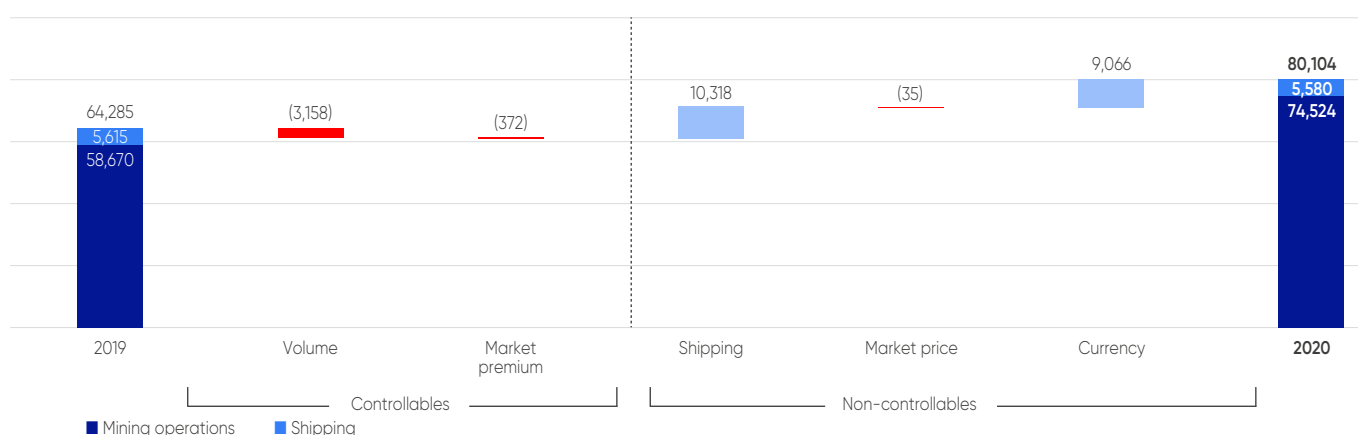
Total revenue increased by 25% to R80.1 billion compared to R64.3 billion for 2019, mainly as a result of a 19% increase in the average realised iron ore price of US\$115/tonne (2019: US\$97/tonne) and weakening of the average Rand/US\$ exchange rate to R16.47/US\$1 (2019: R14.45/US\$1). This was offset by a 6% decrease in total sales volumes compared to 2019.

Kumba's higher average achieved FOB price was driven by stronger prices. On average, the Platts 62% index increased by US\$16/tonne,

while the achieved lump premium decreased by US\$5/tonne, partially offset by the US\$4/tonne higher Fe and market premia.

Total sales decreased 6% to 39.7 Mt (2019: 42.2 Mt), driven by local sales decreasing 84% to 0.4 Mt (2019: 2.2 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, 69% of sales were on a cost and freight (CFR) basis compared to 68% in the prior period. Contractual sales amounted to 77% of total export sales volumes (2019: 78%). China represented 62% (2019: 56%) of Kumba's total exports, and the share of the European Union/MENA/Americas region decreased to 19% (2019: 25%), and Japan and South Korea decreased slightly to 17% (2019: 18%).

Revenue (Rm)



Operating expenditure – impacted by stock movement

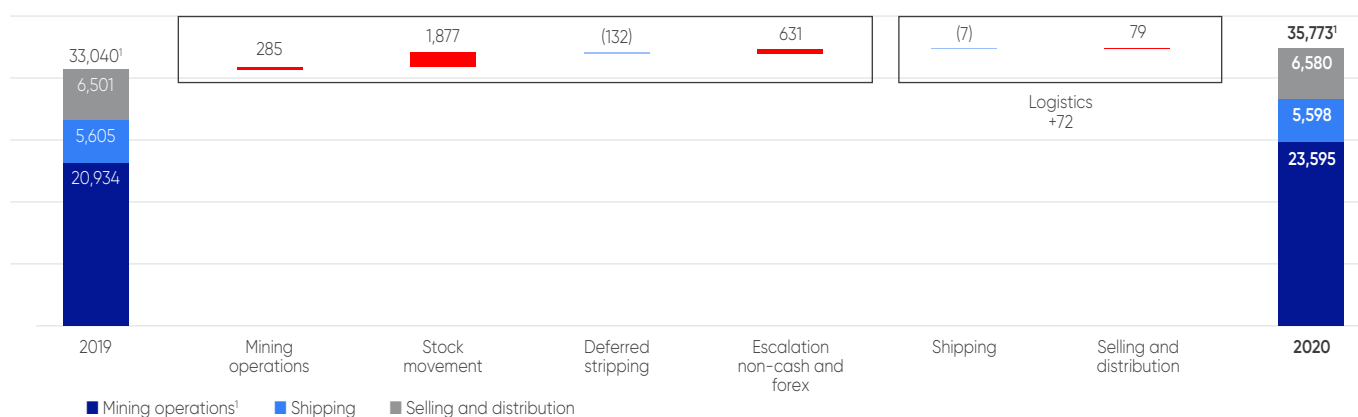
Operating expenses (excluding mineral royalties and impairment) increased by 8% to R35.8 billion, compared to R33.1 billion in the prior year, largely due to R2.7 billion higher mining-related costs and a R72 million increase in logistics costs.

The increase in operational costs were primarily attributable to higher stock movement due to sales from stock and work-in-progress (WIP) movements. Selling and distribution costs increased slightly to R6.6 billion (2019: R6.5 billion) due to increases in Transnet tariffs, offset by lower logistics volumes. Freight costs of R5.6 billion were in line with the prior year as lower freight rates of US\$11/tonne (2019: US\$14/tonne) and slightly lower CFR shipping volumes of 27.0 Mt (2019: 27.3 Mt) were offset by a weaker currency.

Mining operational cost increased by R285 million primarily due to lower fixed cost recovery caused by lower production volumes. Sales from stock and WIP movements added R1.9 billion to cost while escalation, non-cash and forex adjustments increased operating expenses by R631 million. This was partially offset by R132 million lower capitalisation of deferred stripping costs.

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 R1.3 billion, ahead of our 2020 target of R1.1 billion.

Operating expenditure (Rm)

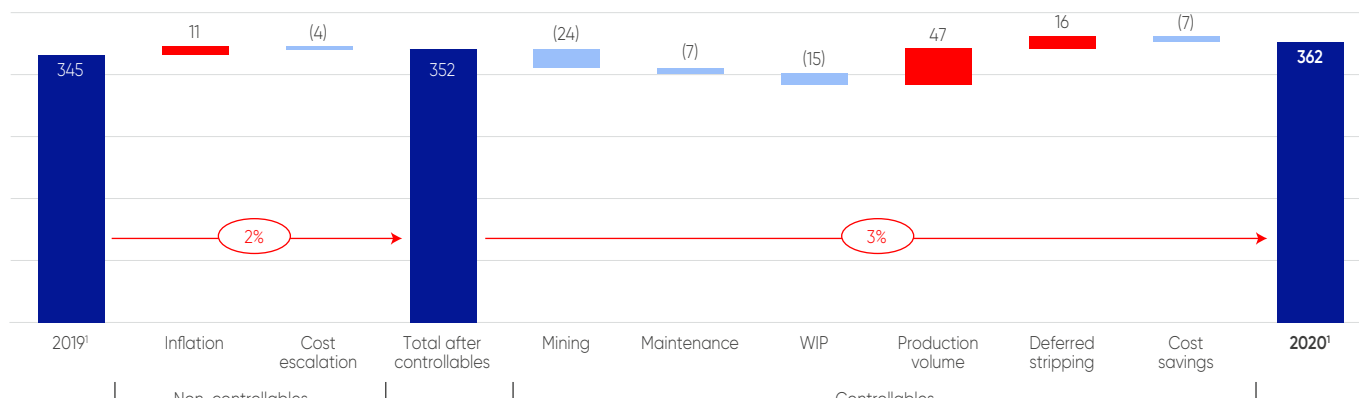


¹ Excluding mineral royalty and impairment, but including expected credit losses



Sishen's unit cash costs increased by 5% to R362/tonne (2019: R345/tonne). This was as a result of lower deferred stripping, offset by lower mining and maintenance costs.

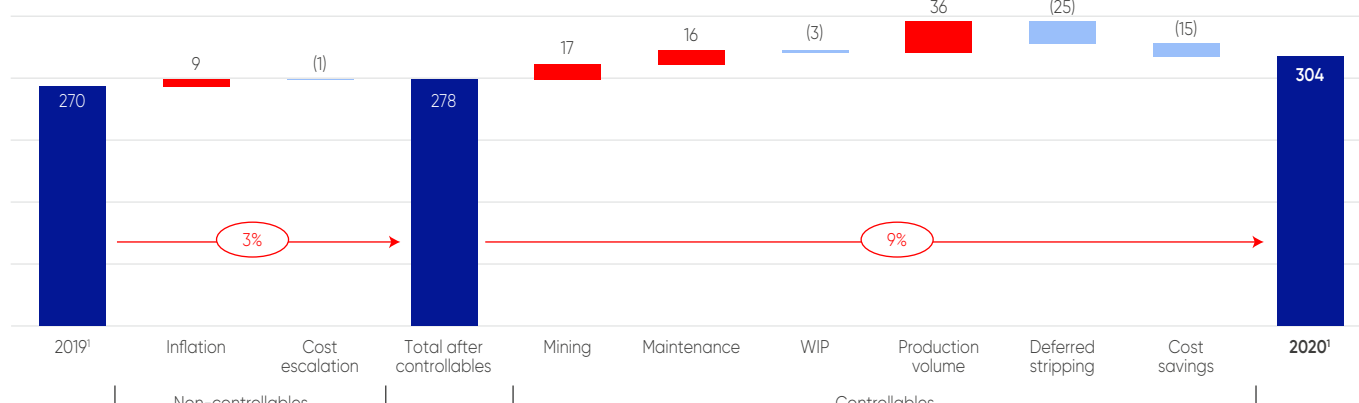
Sishen unit cash cost (R/tonne)



¹Excluding impact of deferred stripping on unit cost: Sishen =2020: R60/tonne (2019: R68/tonne); Kolomela = 2020:R84/tonne (2019:R48/tonne)

Kolomela's unit costs increased 13% to R304/tonne (2019: R270/tonne), due to higher mining and maintenance costs which related to the catch-up in our mining fleet lifecycle maintenance activities.

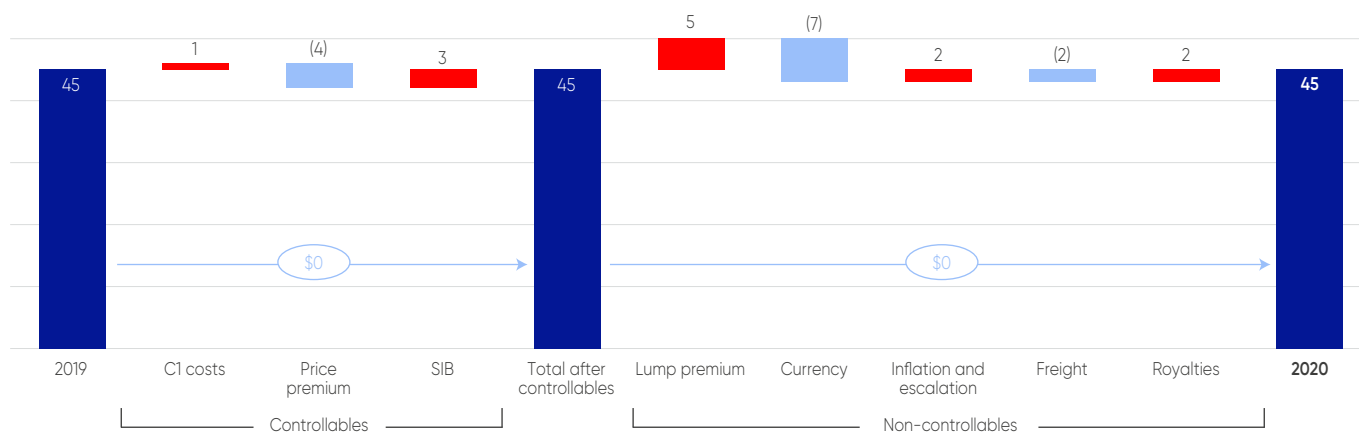
Kolomela unit cash cost (R/tonne)



¹Excluding impact of deferred stripping on unit cost: Sishen =2020: R60/tonne (2019: R68/tonne); Kolomela =2020: R84/tonne

Break-even price – contained

Break-even price (US\$/tonne)





Our performance

Chief Financial Officer's review continued

Kumba's break-even price remained constant at US\$45/tonne. Controllable costs included higher C1 unit costs of US\$1/tonne and higher SIB costs of US\$3/tonne, which were offset by a stronger price premium of US\$4/tonne. Non-controllable costs contained lower lump premium of US\$5/tonne and higher cost inflation and mineral royalties of US\$4/tonne, offset by a weaker currency of US\$7/tonne and lower freight rates of US\$2/tonne.

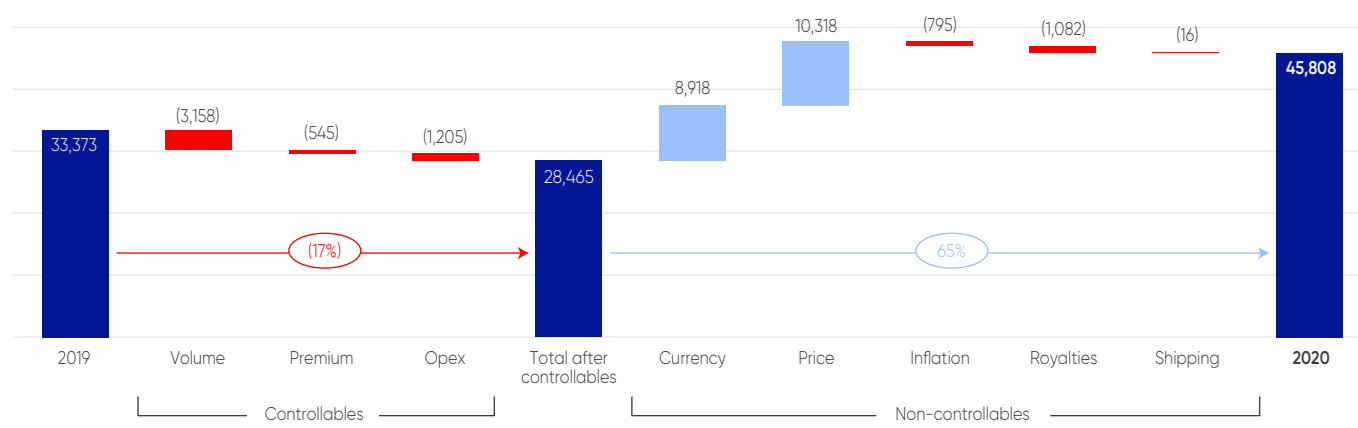
EBITDA reflects strong revenue growth and cost discipline

Kumba delivered an EBITDA of R45.8 billion, representing an increase of 37% compared to R33.4 billion in the previous year. Growth was primarily driven by the 19% increase in the average realised FOB

export iron ore price to US\$115/tonne (2019: US\$97/tonne), resulting in a price impact of R10.3 billion. Cost savings of R1.3 billion and currency gains from a weaker Rand of R16.47/US\$ (2019: R14.45/US\$), despite lower sales volumes. This is partially offset by an increase in operating expenses, royalties and the lower lump premium.

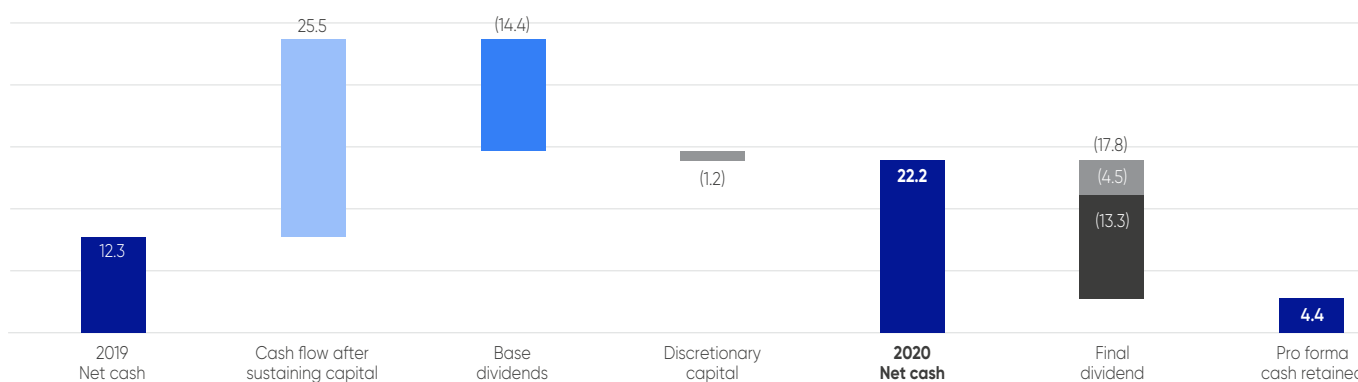
Kumba's EBITDA margin increased by five percentage points to 57% (2019: 52%), the group's mining operating margin improved to 55% (2019: 49%), excluding the net freight profit incurred on shipping operations. Net profit increased by 40% to R29.8 billion (2019: R21.3 billion).

EBITDA (Rm)



Strong cash flow supporting a resilient and efficient balance sheet

Capital allocation (Rbn)



Kumba ended the year with a net cash position of R22.2 billion (2019: R12.3 billion), after cash flow from operations, tax paid, capex and dividends. Cash flow from operations increased by 16% to R40.3 billion (2019: R34.7 billion), due to higher EBITDA. The increase in working capital is mainly due to an increase in trade receivables due to higher prices and weaker Rand/US\$ currency, this was partially offset by higher inventories as finished stock increased to 4.7 Mt (2019: 6.4 Mt).

We created stakeholder value by paying income tax of R10.1 billion (2019: R7.8 billion) and mineral royalties of R3.0 billion (2019: R2.6 billion) to government, providing capex of R5.7 billion

(2019: R5.6 billion), and distributing dividends to shareholders of R15.0 billion (2019: R19.6 billion).

Kumba's debt facilities consist of an R8 billion revolving credit facility that matures in 2024 and uncommitted facilities of R8.2 billion, all of which were undrawn at 31 December 2020. Financial guarantees issued in favour of the DMRE in respect of environmental closure liabilities were R3.4 billion. The annual revision of closure costs reflected a further shortfall of R691 million in respect of the rehabilitation of Sishen and Kolomela. Guarantees for the shortfall will be issued in due course.



Capital expenditure to sustain and develop our business

Capital expenditure (Rbn)

2019	2.4	0.5	2.6	5.6
2020	2.6	0.6	2.5	5.7
2021e	3.8 – 4.0	4.8 – 4.9	2.2 – 2.4	10.8 – 11.3

■ SIB ■ Approved expansions ■ Deferred stripping

Kumba's capital expenditure for 2020 was R5.7 billion (2019: R5.6 billion). The total spend consisted of the following:

- R2.6 billion from SIB activities, mainly spent on capital spares, infrastructure upgrade and our mining fleet replacement.
- R0.6 billion of expansion capex, including R112 million spent on our Dingleton project, R131 million on the Kapstevel South project, R68 million for the UHDSMS feasibility study and capex for the P101 efficiency programme of R306 million.
- R2.5 billion in deferred stripping relating to mining in areas with a higher strip ratio relative to the LoM strip ratio.

Stakeholder value created

Kumba has built a strong track record of delivering sustainable returns through the cycle. Our balance sheet remains stable, driven by strong cash generation, supported by higher EBITDA. In view of 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 earnings, the Board declared a final cash dividend of R41.30 per share with a total cash dividend for 2020 at R60.90 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.

Kumba closing share price (Rand)





Our performance

Chief Financial Officer's review continued

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 43.

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 AFS pages 70 to 75.

EBITDA impact of R615 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 R440 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 detail refer to the review of risks and opportunities on page 43.

EBITDA impact of R145 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 the 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 the 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 the 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 70 and 71 of the SR

Increased production cost pressure

Continued cost pressure from the rising geological inflation, higher input costs and 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 60

Other specific items and events during the year

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 on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2020 annual ore reserves and mineral resources statement. The most significant changes in the provisions for 2020 resulted from the increase in waste and infrastructure footprints and industry rates. The increase was partially offset by the impact of a 0.3% increase in the discount rate from 4.0% to 4.3%, as well as an increase in Sishen's life-of-mine.



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

	31 December 2020
Rand million	
Increase in environmental rehabilitation provision	103
Decrease in decommissioning provision	(17)
Decrease in profit attributable to the owners of Kumba	57
Rand per share	
Effect on earnings per share attributable to the owners of Kumba	0.18

National Environmental Management Act (NEMA)

The ministers of Environmental Affairs, Water and Sanitation and Mineral Resources have determined that requirements for creating financial provisions to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current Mineral and Petroleum Resource Development Act (MPRDA). This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were re-published on 10 November 2017, and further proposed amendments were gazetted on Friday, 7 May 2019. The deadline for compliance has been extended to June 2021. Management is in the process of assessing the full impact of these developments on our rehabilitation and decommissioning financial provisions.

⊕ For more information refer to page 91 of the SR

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 R14.4 billion for 2020 reflects corporate income tax of R10.1 billion, mineral royalties of R3.0 billion and indirect taxes of R1.3 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 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

Rand million	2020	2019
Corporate income tax	10,146	7,783
Mineral royalties	3,001	2,572
Payroll tax	1,226	1,495
Skills levy	33	48
Unemployment Insurance Fund	23	22
Total	14,429	11,920

Outlook for 2021

Our financial guidance for 2021 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 43.

Kumba remains focused on improving its performance in 2021. While the Covid-19 pandemic has led to an increase in risk and uncertainty, it also presents a catalyst for change and the opportunity to build on for the longer term.

In view of this, we are progressing our margin strategy. From a sales and marketing perspective, we are focusing on simplifying and right-sizing the product portfolio to better align with logistical capacity while retaining the value-in-use required by our customers, this enables a more targeted resource allocation and optimisation along our value chain.

Over the past few months a cross-functional team has worked to identify the right combination of products for our new portfolio. We have simplified our portfolio and are focusing on those products that can be scaled to drive value for the long term, while retaining our quality leadership and helping us to achieve our US\$2/tonne marketing premium target.

Additionally, the next phase of Kumba's cost savings programme is also underway. We initiated the first phase in 2018 as part of our Tswelelopele margin strategy. Despite the unprecedented challenges presented by the pandemic, we delivered R2.6 billion of savings in the past two years including R1.3 billion this year, of which R613 million is Covid-19-related and unlikely to be sustained. This has given us the confidence to set a new target of R2 billion to deliver by 2022. Our work has validated the opportunity to sustainably reduce our spend by driving efficiencies to P101, continuing to work on reducing our fixed overhead cost base, optimising our contractor procurement and management methodologies, eliminating duplication and pulling other efficiency levers, while maintaining and improving operational effectiveness.

- **Unit cash costs:** guided for Sishen of between R395 and R405/tonne and Kolomela between R300 and R310/tonne. Cost pressure from fuel, labour and maintenance are expected to continue.
- **Capital expenditure:** is expected to be in the range of R10.8 billion to R11.3 billion. The increase is driven by:
 - Higher SIB capex through-the-cycle of R3.8 billion to R4.0 billion, for plant and infrastructure spend to improve equipment reliability, safety and environmental sustainability, as well as capital spares;
 - Deferred stripping capex will reduce to between R2.2 billion and R2.4 billion, following a lower stripping ratio at certain pushbacks at both of the mines;
 - Expansion capex increases to between R4.8 billion and R4.9 billion, relating to the cost of developing the Kapstevlel South pit at Kolomela, and to a lesser extent the UHDMs project. We will also invest further in our P101 efficiency programme in 2021, as this is a critical investment to ensure that we achieve our targeted equipment efficiencies and drive cost saving in our business.

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, especially during the difficult Covid-19 pandemic, and for supporting the business to unlock further value. As a key business partner 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

26 March 2021



Summarised consolidated statement of financial position as at

Rand million	31 December 2020	31 December 2019
Assets		
Property, plant and equipment	40,165	38,953
Right-of-use assets	465	482
Biological assets	24	17
Investments held by environmental trust	656	652
Long-term prepayments and other receivables	144	206
Deferred tax assets	1	1
Inventories	3,741	3,670
Non-current assets	45,196	43,981
Inventories	5,858	5,995
Trade and other receivables	8,756	3,737
Current tax assets	—	363
Cash and cash equivalents	22,707	12,865
Current assets	37,321	22,960
Total assets	82,517	66,941
Equity		
Shareholders' equity	47,446	36,230
Non-controlling interest	14,744	11,294
Total equity	62,190	47,524
Liabilities		
Lease liabilities	335	513
Provisions	2,607	2,486
Deferred tax liabilities	9,586	9,313
Non-current liabilities	12,528	12,312
Lease liabilities	179	29
Provisions	117	94
Trade and other payables	6,693	6,676
Contract liabilities	194	306
Current tax liabilities	616	—
Current liabilities	7,799	7,105
Total liabilities	20,327	19,417
Total equity and liabilities	82,517	66,941



1. Natural resources

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



2. Financial capital

Kumba ended 2020 with net cash of R22.2 billion.

Kumba holds deposits of R277 million which are subject to statutory restrictions and therefore are not available for general use.

Included in cash and cash equivalents is an amount of R893 million that is restricted and required to cover initial margins under derivative contracts and are held at trading exchanges.

Total debt facilities at year end amounted to R16.2 billion, all of which was undrawn at 31 December 2020.

Kumba's debt facilities consist of an R8.0 billion revolving credit facility that matures in 2024, and uncommitted facilities of R8.2 billion at 31 December 2020.

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



3. Manufactured assets

The group's working capital position remained healthy, ensuring sufficient reserve to cover short term positions. Net working capital increased by R4.8 billion from 31 December 2019 to R7.5 billion. This increase is mainly due to an increase in trade receivables due to higher prices and weaker R/US\$ currency. This was partially offset by lower inventories as finished stock decreased to 4.7 Mt (2019: 6.4 Mt).

During the year, Kumba wrote off R762 million of WIP inventory and also increased the provision for non-recoverable WIP inventory and plant spares and stores to R650 million (2019: R576 million) and R276 million (2019: R210 million) respectively. The total inventory write-down of R902 million was recognised in the statement of profit or loss.



4. Natural resources

The total rehabilitation and decommissioning provision of the group was R2.7 billion at the end of 2020 (2019: R2.5 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 ORMR.



5. 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 R3.4 billion (2020: R3.0 billion).

As a result of the annual revision of closure costs, a shortfall of R691 million arose. Guarantees in respect of the shortfall will be issued in due course.



Summarised consolidated statement of profit and loss for the year ended

Rand million	31 December 2020	31 December 2019	
Revenue	80,104	64,285	6
Operating expenses	(39,105)	(35,319)	7
Expected credit losses on financial assets	(161)	(155)	
Operating profit	40,838	28,811	8
Finance income	624	792	9
Finance costs	(258)	(351)	
Profit before taxation	41,204	29,252	
Taxation	(11,363)	(7,936)	10
Profit for the year	29,841	21,316	
Attributable to:			
Owners of Kumba	22,779	16,259	
Non-controlling interests	7,062	5,057	
	29,841	21,316	
Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)			
Basic	71.03	50.73	
Diluted	70.79	50.58	



6. Natural resources

The group's total revenue increased by 25%, mainly as a result of the 19% increase in the average realised iron ore export price to US\$115/tonne (2019: US\$97/tonne), offset by 6% lower sales.



7. Manufactured assets

Operating expenditure (excluding royalties and impairment) of R35.8 billion increased with 8%, principally as a result of R2.7 billion higher operational costs and a R72 million increase in logistics costs. The rise in operational cost is primarily attributable to the utilisation of stock and WIP stock movements. Cost increases were partially offset by cost savings of R1.3 billion from operating efficiency improvements and overhead cost reductions.

Sishen's unit cash costs increased by 5% to R362/tonne (2019: R345/tonne). This was mainly as a result of mining cost escalation, that increased unit cost by 2% but below CPI of 3.3% due to lower fuel prices. Production losses increased unit cost by R47/tonne and was partially offset by R31/tonne from cost savings and lower mining volumes.

Kolomela's unit costs increased 13% to R304/tonne (2019: R270/tonne), owing to cost inflation of 3% and lower production volumes. Lower mining volumes and cost savings provided only partial relief.



8. Manufactured assets and natural resources

Operating profit of R40.8 billion increased by 42% (2019: R28.8 billion), mainly due to the 19% increase in the average realised FOB export iron ore price to US\$115/tonne, resulting in contribution of R10.3 billion and currency gains from a weaker Rand of R16.47/US\$ (2019: R14.45/US\$). Cost savings of R1.3 billion mitigated higher mining and logistics costs, as well as the 6% decline in sales volumes.



9. Financial capital

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



10. Taxation

The group's effective tax rate increased to 28% (2019: 27%)

Segmental analysis

	Products ¹		Services			
Rand million	Sishen	Kolomela	Logistics ²	Shipping operations	Other	Total
For the year ended 31 December 2020						
Revenue from external customers	51,971	22,553	–	5,580	–	80,104
EBITDA	37,652	16,549	(6,571)	(17)	(1,805)	45,808
Depreciation	3,416	1,376	9	–	169	4,970
Staff costs	3,083	1,147	32	–	744	5,006
For the year ended 31 December 2019						
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 reversal	23	–	–	–	–	23

¹ Derived from extraction, production and selling of iron ore.

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



Summarised consolidated statement of changes in equity for the year ended

Rand million	31 December 2020	31 December 2019
Total equity at the beginning of the period	47,524	46,135
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	88	412
Purchase of treasury shares ¹	(201)	(324)
Changes in reserves		
Equity-settled share-based payment	186	128
Vesting of shares under employee share incentive schemes	(88)	(412)
Total comprehensive income for the year	22,694	16,189
Dividends paid	(11,463)	(14,983)
Changes in non-controlling interest		
Total comprehensive income for the year	7,036	5,036
Dividends paid	(3,586)	(4,657)
Total equity at the end of the year	62,190	47,524
Comprising		
Share capital and premium (net of treasury shares)	(118)	(5)
Equity-settled share-based payment reserve	285	183
Foreign currency translation reserve	1,158	1,242
Retained earnings	46,121	34,810
Shareholders' equity	47,446	36,230
Non-controlling interest	14,744	11,294
Total equity	62,190	47,524
Dividend (Rand per share)		
Interim	19.60	30.79
Final ²	41.30	15.99
Total	60.90	46.78

¹ The average price paid for the purchase of shares was R438.30 per share (2019: R408.27).

² The final dividend was declared after 31 December 2020 and has not been recognised as a liability in these summarised financial statement. It will be recognised in shareholders equity in 2021.



11. Financial capital

Total shares in issue were 322,085,974 and treasury shares held were 1,486,238 (2019: 1,411,944). All treasury shares are held as conditional awards under the Kumba bonus and retention share plan and the SIOC employee benefit scheme (Karolo).

11

Summarised consolidated statement of other comprehensive income for the year ended

Rand million	31 December 2020	31 December 2019
Profit for the year	29,841	21,316
Other comprehensive income for the year	(111)	(91)
Exchange differences on translation of foreign operations ¹	(111)	(91)
Total comprehensive income for the year	29,730	21,225
Attributable to:		
Owners of Kumba	22,694	16,189
Non-controlling interest	7,036	5,036
Total	29,730	21,225

¹ 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 and the JSE Listings Requirements.

The summarised consolidated financial statements for the year ended 31 December 2020 are derived from the audited consolidated financial statements on which PwC expressed an unmodified opinion. A copy of the auditor's report together with the consolidated financial statements is available for inspection at the Company's registered office and on the Company's website.



Summarised consolidated statement of cash flows for the year ended

Rand million	31 December 2020	31 December 2019
Cash generated from operations	40,339	34,657
Finance income received	630	781
Finance expense paid	(162)	(267)
Taxation paid	(10,146)	(7,781)
Cash flows from operating activities	30,661	27,390
Additions to property, plant and equipment	(5,746)	(5,603)
Proceeds from the disposal of property, plant and equipment	4	6
Increase in financial asset at fair value through profit and loss	—	(207)
Cash flows utilised in investing activities	(5,742)	(5,804)
Purchase of treasury shares	(201)	(324)
Dividends paid to owners of Kumba	(11,463)	(14,983)
Dividends paid to non-controlling shareholders	(3,586)	(4,657)
Payment of financial lease liabilities	(149)	(82)
Cash flows utilised in financing activities	(15,399)	(20,046)
Net increase/(decrease) in cash and cash equivalents	9,520	1,540
Cash and cash equivalents at beginning of year	12,865	11,670
Foreign currency exchange (losses)/gains on cash and cash equivalents	322	(345)
Cash and cash equivalents at end of year	22,707	12,865



12. Financial capital

The group's cash generated from operations increased 16% to R40.3 billion compared to R34.7 billion in 2019. The cash was used to pay income tax of R10.1 billion (2019: R7.8 billion), mineral royalties of R3.0 billion (2019: R2.6 billion). Dividends to shareholders totalled R15.0 billion (R11.5 billion to owners of Kumba and R3.6 billion to non-controlling shareholders) was paid out.

In 2020 R5.7 billion (2019: R5.6 billion) was spent on capital.



13. Financial capital Contingent liabilities

As previously reported, during 2018, the South African Revenue Service (SARS) issued Kumba with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. Kumba objected against these assessments after consultation with external tax and legal advisers. SARS disallowed the objection.

On 21 February 2019, Kumba submitted an appeal against this outcome and was referred to alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter. The ADR proceedings were terminated on 20 February 2020, after which Kumba submitted a notice to SARS wherein we confirmed that it wishes to proceed with the appeal to the Tax Court. On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which Kumba filed its statement of grounds of appeal on 21 October 2020.

On 14 September 2020, SARS informed Kumba it intends to audit the 2015 to 2018 years of assessments. As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter and the result of the appeal is likely to be determinative of a substantial number, if not all, of the issues traversed in the audit. SARS has therefore agreed to hold the audit in abeyance until the outcome of the appeal is known.

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 2020.

Headline earnings for the year ended

Rand million	31 December 2020	31 December 2019
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	22,779	16,259
Impairment reversal	—	23
Net loss on disposal and scrapping of property, plant and equipment	19	66
	22,798	16,348
Taxation effect of adjustments	(5)	(23)
Non-controlling interest in adjustments	(3)	(16)
Headline earnings	22,790	16,309
Headline earnings (Rand per share)		
Basic	71.07	50.88
Diluted	70.83	50.73



Operational performance

Sishen

Challenging year, driving operational efficiencies as part of our Tswelelopele programme a priority

About Sishen

Sishen is our flagship operation, producing around 68% 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 4,360 permanent full-time employees and 3,386 full-time contractors.

Outlook

LoM stripping ratio of ~3.8 over the LoM, to exceed 4.5 in 2021

Waste performance anticipated to remain ~150 Mt to 170 Mt in 2021

Expected production for 2021 is ~ 28 Mt

The Sishen UHDMS project was approved by the Kumba Board in February 2021, this has the potential to increase the LoM by a further three to four years

Unit costs expected to be between R395 and R405/tonne for 2021

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 decreased from 68% in 2019 to 63% in 2020, largely due to Covid-19 restrictions, weather-related headwinds and to a lesser extent equipment reliability and availability.

A number of interventions have been implemented to mitigate these impacts. We enhanced our high rainfall readiness and associated recovery plans to manage through such weather impacts in the future. Our focus on improving equipment uptime through the implementation of defect elimination and work management programmes, as well as artisan and supervisor skills development programmes, are also delivering results and improvements in equipment reliability across the fleet.

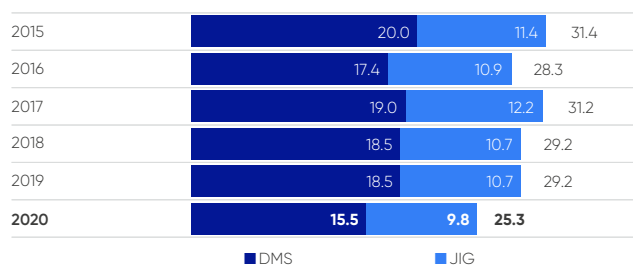
Continued focus on improving operational efficiency through P101 productivity improvements and various other programmes such as guided spotting, adaptive controls, truck speed digital twin and real-time condition-based monitoring.

- ✓ Increase in product quality from 63.9% Fe in 2019 to 64.7% Fe in 2020
- ✓ R77.6 million investment in social and community projects, up from R62.1 million in 2019
- ✓ ISO 14001, ISO 9001, OHSAS 18001 certified
- An increase in LTIs of 17% compared to 2019, with zero fatalities (2019: zero)
- ✗ Waste removal of 148.5 Mt, down 32.6 Mt compared to 2019, impacted by Covid-19-related challenges
- ✗ Production of 25.4 Mt, a decrease of 13% compared to 2019 levels, and slightly below the revised market guidance
- ✗ Unit costs of R362/tonne: R17/tonne higher than 2019, driven by lower deferred stripping, partly offset by lower mining and maintenance costs

Sishen waste (Mt)



Sishen production (Mt)



- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome



Kolomela

Performance hampered by Covid-19-related constraints, above average rainfall and some equipment reliability issues

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 1,488 permanent full-time employees and 1,170 full-time contractors.

Outlook

Waste mining is expected to be in the range of ~40 to 45 Mt in 2021

Stripping ratio to exceed 3 in 2021, with LoM stripping ratio of ~3.6

Reserve life of 12 years, due to annual production

Expected production for 2021 is ~ 13 Mt

Unit costs expected to be between R300 and R310/tonne for 2021

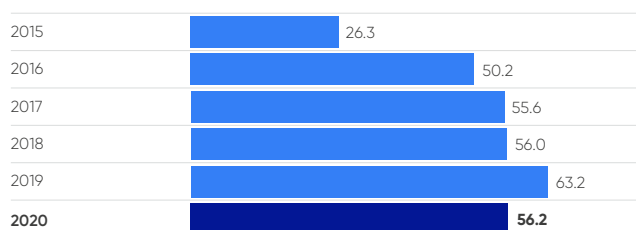
Developing the Kapstevl South pit

Kolomela performance summary

Shovel and truck fleet efficiency reduced by approximately 5% during 2020. After realising gains from 35% in 2015, to 65% on the shovels, and 85% on our trucks, the rate of OEE improvement has slowed down. The last 10 to 20% improvement will be more challenging to realise. The analysis has shown that the optimal level for our shovel efficiency, from a value perspective, is around 80%. This still requires a significant improvement from our current levels.

- ✓ A substantial reduction in LTI's of 50%, compared to 2019, with zero fatalities (2019: zero)
- ✓ R58.2 million investment in social and community projects up from R53.5 million in 2019
- ✓ ISO 14001, ISO 9001 certified; OHSAS 18001 compliant
- ✓ Slight increase in product quality to 64.5% Fe in 2020 compared to 64.3% Fe in 2019
- ✗ Waste volumes of 56.2 Mt, 7.0 Mt lower than 2019 levels, impacted by Covid-19-related challenges
- ✗ Production of 11.7 Mt, a 12% reduction from 2019
- ✗ Unit costs of R304/tonne were R34/tonne higher than 2019, due to higher mining and maintenance costs – increase in maintenance costs related to the catch-up in the mining fleet lifecycle maintenance activities during 2020

Kolomela waste (Mt)



Kolomela production (Mt)



- Positive outcome ✓
- Neutral outcome –
- Negative outcome ✗



Saldanha Bay rail and port

Logistical constraints at the port, offset by a number of interventions

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 40 Mt and 41 Mt in 2021, due to lower domestic sales volumes

Focused on simplifying and right-sizing our product portfolio to better align to logistical capacity, this enables a more targeted resource allocation and optimisation along the value chain

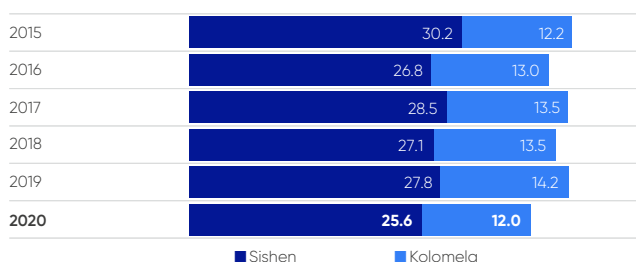
Identify the right combination of products for our new portfolio. With the simplified portfolio, we will focus on those products that can be scaled to drive value for the long term and retain our product quality and achieve the US\$2/tonne marketing premium target

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

- ✓ Lower finished product stock of 4.7 Mt at the end of 2020 compared to 6.4 Mt in 2019
- ✓ Integrated sales and operational teams jointly managed production, logistics, and sales, including coordinating stock buffers along the value chain to match Transnet's rail and port capacity and leverage every opportunity to increase export sales volumes
- ✗ Export sales of 39.3 Mt, a decrease of 0.7 Mt from 2019 due to Covid-19-related challenges
- ✗ 37.5 Mt railed to Saldanha Bay port, decrease of 4.4 Mt on 2019 due to Covid-19-related challenges
- ✗ 39.3 Mt shipped from Saldanha port, decrease of 0.7 Mt compared to 2019

Volumes railed (Mt)



Volumes production (Mt)



- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome



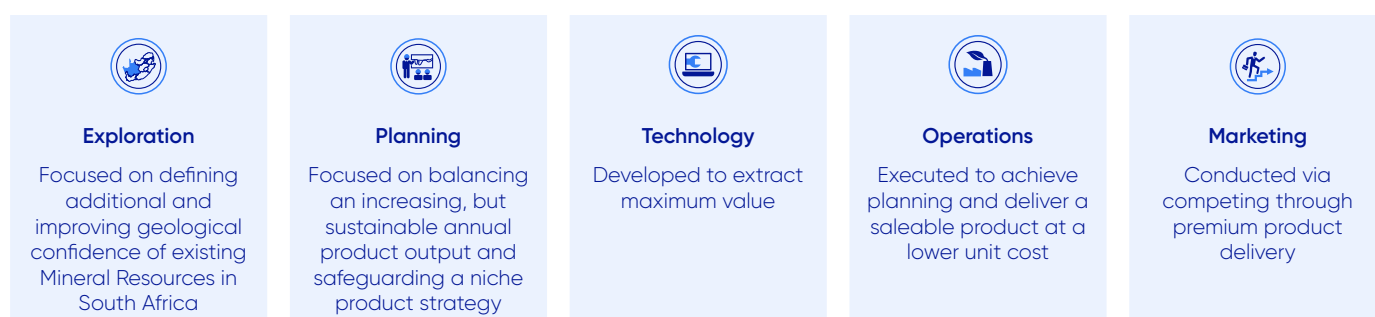
Ore Reserves (and Saleable Product) and Mineral Resources

This statement is an abridged version of the more comprehensive Kumba Iron Ore 2020 Ore Reserve (and Saleable Product) and Mineral Resource report, which can be accessed at:

 <https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2020>

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.

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:



Kumba's Saleable Product, Ore Reserves and Mineral Resources remaining after 31 December 2020 are headlined in the table below:

Saleable Product (currently economically beneficiable part of Proved and Probable Ore Reserves)	Ore Reserves (inclusive of Saleable Product and currently economically mineable part of Measured and Indicated Mineral Resources)	Exclusive Mineral Resources (in addition to Ore Reserves and defined by applying parameters to define reasonable prospects for eventual economic extraction)
↓	↓	↓
Kolomela 150.0 Mt at 64.5% average Fe	Kolomela 158.0 Mt at 62.1% average Fe (against 50% Fe cut-off grade)	Kolomela 143.3 Mt at 63.0% average Fe (against 50% Fe cut-off grade)
Sishen 429.7 Mt at 64.7% average Fe	Sishen 571.9 Mt at 57.9% average Fe (against 40% Fe cut-off grade)	Sishen 561.5 Mt at 53.6% average Fe (against 40% Fe cut-off grade)
Total 579.7 Mt at 64.6% average Fe	Total 729.9 Mt at 58.8% average Fe	Total 704.8 Mt at 55.5% average Fe
Kumba Saleable Product increased by 5% (+29.0 Mt) year-on-year.	Kumba Ore Reserve increased by 6% (+38.2 Mt) year-on-year.	Kumba Mineral Resource increased materially by 24% (+134.5 Mt) year-on-year.

The 2020 net increase in Saleable Product, Ore Reserves and Mineral Resources reflects the benefit of an improved long-term economic outlook, especially in terms of the US\$ to ZAR exchange rate (critical for Kumba being primarily an exporter), combined with optimised haul road designs and yet another year of advances made as a result of a geotechnical pit design study at Sishen mine. As a result of the above, the reserve life of Sishen has increased from 13 to 15 years.

The 2020 Resource and Reserve statement excludes the Sishen UHDS project that was approved by the Kumba Board in February 2021. The approval of the project will see the Reserves and Saleable Product increase in 2021 with a commensurate decrease in Mineral Resources. The 2021 Resource and Reserve statement will reflect the approval of this project.



Our performance

Ore Reserves (and Saleable Product) and Mineral Resources continued

Introduction

The 2020 Kumba Saleable Product, Ore Reserves and Mineral Resources estimated at 31 December 2020 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 2020 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 Table 1 Checklist of reporting and assessment criteria as per the SAMREC Code (2016 Edition) as required by Section 12.11 of the Johannesburg Stock Exchange listing rules.

Salient features

Safety

Kumba Iron Ore has for the fourth year in a row had zero fatalities at its mining operations and exploration projects, the scale of the latter often under-estimated. This can only be attributed to impeccable guidance starting right at the top with the Company's Chief Executive, rolled out throughout the organisation with excellent communication and management and participation programmes.

Our safety performance is something we are very proud of and harness and celebrate after each new milestone with the necessary caution.

Kumba's Tswelopele strategy (aims to enhance Kumba's financial margins and sustain it for the future)

As set out below, **a major milestone has been achieved in 2020, whereby Kumba has delivered on its ambition as set out in 2018 (to be achieved on or before 2022) of replenishing its Ore Reserves by 200 Mt** (at the time the target was set, it was expressed in terms of conversion of ~385 Mt exclusive Mineral Resources to Ore Reserves as Kumba could not publicly state an Ore Reserve conversion target by not having sufficient confidence to support the conversion from Resource to Reserve at the time, as required by the SAMREC Code).

Horizon 1

Improve Kumba Iron Ore's financial margins through achieving benchmark productivities, maximising resource utilisation, cost control and obtaining the maximum price for our superior iron ore products.

2020 progress:

- Focused pit optimisation conducted at Sishen mine in 2020 resulted in a 52.0 Mt Ore Reserve increase, considering more favourable long-term forward-looking economic assumptions. In addition, the incorporation of optimised haul road designs as well as steeper pit slope design angles for certain lithologies as proposed by phase 2 of the Sishen geotechnical optimisation study, resulted in a further 25.2 Mt Ore Reserve increase. The average waste stripping ratio associated with the larger pit is 3.8 : 1, compared to 3.4 : 1 in 2019.
- For Kolomela mine the overall waste stripping ratio as per the 2020 life-of-mine (LoM) plan decreased from 3.8 : 1 in 2019 to 3.6 : 1 in 2020, primarily as a result of the new ramp design in the Klipbankfontein pit, reducing the waste tonnages by 27.1 Mt while impacting only 2.3 Mt of the Ore Reserves.

Horizon 2

Apply new beneficiation technology and conduct exploration to extend the Company's life-of-mine. The programme focuses on converting lower grade material to saleable product by fully utilising the Ultra-High Dense Media Separation (UHDMS) technology and exploration knowledge and expertise we have in the Northern Cape to discover new deposits both on and off-lease.

2020 progress:

- The Kapstevl South feasibility study at Kolomela mine was approved.
- At the time of reserve and resource reporting in 2020, the Sishen Ultra-High Dense Media Separation (UHDMS) project feasibility study has not been finalised and has been extended to Q1 2021 to align with the 2020 Sishen LoM plan as presented in the ORMR report. If approved by the relevant Investment Committees and the Kumba Board, the associated Ore Reserves will only be reflected in the 2021 Ore Reserve (and Saleable Product) and Mineral Resource Report.
- Kolomela will launch a study in 2021 to convert the 59.1 Mt Ploegfontein Measured and Indicated Mineral Resources to Ore Reserves. The deposit is located within the mining right area but not considered in the current LoM plan and is characterised by a higher proportion of medium-grade ($50\% \leq \text{Fe} < 61\%$) to high-grade ($\text{Fe} \geq 61\%$) ore by virtue of its ore genesis (group of satellite orebodies formed by karst topography), compared to the more massive continuous orebodies currently considered in the LoM plan.
- On the exploration front, Sishen Iron Ore Company (Pty) Ltd (SIOC) has commenced with exploration activities in the Northern Cape province, including drilling on near-mine properties in relative proximity to existing operations that have been identified as potential iron ore mineralisation targets through its regional genetic geological model. Access for exploration has been achieved through option agreements with current third-party right holders. If the properties are prospective, and meet Kumba's expected criteria, Kumba has the right to take up 70% of the ownership in the assets. Exploration activities were limited as a result of adherence to national governmental lockdown restrictions in response to the global Covid-19 pandemic.



Replenishing Ore Reserves (and Saleable Product) without compromising income margins and safety

Kumba's ambition, set in 2018, was to extend our life-of-mine through efficiency improvements, resource utilisation and exploration. At that stage ~385 Mt of exclusive Mineral Resources was targeted for conversion in the near term (2018 to 2022) to Ore Reserves, which can be translated to an additional ~200 Mt Ore Reserves, thereby extending the life-of-mines.

In line with this strategy, we have successfully increased the Ore Reserve by a cumulative 206.4 Mt (before depletion) since 2018 as follows:

- +112.1 Mt in 2018 (before depletion) primarily as a result of pit slope steepening as per phase 1 of the Sishen geotechnical optimisation study;
- +12.8 Mt in 2019 (before depletion) primarily as a result of improved resource to reserve conversion; and
- +81.5 Mt in 2020 (before depletion) mainly due to the optimisation of the Sishen pit layout considering more favourable long-term forward-looking economic assumptions as well as incorporating steeper pit slope design angles for certain lithologies based on phase 2 of the Sishen geotechnical study, which could only be incorporated into the design after the mine demonstrated that it can achieve final pit boundaries as planned.

All of the above was achieved through initiatives in support of Horizon 1 of the Kumba Tswelelopele strategy. The Sishen UHDMs project and the Kolomela Ploegfontein project in support of Horizon 2 of the Tswelelopele strategy are further initiatives on the road to achieve a 20-year mine life.

Security of tenure

Apart from the fact that security of tenure for the Sishen and Kolomela operations is ensured via notarially executed mining rights which have been registered in full at the Mining Titles Office: Pretoria, South Africa, Kumba can also state that for the first time all of its environmental authorisation and permit applications for Kolomela have been approved, with only three pending applications at Sishen. Kumba has been encouraged by the significantly improved levels of collaboration and support received from the South African Governmental Department of Mineral Resources and Energy.

Saleable product

The Kumba (combined Kolomela and Sishen) 2020 LoM plan does not deliver scheduled Saleable Product that conforms to current Client product grade specifications for the complete mine life, specifically in terms of Al_2O_3 . This is primarily as a result of the inherent grade characteristics of the Mineral Resources from which the Ore Reserves and Saleable Product are derived.

As mitigation, Kumba is in discussion with the Anglo American Marketing Division to ensure an aligned and optimal way forward where value is maximised while considering the inherent grade characteristics of the Mineral Resources.

Although the total Saleable Product remaining after 31 December 2020 increased by an estimated 5% year-on-year, it must be noted that the planned average annual Saleable Product output of the Kumba 2020 LoM plan, reduced by 2.1 Mtpa comparing the 2020 LoM plan with the 2019 LoM plan. The decrease has primarily been brought about by an almost 10-fold decrease in off-take in the domestic market from ArcelorMittal SA.



Remote operated drill rigs at Kolomela mine.



Our performance

Ore Reserves (and Saleable Product) and Mineral Resources continued

Saleable Product

2020 Saleable Product statement (referenced against 2019)

Saleable Product estimates tabled below represent the planned beneficiated product derived from Proved and Probable Ore Reserves only, as per the 2020 LoM plans and excludes estimated modified beneficiated Inferred Mineral Resources.

		2020	2019	2020		2019			
Operation/project	Saleable Product category	Yield (%)	Yield (%)	Tonnage (Mt)	Average Grade (% Fe)	Tonnage (Mt)	Average Grade (% Fe)		
Mining operations									
Kolomela ^{1, 2, 3, 4}									
Saleable Product (from pit)	Proved	94.9	94.6	101.1	64.4	101.3	64.4		
	Probable			41.3	64.6	54.3	64.2		
	Sub-total			142.4	64.5	155.5	64.3		
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	0.0	0.0		
	Probable			7.6	64.5	7.5	64.5		
	Sub-total			7.6	64.5	7.5	64.5		
Total Saleable Product	Proved			101.1	64.4	101.3	64.4		
	Probable			48.8	64.6	61.8	64.2		
	Total			150.0	64.5	163.0	64.3		
Sishen ^{1, 2, 3, 4}									
Saleable Product (from pit)	Proved	75.1	74.6	268.4	65.1	229.7	63.7		
	Probable			151.2	64.1	148.5	64.2		
	Sub-total			419.6	64.7	378.1	63.9		
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	0.0	0.0		
	Probable			10.2	63.8	9.5	64.6		
	Sub-total			10.2	63.8	9.5	64.6		
Total Saleable Product	Proved			268.4	65.1	229.7	63.7		
	Probable			161.4	64.1	158.0	64.2		
	Total			429.7	64.7	387.7	63.9		
Company									
Kumba									
Grand total Saleable Product	Proved	79.4	79.6	369.5	64.9	330.9	63.9		
	Probable			210.2	64.2	219.7	64.2		
	Grand total			579.7	64.6	550.7	64.0		

¹ Operational status – Steady-state

² Mining method – Open-pit

³ Ore type – Haematite iron ore

⁴ Owned by Kumba Iron Ore Limited – 76.3%; Owned by Sishen Iron Ore Company Proprietary Limited – 100%

Kolomela's Saleable Product decreased by 13.0 Mt (-8%) from 2019 to 2020

The overall decrease in the remaining Saleable Product is primarily due to production, with a smaller contribution as a result of a new ramp design for the Klipbankfontein pit, which excludes a relative small amount of previous declared Ore Reserves that were no longer available for conversion to Saleable Product in the 2020 LoM plan.

Other minor movements are detailed in the Kumba Ore Reserve (and Saleable Product) and Mineral Resource (ORMR) report.

Sishen's Saleable Product increased by 42.0 Mt (+11%) year-on-year

The net annual increase is a result of pit optimisation conducted in 2020 at Sishen (Kumba's flagship operation), which considered more favourable long-term forward-looking economic assumptions, resulting in a material larger pit layout. Furthermore the optimisation of the haul road designs and the incorporation of steeper pit slope design angles in certain lithologies based on a continuation of the Sishen geotechnical optimisation study, resulted in a further increase in the size of the pit layout. Both of these outcomes made a material amount of more Ore Reserves available for conversion to Saleable Product.

The increase as explained above was offset by annual production, but the overall net result is a positive gain of 42.0 Mt.

Other minor movements are detailed in the Kumba 2020 ORMR report.



Ore Reserves

2020 Ore Reserve statement (referenced against 2019)

Ore Reserve estimates tabled below represent the planned (scheduled) run-of-mine derived through modification of currently economically mineable Measured and Indicated Mineral Resources only, as per the 2020 LoM plans and excludes modified Inferred Mineral Resources.

2020						2019			
Operation/Project	Reserve category	Tonnage (Mt)	Grade (%Fe)		Reserve life (years)	Tonnage (Mt)	Grade (%Fe)		Reserve life (years)
			Average	Cut-off			Average	Cut-off	
Mining operations									
Kolomela ^{1, 2, 3, 4}									
Ore Reserves (from pit)	Proved	104.0	62.8	50.0	12	103.9	63.5	50.0	12
	Probable	42.5	61.6			55.4	64.0		
	Sub-total	146.5	62.5			159.3	63.7		
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			0.0	0.0		
	Probable	11.5	57.4			13.1	55.4		
	Sub-total	11.5	57.4			13.1	55.4		
Total Ore Reserves	Proved	104.0	62.8			103.9	63.5		
	Probable	54.0	60.7			68.5	62.4		
	Total	158.0	62.1			172.4	63.1		
Sishen ^{1, 2, 3, 4}									
Ore Reserves (from pit)	Proved	348.9	58.8	40.0	15	299.8	58.5	40.0	13
	Probable	209.4	56.6			207.3	56.2		
	Sub-total	558.2	58.0			507.1	57.6		
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			0.0	0.0		
	Probable	13.7	54.6			12.2	58.7		
	Sub-total	13.7	54.6			12.2	58.7		
Total Ore Reserves	Proved	348.9	58.8			299.8	58.5		
	Probable	223.1	56.5			219.5	56.3		
	Total	571.9	57.9			519.4	57.6		
Company									
Kumba									
Grand total Ore Reserves	Proved	452.9	59.7			403.7	59.8		
	Probable	277.1	57.3			288.0	57.8		
	Grand total	729.9	58.8			691.7	59.0		

¹ Operational status – Steady-state

² Mining method – Open-pit

³ Ore type – Haematite iron ore (including run-of-mine stockpiles)

⁴ 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 14.4 Mt (-8%)

The overall decrease in the remaining Ore Reserves is primarily due to the year's production, with a smaller contribution as a result of a new ramp design for the Klipbankfontein pit, which excludes a relative small amount of previous declared Ore Reserves, but with the advantage of improving the waste stripping ratio for the pit substantially, resulting in the overall waste stripping ratio of Kolomela improving from 3.8 : 1 in 2019 to 3.6 : 1 in 2020.

For Kolomela mine a 12-year remaining reserve life, at an average 12.6 Mtpa Saleable Product output has been quoted in 2020. It is derived from an average 13.3 Mtpa plant feed, which includes 1% modified Inferred Mineral Resources as 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 2% lower net present value (at 8% real discount rate).

Sishen's Ore Reserves increased materially by 52.6 Mt (+10%) year-on-year

Most of the annual increase is a result of the outcome of pit optimisation conducted in 2020, which considered more favourable long-term forward-looking economic assumptions, resulting in a material increase in the size of the pit layout. In addition, the 2020 pit optimisation considered steeper pit slope design angles for certain lithologies based on a continuation of the Sishen geotechnical optimisation study as well as optimised haul road designs. The outcome of these updated inputs into the pit designs resulted in a material increase in Ore Reserves. As a result, the overall waste stripping ratio in the 2020 Sishen LoM plan increased from 3.4 : 1 in 2019 to 3.8 : 1 in 2020.

For Sishen, a 15-year reserve life at an average 292 Mtpa Saleable Product output has been quoted in the 2020 LoM plan. It is derived from an average 38.9 Mtpa plant feed, which includes 2% modified Inferred Mineral Resources as 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).



Our performance

Ore Reserves (and Saleable Product) and Mineral Resources continued

Mineral Resources

2020 exclusive Mineral Resource statement (referenced against 2019)

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.

		2020		2019			
Operation/Project	Resource category	Tonnage (Mt)	Average Grade		Tonnage (Mt)	Average Grade	
			(%Fe)	Cut-off Grade (% Fe)		(%Fe)	Cut-off Grade (% Fe)
Mining operations							
Kolomela ^{1, \$}							
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	40.1	63.2	50.0	34.1	63.2	50.0
	Indicated (outside LoMP)	66.4	63.1		77.9	62.4	
	Total Measured and Indicated (outside LoMP)	106.5	63.1		112.0	62.6	
	Inferred (considered in LoMP)	1.5	65.8		4.5	66.1	
	Inferred (outside LoMP)	28.7	63.8		29.3	62.7	
	Total Inferred	30.1	63.9		33.7	63.2	
	Sub-total	136.6	63.3		145.7	62.7	
Long-term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0		0.0	0.0	
	Indicated (outside LoMP)	6.7	55.1		4.2	55.7	
	Total Measured and Indicated (outside LoMP)	6.7	55.1		4.2	55.7	
	Inferred (considered in LoMP)	0.0	0.0		0.0	0.0	
	Inferred (outside LoMP)	0.0	0.0		0.0	0.0	
	Total Inferred	0.0	0.0		0.0	0.0	
	Sub-total	6.7	55.1		4.2	55.7	
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	40.1	63.2		34.1	63.2	
	Indicated (outside LoMP)	73.1	62.4		82.1	62.0	
	Total Measured and Indicated (outside LoMP)	113.2	62.7		116.2	62.4	
	Inferred (considered in LoMP)	1.5	65.8		4.5	66.1	
	Inferred (outside LoMP)	28.7	63.8		29.3	62.7	
	Total Inferred	30.1	63.9		33.7	63.2	
	Total	143.3	63.0		150.0	62.6	
Sishen ^{2, \$}							
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	149.6	57.0	40.0	107.3	56.4	40.0
	Indicated (outside LoMP)	355.8	53.2		266.3	54.8	
	Measured and Indicated (outside LoMP)	505.4	54.3		373.7	55.3	
	Inferred (considered in LoMP)	12.2	56.6		11.0	57.1	
	Inferred (outside LoMP)	18.5	48.1		13.4	48.2	
	Total Inferred	30.7	51.5		24.5	52.2	
	Sub-total	536.1	54.1		398.1	55.1	
Long-term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0		0.0	0.0	
	Indicated (outside LoMP)	25.4	41.1		22.2	43.9	
	Measured and Indicated (outside LoMP)	25.4	41.1		22.2	43.9	
	Inferred (considered in LoMP)	0.0	0.0		0.0	0.0	
	Inferred (outside LoMP)	0.0	0.0		0.0	0.0	
	Total Inferred	0.0	0.0		0.0	0.0	
	Sub-total	25.4	41.1		22.2	43.9	
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	149.6	57.0		107.3	56.4	
	Indicated (outside LoMP)	381.2	52.4		288.5	54.0	
	Measured and Indicated (outside LoMP)	530.8	53.7		395.8	54.7	
	Inferred (considered in LoMP)	12.2	56.6		11.0	57.1	
	Inferred (outside LoMP)	18.5	48.1		13.4	48.2	
	Total Inferred	30.7	51.5		24.5	52.2	
	Total	561.5	53.6		420.3	54.6	



		2020			2019		
Operation/Project	Resource category	Tonnage (Mt)	Average Grade		Tonnage (Mt)	Average Grade	
			(%Fe)	Cut-off Grade (% Fe)		(%Fe)	Cut-off Grade (% Fe)
Kumba – mining operations							
Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	189.6	58.3		141.4	58.0	
	Indicated (outside LoMP)	454.3	54.0		370.6	55.8	
	Measured and Indicated (outside LoMP)	643.9	55.3		512.1	56.4	
	Inferred (considered in LoMP)	13.7	57.6		15.5	59.7	
	Inferred (outside LoMP)	47.2	57.6		42.7	58.1	
	Total Inferred	60.8	57.6		58.2	58.5	
	Total	704.8	55.5		570.3	56.6	
Company							
Kumba							
Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	189.6	58.3		141.4	58.0	
	Indicated (outside LoMP)	454.3	54.0		370.6	55.8	
	Measured and Indicated (outside LoMP)	643.9	55.3		512.1	56.4	
	Inferred (considered in LoMP)	13.7	57.6		15.5	59.7	
	Inferred (outside LoMP)	47.2	57.6		42.7	58.1	
	Total Inferred	60.8	57.6		58.2	58.5	
	Grand total	704.8	55.5		570.3	56.6	

§ Ore type: Haematite; Owned by Kumba Iron Ore Ltd: 76.3%; Owned by Sishen Iron Ore Company: 100%

1 Kolomela quotes a 6.7 Mt (~4%) decrease in exclusive Mineral Resources from 2019 to 2020

The decrease is primarily the result of geological model updates to incorporate the latest available additional exploration and ore control borehole information.

The year-on-year movements is detailed in the 2020 ORMR report.

Of the 28.7 Mt Inferred Mineral Resources (outside the LoM plan), 19.5 Mt is extrapolated.

2 The Sishen exclusive Mineral Resources showed a material 34% increase of 141.2 Mt year-on-year

The material year-on-year increase is primarily the result of an increase in the size of the resource shell, based on pit optimisation conducted in 2020, which considered more favourable long-term forward-looking economic parameters, resulting in a material increase in Mineral Resources. In addition, optimised haul road designs and the incorporation of steeper pit slope design angles for certain lithologies in the pit optimisation, the latter based on a continuation of the Sishen geotechnical optimisation study, resulted in a further increase in the resource shell size, with the benefit of additional Mineral Resources.

The year-on-year movements is detailed in the 2020 ORMR report.

Of the 18.5 Mt Inferred Mineral Resources (outside the LoM plan), 1.1 Mt is extrapolated.





Governance

Kumba is committed to driving high standards of corporate governance and to ensuring full application of the King IV™ principles, ensuring that the Board continues to provide an effective oversight function that empowers management to manage the business effectively and efficiently in delivering on its strategy.

Matters discussed in this section

- Our leadership
- Corporate governance
- Remuneration report



Our leadership

Board



Dr Mandla Gantsho (58)

Chairperson, independent non-executive director

Qualifications: 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 (50)

Chief Executive and Chairperson of Exco, executive director

Qualifications: BEng (Chemical), BEng (Hons)
Joined the Board on 1 September 2016

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

Value added to the Board

Strategic leadership, mining and technical insight



Bothwell Mazarura (47)

Chief Financial Officer and member of Exco, executive director

Qualifications: BCompt (Hons), CA(SA), ACA, CA(Z)
Joined the Board on 1 September 2017

Value added to the Board

Governance, financial acumen and leadership



Terence Goodlace (61)

Lead independent non-executive director

Qualifications: 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



Buyelwa Sonjica (70)

Independent non-executive director

Qualifications: BA, BA (Hons)
Joined the Board on 1 June 2012

Value added to the Board

Transformation best practice, stakeholder engagement and sustainability best practice



Sango Ntsaluba (60)

Independent non-executive director

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

Joined the Board on 5 June 2017

Value added to the Board

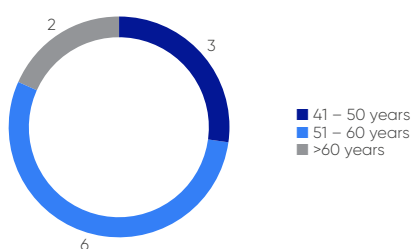
Governance, financial acumen and tax expertise



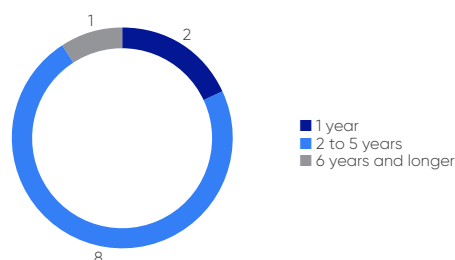
For more information on the Board refer to:

www.angloamericankumba.com/about-us/leadership-team/internal-board

Board diversity – age



Board diversity – tenure





Mary Bomela (47)
Independent non-executive director

Qualifications: BCom (Hons), CA(SA), MBA
Joined the Board on 1 December 2017

Value added to the Board
Strategy, financial acumen and governance



Michelle Jenkins (60)
Independent non-executive director

Qualifications: 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 (58)
Independent non-executive director

Qualifications: 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 (58)
Non-executive director

Qualifications: 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

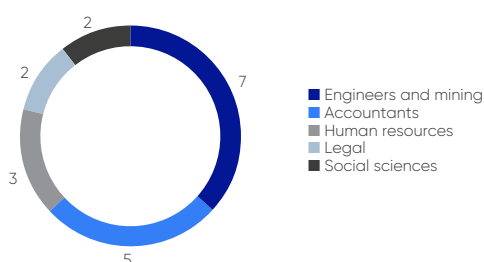


Duncan Wanblad (53)
Non-executive director

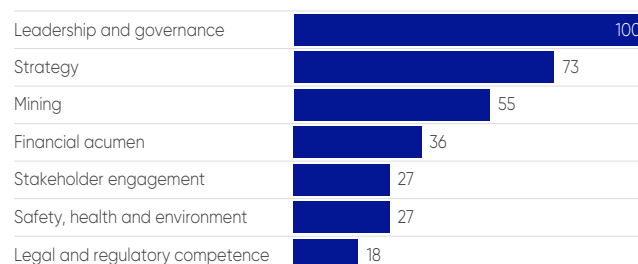
Qualifications: BSc (Eng) Mech, GDE (Eng Management)
Joined the Board on 31 May 2019

Value added to the Board
Mining expertise, business development and strategic leadership

Board diversity – field of knowledge



Board diversity – skills and experience (%)





Governance

Our leadership continued

Executive committee (EXCO)



Vijay Kumar (48)
Chief Operating Officer

Qualifications: MBA, BTech (Mining Engineering)
Joined Exco on 1 April 2020

Value added to Exco
Operational, mining and engineering expertise



Dr Pranill Ramchander (50)
Executive head of corporate affairs

Qualifications: BSoc Science (Hons), MA, MSc, PhD
Joined Exco on 1 September 2020

Value added to Exco
Communication, stakeholder relations and social performance and governance



Virginia Tyobeka (54)
Executive head of human resources

Qualifications: BAdmin, BAdmin (Hons), MAP
Joined Exco on 4 January 2010

Value added to Exco
Human resources, industrial relations and stakeholder management



Philip Fourie (58)
Executive head of safety and sustainable development

Qualifications: 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 (44)
Executive head of technical and projects

Qualifications: BSc (Geology), MEng (Mining), GDE (Rock Engineering), PrSciNat
Joined Exco on 1 August 2016

Value added to Exco
Technical expertise, engineering and mining



Dr Timo Smit (52)
Executive head of marketing and seaborne logistics

Qualifications: 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 (49)

Executive head strategy and business development

Qualifications: BCom, BCompt (Hons), CTA, CA(SA)
Joined Exco on 16 July 2018

Value added to Exco

Acquisitions, finance acumen and strategy



Themba Mkhwanazi (50)

Chief Executive and Chairperson of Exco, executive director

Qualifications: BEng (Chemical), BEng (Hons)
Joined the Board on 1 September 2016

Value added to Exco

Strategic leadership, mining and technical insight



Bothwell Mazarura (47)

Chief Financial Officer and member of Exco, executive director

Qualifications: BCompt (Hons), CA(SA), ACA, CA(Z)
Joined the Board on 1 September 2017

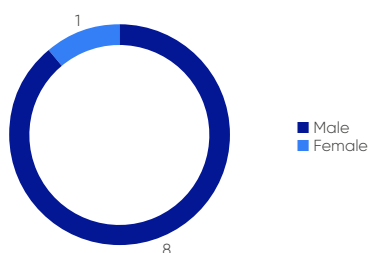
Value added to Exco

Governance, financial acumen and leadership

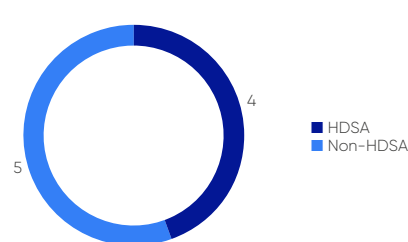
For more information on Exco refer to:
www.angloamericankumba.com/about-us/leadership-team/executive-committee

Exco composition

Exco composition



Exco composition



Skills and experience (%)

Strategy	67
Mining, operational and engineering	44
Safety, health and environmental management	22
Finance acumen and acquisitions	22
Marketing, logistics and macro-economic insight	11
Human resources and industrial relations	11
Stakeholder engagement	22
Communication, social performance and governance	22
Technical expertise	33



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 and promoted broader diversity at Board level
- 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 delegation of authority framework (DAF) to provide for the various authority levels across the Company and its subsidiaries.

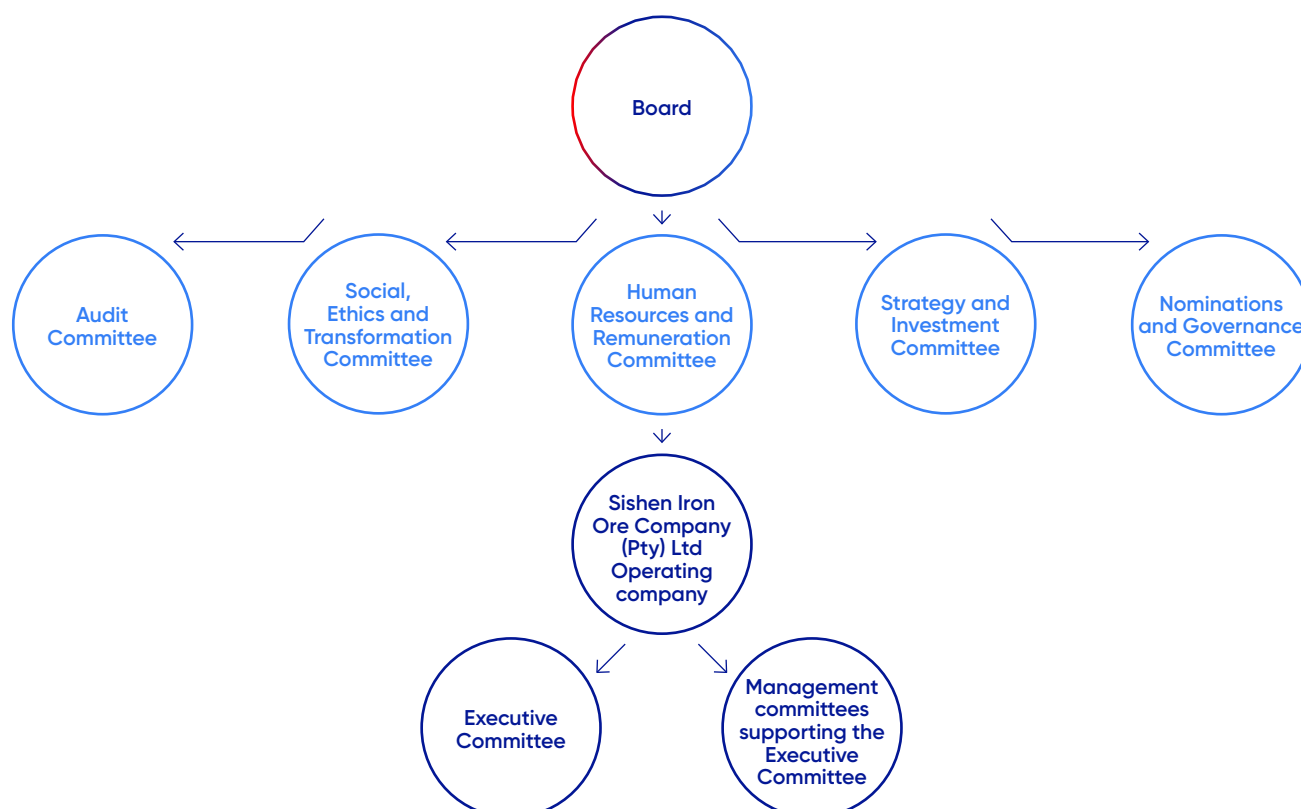
Governance at Kumba takes into account that its main operating subsidiary, Sishen Iron Ore Company (Pty) Ltd (SIOC), has a shareholding structure that reflects the B-BBEE requirements of the Mining Charter and the MPRDA.

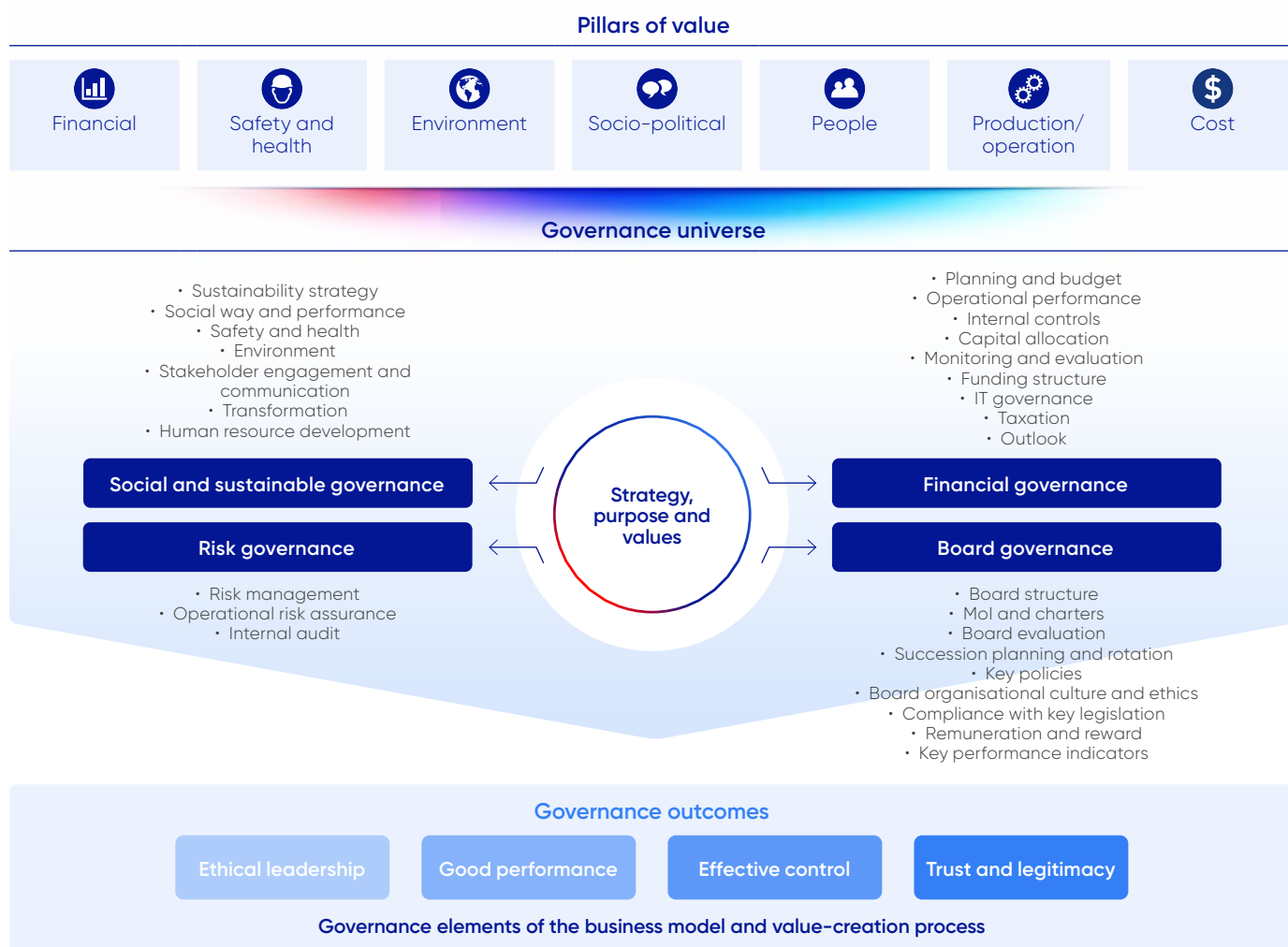
Our governance framework is structured in a manner that ensures that the two entities are legally independent and have fully operational but separate boards, with clearly defined responsibilities and authority.

The Company's DAF regulates the approval levels of each board.

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

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-monthly 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 in 2019 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 policy 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

Ms Nonkululeko Dlamini resigned as non-executive director of the Board with effect from 6 July 2020 and stepped down as a member of the Social, Ethics and Transformation Committee and 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 (Moi) 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 Officer and the Chief Financial Officer are excluded in determining the rotation of retiring members.

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 re-appointment at the 2021 AGM: Mrs NB Langa-Royds, Mrs MS Bomela and Ms BP Sonjica.

Skills and diversity

The Board approved a Board policy promoting broader diversity at Board level. Diversity at Board level is seen as an essential element in maintaining a competitive advantage. Robust discussions about challenging issues require deep insight, multiple angles and collective experience which is where the value of having a diverse Board lies. The Board diversity profile encompasses variables such as gender, race, culture, age, field of knowledge, skills and experience, ethnicity, competencies, philosophies, accomplishments and religion. A diverse Board will include and make good use of all the diversity attributes between members to the Board to encourage debate and make well rounded decisions. These diversity attributes will be considered in determining the optimum composition of the Board. The Board agreed that no voluntary targets be set for 2020 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 55%.

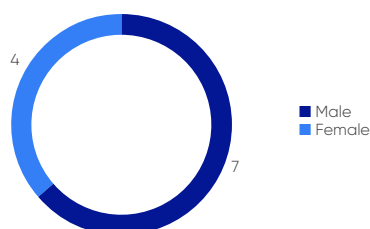
The policy promoting boarder diversity will apply to the appointment of new directors and has been taken into account for purposes of succession planning for the Board.

Details of all Board members can be found on page 82 and 83. The Board, with the support and guidance of the Nominations and Governance Committee, ensures that the promotion of broader



diversity is given credence within the framework of the Board succession strategy.

Board composition



Board composition



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.

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 re-appointment 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 2020 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.

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, training was provided to the Audit Committee on IFRS updates, Covid-19 considerations, new accounting standards, amendments and developments. An external facilitated training session was provided to the Board on the governance framework and managing 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.

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

In November 2020, 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 December 2020, an internal annual Board appraisal process was facilitated under the auspices of the Nominations and Governance Committee. The appraisal process solicited each director's views on the performance of the Board as a whole, the performance of the Chairperson of the Board, Company Secretary, the Board committees 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 3.84 out of 4. 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.

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.

Board committees

There are five Board committees, namely: the Audit Committee; Social, Ethics and Transformation Committee (Setco); Human Resources and Remuneration Committee (Remco); Strategy and Investment Committee (Stratco) and Nominations and Governance Committee (NomGov). 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 the 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 Officer has a standing invitation to attend all committee meetings where he is not a member
- other Company executives attend meetings where appropriate and by 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	14 February 2020	13 March 2020 (IR sign-off)	15 May 2020	24 July 2020	27 November 2020	Total meeting attendance
MSV Gantsho	✓	✓	✓	✓	✓	5/5
MS Bomela	✓	Apology+	✓	✓	✓	4/5
NS Dlamini*	✓	Apology+	✓	Resigned	Resigned	2/3
SG French	✓	Apology+	✓	✓	✓	4/5
TP Goodlace	✓	✓	✓	✓	✓	5/5
MA Jenkins	✓	✓	✓	✓	✓	5/5
NB Langa-Royds	✓	✓	✓	✓	✓	5/5
TM Mkhwanazi	✓	✓	✓	✓	✓	5/5
BA Mazarura	✓	✓	✓	✓	✓	5/5
SS Ntsaluba	✓	✓	✓	✓	✓	5/5
BP Sonjica	✓	✓	✓	✓	✓	5/5
DG Wanblad	✓	Apology+	✓	✓	✓	4/5

+ Comments submitted ahead of the meeting

* Ms Nonkululeko Dlamini resigned as non-executive director on 6 July 2020

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 2020:

- 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 2020. Actions for implementation in 2021 have been identified and agreed by the Board.

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 16 to 18 in the AFS).

The table below sets out the composition of the Audit Committee and attendance at the meetings by its members for 2020:

Member	Number of meetings: 5
SS Ntsaluba (Chairperson)	5/5
MS Bomela	5/5
TP Goodlace	5/5
MA Jenkins [§]	4/4

[§] Ms Michelle Jenkins was appointed to the Committee on 1 February 2020

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 2020:

- reviewed and approved the 2019 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 Listing Requirements, the suitability of the external auditor and designated audit partner for recommendation to shareholders for approval
- considered the JSE's guidance on proactive monitoring of the AFS
- a comprehensive list of the Committee's activities can also be found on page 18 of the report of the Audit Committee in the Kumba 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 2020. Actions for implementation in 2021 have been identified and agreed by members of the Committee (also refer to the Audit Committee's report in the AFS pages 16 to 18).

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: 4
TP Goodlace (Chairperson)	4/4
NS Dlamini*	1/2
SG French	4/4
MA Jenkins	4/4
SS Ntsaluba	4/4
BA Mazarura	4/4
TM Mkhwanazi	4/4
D Wanblad	4/4

* Ms Nonkululeko ceased to be a member of the Committee following her resignation as non-executive director on 6 July 2020

The following were key activities and outcomes from the Strategy and Investment Committee in 2020:

- 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.

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 2020) is available on the Company's website at:

www.angloamericankumba.com/investors/annual-reporting/reports-archive/2020

The table below sets out the composition of the Social, Ethics and Transformation Committee and attendance at the meetings by its members for 2020:

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

* Ms Nonkululeko Dlamini ceased to be a member of the Committee following her resignation as non-executive director on 6 July 2020

The following were some of the key activities and outcomes from the Social, Ethics and Transformation Committee in 2020:

- 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 2020. Actions for

implementation in 2021 have been identified and agreed by members of the Committee.

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 2020:

Member	Number of meetings: 5
NB Langa-Royds (Chairperson)	5/5
MS Bomela	5/5
SG French	5/5
MSV Gantsho	5/5
TP Goodlace	4/5

The following were key activities and outcomes from the Human Resources and Remuneration Committee in 2020:

- 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 2020 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 2020 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 2020 performance assessments for the executive directors and prescribed officers



- monitored the successful conclusion of a new three-year wage agreement which became effective on 1 July 2020
- reviewed its terms of reference and 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 2020. Actions for implementation in 2021 have been identified and agreed by members of the Committee.

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 2020:

Member	Number of meetings: 4
Dr Mandla Gantsho (Chairperson)	4/4
TP Goodlace	4/4
NB Langa-Royds	4/4
SS Ntsaluba	4/4
BP Sonjica	4/4

The following were key activities and outcomes from the Nominations and Governance Committee in 2020:

- 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 internal evaluation of the Board as a whole, its committees, the Chairperson and committee chairmen
- 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 2020. Actions for implementation in 2021 have been identified and agreed by members of the Committee.

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:

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

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

Management 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 2020. 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 2021.

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 relevant 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 prohibits 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 2020 to 18 February 2020)
- the time period from 1 July every year to the date on which interim financial results are published (1 July 2020 to 28 July 2020)
- any period when Kumba is trading under a cautionary announcement; and
- at any time when an individual is in possession of price sensitive information in relation to Kumba's securities or otherwise where clearance to deal is not given in terms of paragraph 3.66 of the JSE Listings Requirements

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 Resource and Remuneration Committee (Remco)

The successful development and execution of any organisation's strategy for long-term value creation depends ultimately on the quality of its people and its leadership team. Attracting, motivating and retaining the best people, requires having effective market-related remuneration and incentive policies and practices. In addition to having a material impact on Kumba's value creation, a company's remuneration practices is also of particular interest to many of our stakeholders, including especially our shareholders.

Delivering our responsibilities as Remco

One of Kumba's four strategic ambitions is for the Company to be the employer of choice in the South African mining sector. As Remco, it is our responsibility to assist Kumba to deliver on this ambition by ensuring that the Company has the right remuneration practices in place, particularly at the executive level. As Remco, we strive to ensure 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.

Each year, the performance of the Kumba executive team, and overall workforce, is assessed collectively against the Kumba business unit scorecard, as agreed with Anglo American and sanctioned by this Remco. Members of the executive team are mutually responsible for delivering on the scorecard's operational and strategic objectives, and ultimately are held accountable by the Chief Executive and the Board on their individual contribution to achieving the team goals. The Chief Executive is measured against his personal scorecard, which is aligned to the Kumba scorecard. Remco is also responsible each year for reviewing the Company's remuneration disclosure in this report to ensure that it is accessible, accurate and complete, and that it is aligned with best practice governance requirements. Through this annual

disclosure, we strive 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 on Remco's activities during 2020, there are five developments that I wish to highlight:

- The most significant development this year, and one that I am particularly proud of, was the nature of Kumba's response to the Covid-19 pandemic, with the Company's remuneration policy finding an appropriate balance in protecting the best interest of employees, local communities, and shareholders. Under the initial level 5 lockdown period, introduced from 27 March 2020, Kumba was allowed to have 50% of its workforce at its operations from April, and 100% from May, as part of a sector lockdown exemption. During this period, employees reporting for normal duty continued to receive their normal monthly remuneration, including all allowances and benefits applicable, while those employees not reporting for duty, received their basic salary or basic employment cost with all allowances forfeited for the period; employer retirement fund contributions and medical subsidy benefits were maintained for all employees during this period. For vulnerable employees, a multi-pronged solution was approved, with various special measures considered on an individual basis, to best accommodate and protect every and all vulnerable employees. In recognition of the increased workload on, and demand for, the Company's occupational health personnel during this period, we approved a discretionary short-term critical skills and circumstantial allowance. In support of public efforts to combat Covid-19, the Chief Executive and Chief Financial Officer committed one-third of their monthly net pay to the Mining Dialogues 360 Degrees Public Benefit Organisation and the Solidarity Fund respectively, for the three-month period May to July 2020.



- On 3 August 2020, we processed the third and final tranche award in "Karolo", our employee share ownership plan (ESOP) that was launched in 2019 to replace the previous "Envision Phase II" ESOP. Given the Covid-19 restrictions and the Company's drive to work smarter and drive digitisation, we encouraged qualifying employees to view and accept their awards through ENGAGE, an Anglo American mobile application platform. Aided by a comprehensive awareness campaign supported by the unions, beneficiaries were able to accept their awards on the platform within the prescribed 30-day period. A potential extension of the scheme is under consideration.
- This year, Kumba successfully concluded a multi-year collective bargaining agreement with the three representative trade unions, for the period 1 July 2020 to 30 June 2023. The agreement regulates the annual salary adjustment percentage; for 2020, a total negotiated increase of 4.81% was granted, applicable to basic salaries, housing allowances, thirteenth cheques and fixed allowances for all bargaining unit employees.
- Aligned with Kumba's longstanding commitment to sustainable development, as well as with recent increased investor interest in environmental, social and governance (ESG) issues, we have confirmed the inclusion of five specific ESG-related performance measures within our balanced scorecard measures. These measures – relating to safety, energy efficiency, greenhouse gas intensity, tailings dams and dust – collectively contribute to 10% of the 2020 LTIP conditional share grant to Band 4 and above employees.
- Following the appointment of PwC as Kumba's external audit service provider, and to address independence requirements relating to advisory services, the Remco appointed Bowmans Gilfillan, to replace PwC in providing specialist, independent remuneration advice on all forms of executive and non-executive pay.

Appreciation

I would like to thank my colleagues on Remco for their advice and support in ensuring that the Committee delivers on its mandate. On behalf of Remco, I extend our collective thanks to Themba Mkhwanazi and the executive team for their work during this challenging year. Finally, I would like to acknowledge the Company's shareholders and proxies who have given us valuable insights on our remuneration activities; I encourage you all to please give us any further feedback on the Company's remuneration practices.

Ntombi Langa-Royds

Chairperson of the Human Resources and Remuneration Committee

26 March 2021



Section one: Key remuneration developments and activities

The following are some of the key developments and activities of Remco during 2020.

Changes to the membership of Remco

- There have been no changes to the Remco's membership.

⊕ **For all key decisions made by the Committee, please refer to page 93 and 94 of the governance section**



Covid-19

Key activities during 2020

Covid-19 Pandemic Remuneration Approach by the Company
In an attempt to curb the infection rate and "flatten the curve" of the Covid-19 pandemic, the South African government placed the country in lockdown on 27 March 2020. The level 5 lockdown resulted in the immediate demobilisation of our operations, followed shortly thereafter by a mobilisation to 50% of our labour force being allowed at the operations as a DMRE industry lockdown exemption dispensation. A further exemption to 100% of our labour force followed in May 2020. Kumba management had to determine the best course of action in terms of the Company's remuneration policy in the best interest of shareholders, employees and the local communities alike, during this unprecedented time. The following, key remuneration policy decisions were sanctioned and implemented during 2020, related to the Covid-19 pandemic and regulations pertaining:

• **Special Dispensation during the National Lockdown**

Level 5: During the initial National Level 5 lockdown in April 2020, Kumba was allowed 50% of our workforce at the Operations under the DMRE industry lockdown exemption and implemented the following arrangement pertaining to the remuneration of our employees over this period:

- I. Employees reporting for normal duty during the lockdown period, continued receiving their normal monthly remuneration, including all allowances and benefits applicable.
- II. Employees not reporting for duty during the lockdown period, still received their basic salary (Bargaining category) or Basic Employment Cost (Non-Bargaining category), but all allowances were forfeited for the period.
- III. The employer retirement fund contributions and medical subsidy benefits were maintained for all employees over the lockdown period
- IV. The short-term incentive payments for the employees not reporting for duty during the lockdown period, were prorated with reference to the number of days during which the employee did not report for duty over the period of 1 April to 30 April 2020.

- **Treatment of our Vulnerable Employees:** The Covid-19 pandemic raised the bar for the occupational fitness levels of our employees. Companies are required to perform risk assessments to ensure that the appropriate workplace measures are put in place to protect vulnerable employees during the pandemic. Kumba adopted special measures to promote the physical distancing of our employees during the pandemic, most specifically so for employees in the following three categories of vulnerability, being:

- I. Employees with known or disclosed health issues or comorbidities, or with any condition which may place such employee at a higher risk of complications or death if they are infected with Covid-19;
- II. Employees above the age of 60 who are at a higher risk of complications or death if they are infected with Covid-19;
- III. Employees who are pregnant, notwithstanding where they are in their term, where both the mother and unborn child may be at risk of complications if they are infected with Covid-19.

Management had to consider solutions that did not place employees in a worse-off position, while balancing Company affordability and sustainability during the pandemic. Management implemented a multi-pronged solution approach in how the Company accommodated our vulnerable employees as well as the best interests of all stakeholders involved. The following alternative special measures were considered, on an individual basis, as how to best accommodate and protect every one of our vulnerable employees during the pandemic:

- I. Determine whether the employee can perform their work or duties remotely (from home) and enable if possible;
- II. Determine whether the Vulnerable Worker can fulfil a different role and responsibility which has a lower risk for Covid-19 transmission;
- III. Determine whether the Vulnerable Worker's environment can be adapted or improved to lower the risk for Covid-19 transmission (e.g. stricter physical distancing protocols or additional hygiene and Personal Protective Equipment (PPE) measures);
- IV. Determine whether the Vulnerable Worker can be provided with additional hygiene enablement tools, such as providing the worker with their own hand sanitiser;
- V. Determine whether the Vulnerable Worker can be provided with more advanced/alternative PPE such as a face shield;
- VI. Determine whether risks can be mitigated further, for example reducing interaction with visitors, the use of public transport or peak clocking hours (alternative working hours);
- VII. Pregnant employees can work either remotely, if their position requirements permit, or they are placed on Covid-19 special leave at full remuneration for the duration of their term. Normal maternity benefits apply as of delivery.

Kumba also implemented a comprehensive process for our vulnerable employees that could not be accommodated in any of the above mentioned alternative working arrangements. The process is based on a system of voluntary participation by the vulnerable employee, where



the employee could not be issued with a fitness to work declaration by the Occupational Medical Practitioner (OMP). This would entail a discussion between the OMP and the vulnerable employee to fully explain the risks, should the vulnerable employee contract Covid-19, and provide an opportunity to (should they agree) discuss available employment and remuneration options with HR. Should the employee agree to the disclosure, HR and the employee could discuss the following options, which may be implemented only by agreement:

- The initiation of an incapacitation process, following a number of chronological escalating steps as follows:
- The employee being placed on sick leave at full remuneration, until such time that their accrued sick leave quota has been depleted;
 - The employee being placed on compulsory vacation leave at full remuneration, until such time that their accrued vacation leave quota has been depleted;
 - Special leave at a downscaled remuneration of 60% of BEC (BEC means basic employment cost and will be equal to cost to company minus the employer retirement contribution for the non-bargaining category employees and basic pay plus 13th cheque plus pensionable housing allowance for the bargaining category employees) and excluding all circumstantial allowances. The full employer retirement benefits will be payable as well as employee medical aid contribution, but the employee pension fund contribution will also be scaled down to a 60% contribution level. This scaled down pay benefit will only be applicable for a period of eight weeks (two months) where after it will expire;
 - Unpaid leave on furlough with UIF (Unemployment Insurance Fund) TERS (Temporary Employee Relief Scheme) benefits claimable; and lastly
 - Incapacity termination with a severance package offset against the partial pay benefit received for a maximum period of two months.
 - Application for a voluntary severance package and being reconsidered for applicable vacancies after a period of 12 months, should a vaccine be available, or the pandemic have dissipated at that time.
- Covid-19 Short Term Critical Skills and Circumstantial Allowance: As a result of the Covid-19 pandemic and the resultant additional pressure on the national medical healthcare infrastructure, a discretionary short-term critical skills and circumstantial allowance was approved. In recognition of the increased workload on our Occupational Health personnel and to retain these essential skills during the high skills demand period introduced by the Covid-19 pandemic, this limited duration allowance applicable for 12 months was calculated as a percentage of the Cost to Company (CTC) of the Occupational Health personnel and paid monthly. The duration may be reviewed at management discretion as appropriate.
- Executive directors' contributions to Covid-19 relief initiatives: In a commitment to support government, our people and our host communities towards combatting Covid-19, a personal contribution by our Chief Executive and Chief Financial Officer of one-third of their monthly net pay was made to the Mining Dialogues 360 Degrees Public Benefit Organisation and the Solidarity Fund respectively, over the three-month period of May to July 2020.

- Progress of Karolo, a broad-based ESOP scheme: Kumba's Envision phase II ESOP was unwound in November 2016 and the replacement scheme, branded as Karolo (meaning "Part of"), was communicated to employees during mid-2018. The third and last tranche award was made on 3 August 2020. Due to the Covid-19 social distancing restrictions, the previous manual process of operating physical hubs, where employees would receive and accept their awards, had to be reviewed. Aligned to the Company's Tselelopele programme of Working Smarter and pursuing Digitisation, qualifying employees were encouraged to view and accept their awards through ENGAGE, an Anglo American mobile application platform. Kumba also implemented a new, cloud-based, share administration platform service provider, ShareForce, which was seamlessly integrated with the ENGAGE mobile platform for the purpose of the 2020 award grant acceptance. A comprehensive awareness campaign driven by the Human Resources function and supported by the unions, ensured that beneficiaries were able to accept their awards on the mobile platform, within the prescribed 30-day acceptance period. The second AGM for Karolo was held on 30 June 2020 via a webcast. As the final grant to employees was made under the current Karolo scheme rules on 3 August 2020, a potential extension of the scheme is under consideration.
- Multi-year wage agreement (2020 to 2023): A multi-year collective bargaining agreement was concluded between Kumba and the representative trade unions, for the period 1 July 2020 to 30 June 2023. Two of the three recognised trade unions entered into an agreement effective 1 July 2020. The remaining trade union accepted the agreement effective on 18 December 2020. The agreement was implemented on a backdated basis from 1 July 2020 for the members of the remaining trade union. The agreement regulates the annual salary adjustment percentage; for 2020, a total negotiated increase of 4.81% was granted, applicable to basic salaries, housing allowances, thirteenth cheques and fixed allowances for all bargaining unit employees.
- Appointment of new remuneration advisory service provider: Where appropriate, Remco obtains advice from an independent remuneration advisory service provider. PricewaterhouseCoopers (PwC) was contracted as the Anglo American group advisory service provider to the Remco on all matters pertaining to reward and remuneration since May 2014. On 2 May 2019, Kumba appointed PwC as its external audit service provider to replace Deloitte in 2020 after a hand-over, transitioning period. The appointment of PwC as external auditor to the Company constitutes an independence requirement situation in terms of advisory services rendered and hence Kumba was requested by the Audit Committee of the Board to terminate all advisory services with PwC after September 2019.

Following a request for proposal technical and commercial review of potential advisors through the Kumba Supply Chain governed processes, the Remco appointed a specialist service provider, Bowmans Gilfillan, to provide specialist, independent remuneration advice on all forms of executive and non-executive pay. A retainer contract was subsequently entered with Bowmans Gilfillan until 31 May 2021.



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 to page 93 of the Governance section.

Remuneration philosophy

Our reward philosophy is based on fair and transparent remuneration for our employees, and formulated to attract, retain, motivate and reward high-calibre employees. Remuneration components are designed to reward excellent team and individual performance, while aligning with our values and strategic objectives and allowing employees to share in the performance and success of the business.

Guaranteed remuneration is aligned to 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, with key and critical skills remunerated at the higher end of median scales. Ensuring fair, equitable and consistent application of our remuneration principles and policies, guided by the King IV™ principles relating to fair and responsible remuneration, is our top priority.

- 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 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 Employee Value Proposition (EVP) offering to our employees
- staying abreast of the latest market trends and offerings pertaining to remuneration and the remuneration mix of benefits as to ensure that we remain relevant and competitive in our reward offering

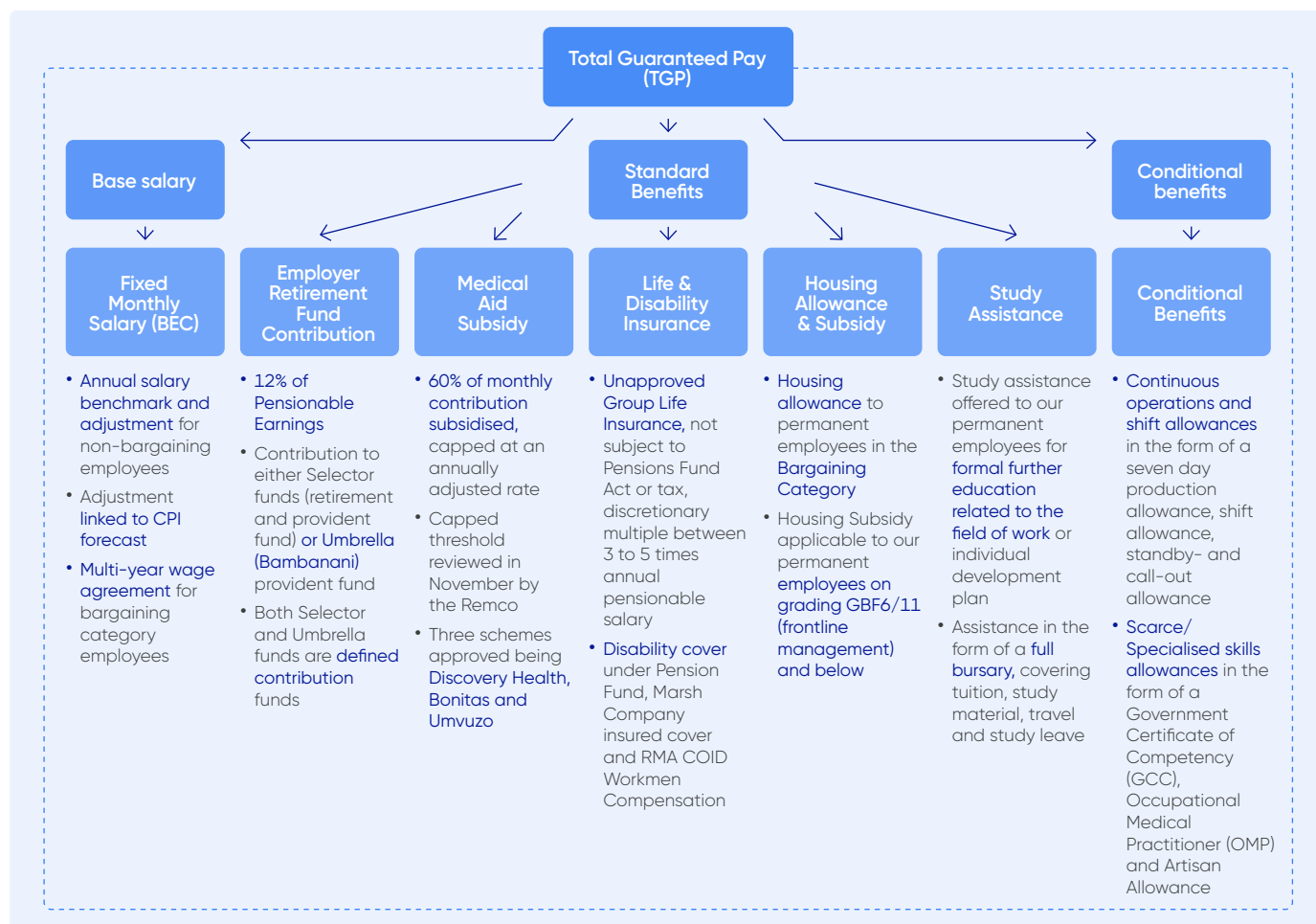
Elements of remuneration

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.



Remuneration Framework

Diagram A – Total Guaranteed Pay (TGP) elements



The strategic purpose of our Total Guaranteed Pay (TGP) is:

- to attract, motivate and retain high calibre employees in a competitive market and to recognise their skills, experience and contribution to the Company's values
- ensuring that our pay is competitive in the industry and market-related
- being able to comply with legislative provisions and negotiated contractual commitments
- reinforcing and enhancing the principle that employees are the key stakeholders of our Company
- ensuring an appropriate and flexible benefit mix (retirement fund, medical aid, group life etc.) to best serve our employees' dynamic lifestyle and life stages needs

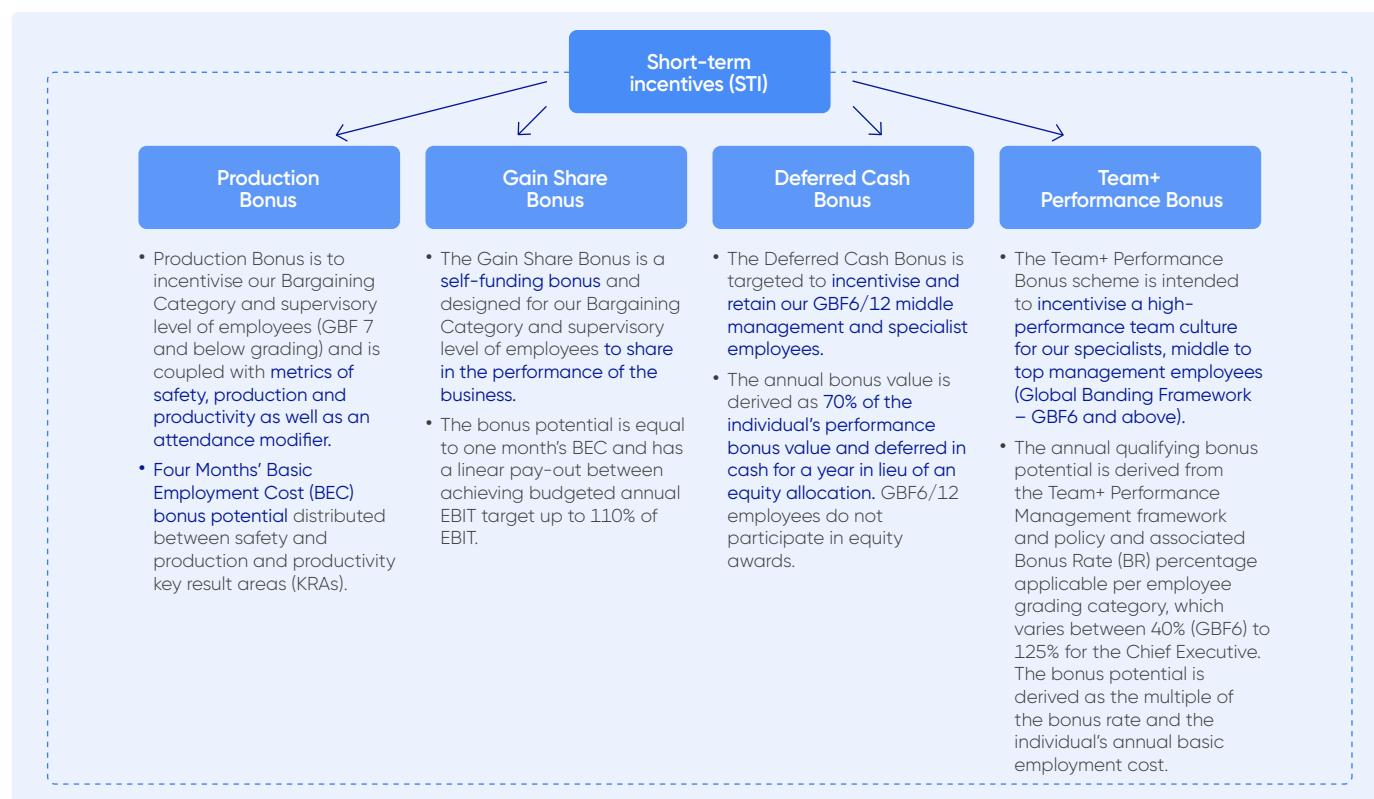
The Eligibility for Conditional Benefits are dependent on rarity of skill, job specific roles and responsibilities and legislative requirements.



Governance

Remuneration report continued

Diagram B – Short-term incentive (STI) elements

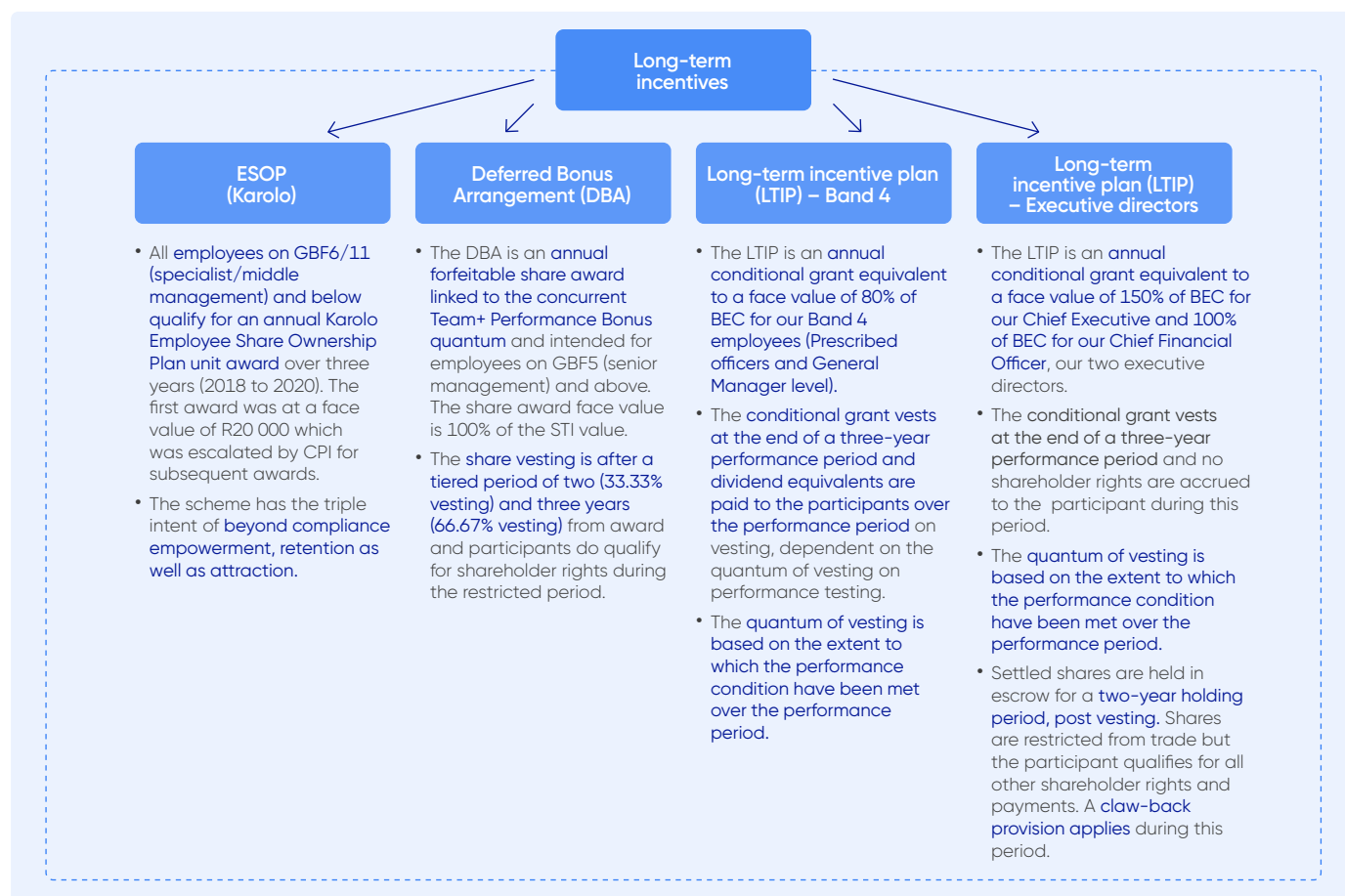


The short-term incentive (STI) rewards employees, who as contributing members of teams, meet or exceed the committed annual performance targets and is aimed to align the achievement of financial, production, safety, environmental, productivity, overall equipment effectiveness (OEE) and Company strategic objectives at an operational or site level. The level and depth of metrics is based on the applicable short-term incentive scheme and the associated grading and sphere of control of the participating employees. The achievement of stretch targets at a Company, business unit, functional and team level are also encouraged by this incentivisation while allowing our employees to participate in the gains attributed to strong or exceptional Company performance during the financial year.



△ Kumba Exco visit to the Kolomela mine, with a view of the pit.

Diagram C – Long-term incentive (LTI) elements



Kumba's share incentive plans are structured to optimise the organisation's overall position, while providing benefits that will assist the group to attract, retain and incentivise executives and top talented employees.

The plan is designed to align management and shareholder interests and grow shareholder value. The objectives are to motivate long-term sustainable performance, and retain business-critical and top talented employees while incentivising employees towards the achievement of ambitious business transformation through the Tswelelopele strategy and culture programme.

Executive directors' and Prescribed officers' remuneration

When assessing the performance of the Company and its Executive Directors and 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 total reward 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 JSE-listed companies of comparable size and complexity within the industry sector. Annual salary benchmark reviews are conducted to ensure market competitiveness and pay relevance.

The Company contributes 12% of pensionable salary to approved retirement funds. Medical aid is subsidised at 60% of the contribution and guaranteed minimum 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.



Governance
Remuneration report continued

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, tranching vesting after two and three years respectively	Executive directors, Prescribed officers and senior management employees
Deferred Cash	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 clawback provisions for the Executive directors	Executive directors, Prescribed officers and qualifying senior managers (general management level employees)

Adoption of TEAM+ performance management framework in 2019

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. The on-target

production bonus regime, based on collective performance objectives specific to an operation or site, remains unaffected by these changes.

2020 Long Term Incentive Plan (granted under the Performance Share Plan (PSP) rules)

The purpose of the Long Term Incentive Plan (LTIP) is intended to incentivise, attract and retain high performing employees as part of its employee value proposition. Awards are subject to underlying LTIP performance measures which are measured over a three-year period. These conditional vesting performance measures are reviewed and evaluated annually by the Remco. The Remco considers the key business value and ESG drivers in selecting metrics and the alignment of the participants reward with long-term value creation in setting performance targets.

Changes for the 2020 financial year LTIP grant performance conditions breakdown are summarised below, compared to the 2019 grant:

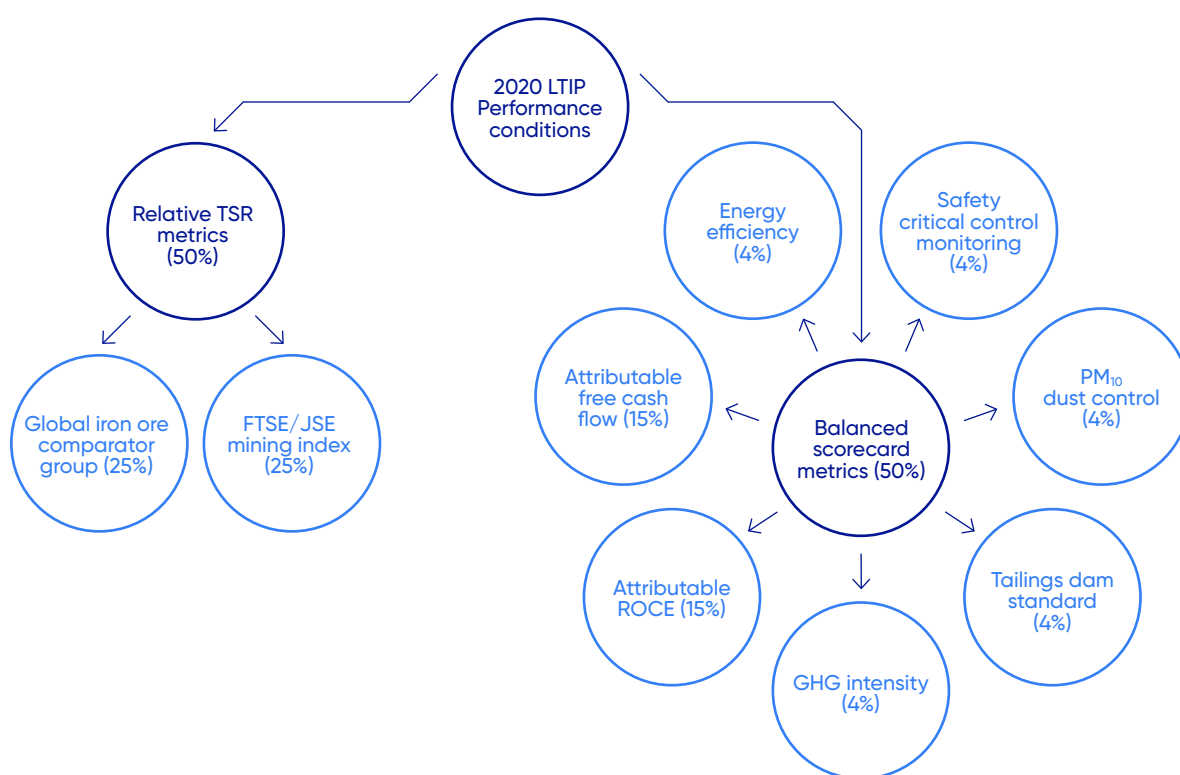
LTIP performance key result area (KRA)	2019 performance weighting	2019 performance measure	2019 measure weighting	2020 performance weighting	2020 performance measure	2020 measure weighting
Relative total shareholder return (TSR)	70%	TSR – Global iron ore peer group	35%	50%	TSR – Global iron ore peer group	25%
		TSR – JSE/FTSE mining index	35%		TSR – JSE/FTSE mining index	25%
Balanced scorecard of metrics	30%	Financial measures – 20%		50%	Financial measures – 30%	
		Attributable free cash flow	10%		Attributable free cash flow	15%
		ROCE	10%		ROCE	15%
		ESG measures – 10%			ESG measures – 20%	
		Rehabilitation and mine closure	3%		Tailings dams standard	4%
		Safety – TRCFR	2%		Energy efficiency	4%
		Level 3, 4 and 5 environmental incidents	3%		GHG intensity	4%
		PM10 dust control	2%		PM10 dust control	4%
					Safety critical control monitoring	4%

In 2019 Remco and shareholders approved that eligibility to participate in the LTIP be extended beyond the two Executive directors to include employees on a general manager level (Band 4 level), as to align with Anglo American group practice and the achievement of stretched targets aligned with shareholder interest. As a result, the Band 4 forfeitable share awards were replaced with conditional LTIP share awards. Approval was also granted to award these conditional awards in terms of the new Performance Share Plan (PSP) rules, superseding the original LTIP rules that expired on 20 March 2019.

The Committee further approved changes to the Executive directors' remuneration policy at its meeting on 25 November 2019, affecting the weighting of the LTIP awards' vesting performance

conditions. The weighting of the relative total shareholder return (TSR) metrics has been reduced from 70% down to 50%, while the balance of the balanced scorecard of metrics' weighting has been increased from 30% up to 50% to enable a lift on the weighting of financial and ESG measures.

As per the approved changes to the Executive directors' remuneration policy in November 2019, the LTIP award performance conditions comprise 50% total shareholder return (TSR) metrics and the balance of 50% balance scorecard performance metrics, encompassing key financial and ESG strategic deliverables for the Company.





Governance

Remuneration report continued

Executive directors' and Prescribed officers' 2020 remuneration policy

The following section provides a comprehensive overview of the Executive directors' and Prescribed officers' remuneration policy applicable to the 2020 financial year.

Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown in the Annexure, with a focus on Executive directors and Prescribed officers. Please refer to the Annexure on pages 126 to 130 of this report.

Table B – 2020 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	50%	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	50%	Attributable ROCE	30%	<36%	36%	55%
		Vesting schedule		0%	25%	100%
		Attributable free cash flow	30%	<R14.421m	R14.421m	R18.904m
		Vesting schedule		0%	25%	100%
		Energy efficiency	8%	<4% improvement by 2022, indexed on 2019 actual	4% improvement by 2022, indexed on 2019 actual	10% improvement by 2022, indexed on 2019 actual
		Vesting schedule		0%	25%	100%
		Greenhouse gas intensity	8%	<5% improvement by 2022, indexed on 2019 actual	5% improvement by 2022, indexed on 2019 actual	15% improvement by 2022, indexed on 2019 actual
		Vesting schedule		0%	25%	100%
		Tailings dams standards	8%	<=90% level of implementation at all operations	>90% level of implementation at all operations	100% level of implementation at all operations
		Vesting schedule		0%	25%	100%
		PM10 dust daily exceedances per annum	8%	>5	5	3
		Vesting schedule		0%	25%	100%
		Safety critical control monitoring	8%	<97.5%	97.5%	100%
		Vesting schedule	8%	0	25%	100%

Changes to the Executive director's remuneration policy for 2020

The current Executive director's remuneration policy continues to be effective. However, some revisions are required to further align with our horizon strategic priorities and investor expectations. Changes are as follows:

Impact of share price volatility on LTIP award values

For LTIP awards made in 2020 onwards, the Committee will replace the existing cap on vesting value (200% for the Chief Executive 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 disincentives) strong performance post grant rather than addressing the original share price decline. The new mechanism is more appropriate going forward as it brings Kumba into 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 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.



An overview of the re-balancing of the performance measures and increased focus on ESG measures between the 2019 and 2020 awards is reflected in the table below:

Table C: Kumba LTIP performance measures overview

Policy measure	2019 measure	2019 measure weighting	2020 measure	2020 measure weighting
Relative total shareholder return (TSR)	TSR – Global iron ore peer group	35%	TSR – Global iron ore peer group	25%
	TSR – JSE/FTSE mining index	35%	TSR – JSE/FTSE mining index	25%
Balanced scorecard of metrics	Attributable free cash flow	10%	Attributable free cash flow	15%
	ROCE	10%	ROCE	15%
	Rehabilitation and mine closure	3%	Energy efficiency	4%
	Safety – total recordable case frequency rate (TRCFR)	2%	Greenhouse gas intensity	4%
	Level 3, 4 and 5 environmental incidents	3%	Tailings dams standards	4%
	PM10 dust control	2%	PM10 dust control	4%
			Safety critical control monitoring	4%

Rebalancing the performance measures in the annual bonus

The Committee will introduce greater flexibility in the policy around measure selection for the annual bonus for the Chief Executive. Going forward, 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 D: 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 implemented 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.



Governance

Remuneration report continued

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 E: Changes to long-term executive share ownership

Policy element	Policy prior to 2020	2020 policy onward
Bonus deferral (deferred bonus arrangement)	60% of bonus earned Deferred shares vest: • 40% over three years; and • 20% over five years.	50% of bonus earned Deferred shares vest: • 17% over two years; and • 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 implemented for the 2020 performance year

The practice in Kumba was 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 (three and five-year vesting tranches for the Chief Executive) under the deferred bonus arrangement (DBA) for the Executive directors, Prescribed officers and senior management (Band 5 and above employees) before 2020. In line with the policy change implemented for the Executive directors, the bonus deferral arrangements for Band 5 and above employees have also been brought in line. Under the new policy, 50% of the annual short-term incentive is paid in cash and 50% is deferred in shares over a tranching, two and three-year vesting period. A third of the deferred bonus vests after two years, while the remaining two thirds vest after three years.

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.

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 7 August 2020. The fees are as follows:

2020 fees per annum (Rand)

Capacity	Chairperson	Member
Board of directors	1,673,251	311,541
Lead independent director	1,224,300	n/a
Audit Committee	365,908	181,991
Strategy and Investment 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
Special Board Sub-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

** Ad hoc Special Board Sub-Committee was constituted in quarter one of 2020



Section three: Disclosure on implementation of policies for the financial year

Guaranteed pay adjustments

Average rate of increase for 2020

An inflation adjustment mandate of 5.5% 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 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.

In 2020, a multi-year collective bargaining agreement was concluded between Kumba and the representative trade unions, for the period 1 July 2020 to 30 June 2023. 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 9.6% increase on the lowest level and 5.0% on the highest level of the bargaining category for the first year of the agreement, effective from 1 July 2020 until 30 June 2023 was agreed and signed by two of the three major trade unions effective 1 July 2020. The remaining trade union accepted the agreement effective on 18 December 2020. The agreement was implemented on a backdated basis from 1 July 2020 for members of the remaining trade union.

Annual performance incentive performance outcomes – linked to underlying performance (business results and critical tasks)

Safety performance

Safety is Kumba's core value and 2020 saw the achievement of four years and seven months of fatality-free production through our relentless focus on critical controls geared towards fatality prevention, coupled with increased safety leadership visibility, high risk work verifications and fatigue management. This demonstrates our commitment to safe, sustainable and responsible mining. To keep our workforce focused on safety amid the stresses of living and working with Covid-19, we implemented a number of safety initiatives. These included prioritising our accountability framework, embedding consistent safety behaviour and discipline through our "Rhythms and routines" programme, as well as a full review of high and severe risk events. A 99% compliance to our critical control monitoring plan within our elimination of fatalities (EOF) framework, which is central to our safety performance was achieved.

Empowering our workforce to stop unsafe work practices and working conditions was instrumental in reducing the number of accidents to 90 from 146 last year. Section 23 stoppages reflect our employee safety awareness and accountability, and this was well supported. Our high potential incidents (HPIs), a leading safety indicator, decreased to two from 12 in the comparative period, reflecting the progress made through our high-risk work planning and verification processes, together with increased supervisory and management verification and oversight. Total recordable cases (TRC) improved to 39 from 51 resulting in a historically low total recordable case frequency rate of 1.74.

Lost-time injuries (LTIs) increased to 18 in the period from 17 in the comparative period, however, these were low severity injuries.

Production performance

Kumba's mining performance was largely impacted by Covid-19 and weather-related incidences, and to a lesser extent, equipment reliability and availability. In line with this, total tonnes mined decreased by 14% to 256.3 Mt (2019: 297.9 Mt) and total waste stripping by 16% to 204.8 Mt (2019: 244.3 Mt). Owner fleet efficiency (OEE) reduced to 63% of benchmark for the year (2019: 68%). A number of interventions have been implemented to mitigate these impacts. We have enhanced our high rainfall readiness and associated recovery plans to manage through such weather impacts going forward. Our focus on improving equipment uptime through the implementation of defect elimination and work management programmes, as well as artisan and supervisor skills development programmes, is also delivering results and we are seeing improvements in equipment reliability across the fleet. We also continued to focus on improving operational efficiency through P101 productivity improvements and various efficiency programmes at both operations through the implementation of technology such as guided spotting, adaptive controls, truck speed digital twin and real-time condition-based monitoring.

Environment

Our commitment to protecting the environment for present and future generations is unwavering and we continually work towards avoiding and mitigating any negative environmental impacts where we operate. Our aim is to improve lives through responsible environmental practices inclusive of risk management, compliance and environmental and water management.

A major environmental milestone was recorded as there were no major (level 3 to 5) environmental incidents for over five years. Kumba's environmental management efforts are focused on moving the business towards operating carbon neutral and less water intensive mines in light of one of the biggest environmental challenges, climate change. The transition to a low carbon world, both by becoming carbon neutral at our operations and by providing high-quality iron ore that allows customers to reduce their carbon emissions in the process of steel production is a critical path. Continual monitoring of the performance of our tailings facilities has brought about no significant incidents or events recordable in 2020. In addition, Kumba, through the Anglo American membership of the International Council of Mining and Metals (ICMM), has adopted the Global Industry Standard on Tailings (2020), which is well-aligned with our existing tailings management standard.

A 10% reduction in greenhouse gas (GHG) emissions, surpassing our 2020 target of 4%, was achieved. Our target is a 30% reduction in GHG emissions and a 30% improvement in energy intensity against our 2016 baseline by 2030. Together with the broader Anglo American Group, we are developing solar renewable energy generation and investigating green hydrogen as a renewable energy source for mining activities.

A sustainable water supply is critically important for the health of our communities. Our water strategy has been revised in recognition of this and we are targeting a 50% reduction in fresh water usage by 2030 through the implementation of water efficiency projects such as the reduction of water usage in dust suppression. In 2020, we supported our communities with over 19 megalitres of water supplied to the local municipality at Sedibeng, as part of the essential services we provide to our local communities.

**Cost containment**

Our strong cost discipline provided further margin protection and resulted in savings of R1.3 billion (2019: R920 million), including R613 million of Covid-19-related savings. This brings our cumulative and sustainable cost savings to R3.2 billion since the advent of our Tswelelopele strategy of margin enhancement and ambition to extend our life-of-mine to 2040.

Kumba has established a strong cost saving culture through our cost saving programme, enabling cost savings of R1.3 billion, ahead of our target of R1.1 billion for the year. Of this, Kumba's ongoing cost optimisation programme contributed R687 million of savings, while Covid-19 and cash conservation initiatives provided a further R613 million. Due to these efforts the unit cost of production at Sishen and Kolomela were contained at R362/tonne and R304/tonne, 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. 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 effectively managed the impact of the Covid-19 pandemic on our operations, capturing the benefit of higher iron ore prices and currency weakness to deliver a record EBITDA of R45.8 billion and free cash flow of R20.7 billion.

Our Tswelelopele value over volume strategy provided a solid base from which to navigate the crisis. Since implementing the strategy in 2018, we have improved our EBITDA margin from 45% to 57% in 2020, underpinned by enhanced product premium achieved, and cumulative cost savings of R2.6 billion. With the key value delivery structures already in place, along with our strong balance sheet, we were well positioned to meet the challenges of 2020.

Our Balance Sheet and liquidity was strengthened through our cash preservation programme, targeting cost saving and the deferral of non-critical capex. Our proactive cash preservation contributed to attributable free cash flow of R20.7 billion. Our net cash position of R22.2 billion (2019: R12.3 billion) reflects our resilient and capital-efficient balance sheet, which allowed us to declare a final cash dividend of R41.30 per share to our shareholders.

2020 Performance scorecard for the Executive Committee – performance against targets

Aligned with the Anglo American Team+ performance management approach, the Kumba Executive Committee 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 objectives, but also reflecting his committed strategic- (20% of the scorecard) and personal objectives (10% of the scorecard) for the performance year.

The business unit performance scorecard comprise two key result areas, being:

- business results – key output metrics (financial and operational performance, safety, health and environmental (ESG) objectives for the performance year) which comprises 70% of the short-term incentive potential;
- critical tasks – programmes and initiatives that the business unit must deliver during the performance year in order to be successful in the transformation of the business towards the Tswelelopele margin improvement and P101 productivity objectives. The critical tasks segment comprises 30% of the short-term incentive potential.

The 2020 Team+ performance against scorecard objectives was reviewed and assessed based on the following cascading process:

- 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 interwoven with the Strategic and Personal 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.



2020 Performance scorecard for the Executive Committee – performance against targets

Weighting			Below threshold	Between threshold and target	Between target and stretch	Stretch and beyond
Group financial targets						
12	EPS Anglo American Group at fixed prices		✓			
	EPS Anglo American Group at actual prices				✓	
	Sustaining attributable free cash flow at fixed prices		✓			
Business unit – financials						
15	EBITDA at fixed prices (adjusted for price/exchange rate)		✓			
	Sustaining operating free cash flow at fixed prices (adjusted for price/exchange rate)		✓			
	Return on capital employed (ROCE)					✓
Business unit – operational						
23	Saleable production		✓			
	BU unit cost					✓
	Mine compliance			✓		
Safety, health and environment						
20	Injuries (TRCFR)					✓
	Environment					✓
	Fatalities (EOF)				✓	
Critical tasks						
30	Mandatory critical task	Localised procurement				✓
	Mandatory critical task	RDP actions incorporated into the 2020 to 2024 business plan			✓	
	Mandatory critical task	Redesigning operations				✓
	Operational critical task	Technology implementation			✓	
	Operational critical task	Operating Model and planning implementation				✓
Overall performance rating						65.7



2020 Performance scorecard for the Chief Executive – performance against targets

The annual performance scorecard for the Chief Executive is designed to encompass the key strategic objectives of the Company for the performance year under review and is done in conjunction with the Anglo American group to ensure alignment with group objectives and the Anglo group Management Committee (GMC) objectives. Performance towards the long-term

strategic objectives of the Tswelelopele programme and Anglo American Burning Ambition are also taken into consideration. The performance weighting of the key result areas are aligned with the changes to the Executive directors' remuneration policy for the Chief Executive, pertaining to the rebalancing of the performance measures of the short-term incentive. The key result areas and performance weighting for the 2020 scorecard are as follows:

Weighting			Below threshold	Between threshold and target	Between target and stretch	Stretch and beyond
Group performance						
20	EPS Anglo American group at fixed prices		✓			
	EPS Anglo American group at actual prices				✓	
	Sustaining free cash flow at fixed prices		✓			
Business unit performance						
30	BU EBITDA at fixed prices (adjusted for price/exchange rate)		✓			
	Sustaining operating free cash flow at fixed prices (adjusted for price/exchange rate)		✓			
	Return on capital employed (ROCE)					✓
	BU production		✓			
	BU unit costs					✓
	Mine compliance			✓		
Safety, health and environment						
20	Injuries (TRCFR)					✓
	Environment					✓
	Fatalities (EOF)				✓	
Strategic						
20	Portfolio	Mine life extension up to 2040 (Horizon 2 life-of-mine)				✓
	Innovation	Value creation and cost savings				✓
	People	Operational leadership excellence				✓
		Diversity		✓		
Personal						
10	Portfolio	P101 aspirations and burning ambition		✓		
	Innovation	Operational efficiency and business sustainability		✓		
	People/organisation	Future fit organisation			✓	
Overall performance rating						62.85



Kumba, under the strategic direction and leadership of the Chief Executive, had a noteworthy performance year across its operational key result areas. Kumba delivered an EBITDA of R45.8 billion while maintaining our commitment to health and safety and our communities under extraordinary circumstances. Adaption of our value chain and capitalisation on high quality iron ore products saw the EBITDA margin rose to 57%, up from 52% in 2019. A 19% higher average realised FOB export price was achieved.

Strong cost discipline provided further margin protection and resulted in savings of R1.3 billion, including R613 million of Covid-19-related savings. A cumulative cost savings of R3.2 billion since initiating our programme in 2018 has been realised. Close collaboration with our logistical partner, Transnet, contributed to the regain of pre-Covid run-rates, while drawing down on high finished stock levels. Production of 37.0 Mt and sales of 39.7 Mt was achieved. Kumba's strong net cash generation, which delivered R20.7 billion of free cash flow, has supported the Board's decision to declare a final cash dividend of R41.30 per share. Combined with the interim cash dividend of R19.60 per share, the total cash dividend for the year increased by 30% to R60.90 per share, representing a payout ratio of 86% of headline earnings.

Business performance continue to be driven by our Tswelelopele strategy and work towards realising our ambition to extend the life-of-mine to 2040. The extension of the Sishen life-of-mine to 2035 has been realised through pit optimisation and the approval of the ultra-high dense media separation (UHDMS) project. The development of the Kapstevle South mine at Kolomela and continuation of exploration programme in the Northern Cape are developing our resource pipeline.

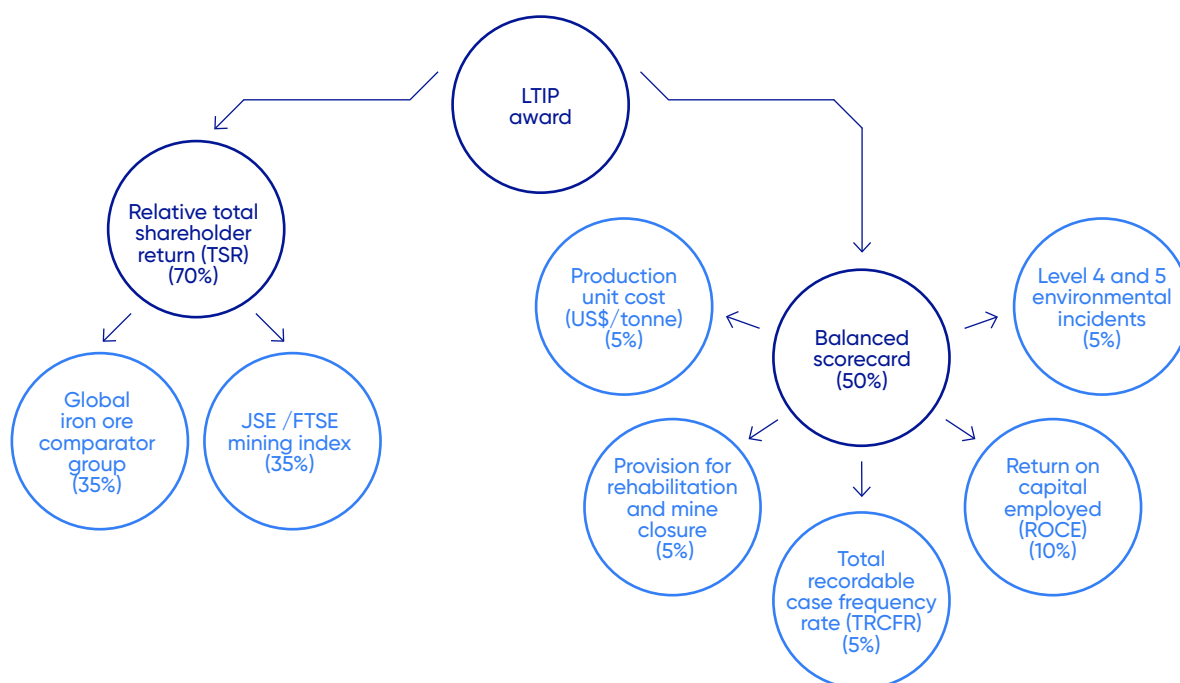
Business resilience and a strong balance sheet matched by a dedicated workforce and strong external stakeholder base, positioned the organisation to meet Covid-19 challenges. The key highlight of 2020 was achieving four years and seven months of fatality-free operations, demonstrating that the health, safety and wellbeing of employees and contractors is first priority. On a broader scale, Kumba responded quickly and comprehensively to the Covid-19 pandemic by supporting the ecosystem in which we operate, enabling us to rapidly resume safe production. The WeCare programme, covering four pillars has become part of our daily operations and supplements the essential services provided to our local communities. These four pillars are as follows:

- Physical health
- Mental health
- Living with dignity and
- Assisting our communities

LTIP vesting outcomes and awards for the Executive directors

During 2018, conditional shares were awarded to the Executive directors in terms of the rules of the LTIP. The 2018 LTIP performance measures comprised 70% total shareholder return (TSR) and a 30% balanced scorecard of performance measures (financial, safety and environmental). 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 2020, with reference to the base year (2017) parameters.





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Total shareholder return performance and vesting conditions

Of the conditional shares that are subject to the relative total shareholder return (TSR) performance condition that will vest, 35% is determined by assessing the Company's relative performance to a global iron ore comparator group in terms of TSR. The approved peer group of 10 companies for the period was determined as:

- Companhia Siderurgica 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 (delisted 30 March 2020)
- Vale S.A.

The TSR performance of all the peer group companies, including Kumba Iron Ore, are calculated over the performance period. The TSR performance of Kumba Iron Ore is then compared against the conditional percentile hurdles set to determine the number of awards that will vest. As Shougang Hierro Peru Saa delisted on 30 March 2020, this peer company was excluded from the peer group. The remaining peer weights were grossed up to equal 100% in the peer group quartile calculation.

The remaining 35% of the relative TSR performance condition is measured against the Financial Times Stock Exchange (FTSE)/Johannesburg Stock Exchange (JSE) mining index, being a capitalisation weighted index comprised of 15 JSE-listed mining companies and provides an overall indication of Kumba's correlation against other mining companies in the South African environment.

TSR and vesting conditions – applicable to 70% of conditional shares:

TSR measure	Performance condition weighting	Target	TSR performance	Vesting percentage
Global iron ore peer group	50%		Below the median	0%
		Threshold	Median TSR of the peer group	25%
		Stretch	Upper quartile TSR of the peer group	100%
JSE/FTSE index	50%		Below the performance index	0%
		Threshold	Performance at the index	25%
		Stretch	Performance at the index + 9%	100%

Kumba's TSR performance calculated over the performance period (vesting period) was 32.05%, which places the Company's relative TSR performance above the 50th percentile (threshold – 25% vesting) of its global iron ore comparator group, but below the 75th percentile (stretch – 100% vesting). Based on the global iron ore comparator group relative TSR condition (35% of the LTIP award), 84.73% of the awards pertaining to this condition vested.

The compounded annual growth (CAGR) in Kumba's TSR is used to measure the Company's performance over the performance period (vesting period). The FTSE/JSE mining index arithmetic average TSR performance over the performance period has been 32.10%, while the Kumba CAGR for the same period has been 32.05%. Since the performance does not meet the threshold performance at the index, no awards pertaining to this condition (35% of the LTIP award) vest.

Balanced scorecard performance measures – applicable to 30% of conditional shares

Condition	Performance condition weighting	Vesting percentage
Total recordable case frequency rate condition	5%	100%
Environmental incident condition	5%	100%
Provision for rehabilitation and mine closure condition	5%	0%
Return on capital employed condition	10%	100%
Production unit cost condition	5%	0%

As the threshold hurdles for the provision for rehabilitation and mine closure condition as well as the production unit cost condition have not been achieved on performance testing, no awards pertaining to these conditions will vest. The remaining conditions' stretch objectives (100%) have been achieved and 100% of the awards pertaining to these conditions will therefore vest.

Overall LTIP vesting based on the balanced scorecard and relative TSR performance conditions

The overall vesting of the 2018 LTIP conditional share award, based on the performance testing of both the relative TSR (70%) and balanced scorecard (30%) performance conditions for 2020 is 49.66%

Condition	Performance condition weighting	Vesting percentage
TSR-Comparator group	35%	84.73%
TSR-JSE/FTSE mining index	35%	0%
Total recordable case frequency rate condition	5%	100%
Environmental incident condition	5%	100%
Provision for rehabilitation and mine closure condition	5%	0%
Return on capital employed condition	10%	100%
Production unit cost condition	5%	0%
Total overall vesting percentage		49.66%



2020 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	Dividend equivalent	Cash bonus (paid March 2021)	DBA	LTIP	Total long-term incentive	2020
Executive directors		8		9		10	11			
TM Mkhwanazi ¹	9,550	269	9,819	4,330	—	7,041	7,041	9,432	16,473	37,663
BA Mazarura ¹	5,234	268	5,502	—	—	1,906	1,906	3,062	4,968	12,376
Sub-total	14,784	537	15,321	4,330	—	8,947	8,947	12,494	21,441	50,039
Prescribed officers										
PJP Fourie	2,736	398	3,134	822	—	1,079	1,079	—	1,079	6,114
V Kumar ²	2,711	383	3,094	—	—	1,235	1,235	—	1,235	5,564
SA Martin ³	2,920	268	3,188	—	—	1,098	1,098	1,714	2,812	7,098
GM Mc Gavigan	3,254	280	3,534	1,044	—	1,218	1,218	—	1,218	7,014
Y Mfola ⁴	902	90	992	786	—	338	—	—	—	2,116
P Ramchander ⁵	912	132	1,044	4	—	930	930	1,959	2,889	4,867
TS Smit ⁶	7,587	1,416	9,003	7,039	1,532	3,727	3,727	4,675	8,402	29,703
SV Tyobeka	3,257	271	3,528	926	—	1,216	1,216	—	1,216	6,886
F Patel ⁷	2,073	267	2,340	—	—	816	816	—	816	3,972
Sub-total	26,352	3,505	29,857	10,621	1,532	11,657	11,319	8,348	19,667	73,334
Total	41,136	4,042	45,178	14,951	1,532	20,604	20,266	20,842	41,108	123,373

Notes

- ¹ 49.66% of the LTIP shares awarded in 2018, with a performance period ending 31 December 2020, have vested based on performance condition testing
- ² Inter-group transfer from Anglo American Coal SA effective 1 April 2020. The Cash Bonus includes a pro-rata bonus received from Anglo American Coal SA
- ³ All the Anglo American LTIP shares awarded in 2018, when employed by Anglo American Coal SA, have vested
- ⁴ Inter-group transfer to Anglo American Platinum Ltd effective 1 May 2020. The Cash bonus reflects only the pro-rata bonus earned at Kumba. DBA award to be granted by Anglo American Platinum Ltd
- ⁵ Inter-group transfer from Anglo American Corporate SA, effective 1 September 2020. The Cash Bonus includes a pro-rata bonus received from Anglo American Corporate SA. All the Anglo American LTIP shares awarded in 2018, when employed by Anglo American Corporate SA, have vested
- ⁶ Employed by Anglo American Marketing Limited (Singapore branch) and emoluments are paid in Singapore Dollars and Pound Sterling. The values declared are based on an average exchange rate conversion to ZAR as on 31 December 2020. 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 the Anglo American plc shares
- ⁷ Appointed 7 January 2020
- ⁸ Benefits include employer contribution to retirement fund and medical aid
- ⁹ Includes Long service award, leave encashment and retention bonus payments
- ¹⁰ Cash bonus is based on 2020 performance – paid in March 2021
- ¹¹ Face value of DBA shares (awarded in terms of the Bonus and Retention Share Plan) awarded in March 2021 derived from the 2020 bonus value



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Remuneration report continued

2019 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	Dividend equivalent	Cash bonus (paid March 2020)	DBA	LTIP	Total long-term incentive	2019
Executive directors		5		6		7	8			
TM Mkhwanazi ⁹	8,275	265	8,540	2,788	–	5,308	7,962	17,650	25,612	42,248
BA Mazarura ⁹	4,431	265	4,696	–	–	1,777	2,488	6,252	8,740	15,213
Sub-total	12,706	530	13,236	2,788	–	7,085	10,450	23,902	34,352	57,461
Prescribed officers										
PJP Fourie	2,594	376	2,970	681	–	882	1,235	–	1,235	5,768
SA Martin ²	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 ³	6,912	1,311	8,223	3,716	1,732	3,243	4,541	6,948	11,489	28,403
DR Strange ¹⁰	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 ¹	1,140	169	1,309	109	–	–	–	–	–	1,418
Sub-total	29,040	3,902	32,942	6,776	1,732	10,218	10,990	8,833	19,823	71,491
Total	41,746	4,432	46,178	9,564	1,732	17,303	21,440	32,735	54,175	128,952

Notes

¹ Resigned 31 July 2019

² LTIP value includes the vesting value calculated at R409.88 of Anglo American shares previously awarded when employed by Anglo American Coal SA

³ 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

⁴ Benefits include employer contribution to retirement fund and medical aid

⁵ Includes long service leave, cash in lieu of share awards, housing allowance, leave encashment and retention bonus payment

⁶ Cash bonus is based on 2019 performance – paid in March 2020

⁷ Face value of DBA shares awarded in March 2020 based on the 2019 bonus value

⁸ No FSP shares were awarded in 2019 – awards were replaced by LTIP awards as reflected in the Unvested awards and cash flow table

⁹ 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 3-day VWAP on 31 December 2019 of R403.45

¹⁰ Recognised as prescribed officer in 2019. Emoluments (with the exception of housing and employer medical aid subsidy), are paid in Australian Dollars and is reflected in Rand



2020 Single figure remuneration

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2020
Non-executive directors			
MS Bomela	269	351	620
N Dlamini ¹	129	171	300
S French	269	332	601
MSV Gantsho ²	1,578	–	1,578
TP Goodlace ³	1,193	–	1,193
MA Jenkins	275	352	627
NB Langa-Royds	275	672	947
SS Ntsaluba	275	687	962
BP Sonjica	269	512	781
D Wanblad	269	332	601
Total	4,801	3,409	8,210

Notes

¹ Resigned 6 July 2020

² The Chairman of the Board, and chairs the Nominations and Governance Committee, however he does not receive additional remuneration in respect of the committees he serves on

³ The Lead Independent Director, and chairs the Strategy and Investment Committee, however he does not receive additional remuneration in respect of the committees he serves on

2019 Single figure remuneration

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2019
Non-executive directors			
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 ²	42	55	97
NB Langa-Royds	245	589	834
DD Mokgatlé ¹	99	395	494
SS Ntsaluba	245	645	890
S Pearce ³	99	66	165
BP Sonjica	251	487	738
D Wanblad ⁴	145	124	269
Total	4,364	3,012	7,376

Notes

¹ Retired 10 May 2019

² Appointed 1 November 2019

³ Resigned 31 May 2019

⁴ Appointed 31 May 2019



Governance
Remuneration report continued

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				R'000		
				Opening balance on 1 January 2020	Granted during 2020	Vesting during 2020	Closing balance on 31 December 2020	Value of receipts	Estimated fair value on 31 December 2020	Estimated fair value of cumulative dividend equivalents at 31 December 2020
2020	Scheme	Award date	Earliest date of vesting							
Executive directors							5	6	7	
TM Mkhwanazi	Kumba share awards									
	DBA	1 March 2017	1 March 2020	5,205		5,205	–	1,474	–	–
	DBA	1 March 2017	1 March 2022	2,082			2,082	74	1,310	–
	DBA	1 June 2017	1 March 2020	5,171		5,171	–	1,465	–	–
	DBA	1 June 2017	1 March 2022	2,585			2,585	92	1,627	–
	DBA	9 April 2018	1 March 2012	12,575			12,575	448	7,914	–
	DBA	9 April 2018	1 March 2023	6,288			6,288	224	3,957	–
	DBA	1 March 2019	1 March 2022	16,357			16,357	582	10,294	–
	DBA	1 March 2019	1 March 2025	8,179			8,179	291	5,147	–
	DBA ¹	1 March 2020	1 March 2023	–	14,887		14,887	530	9,369	–
	DBA ¹	1 March 2020	1 March 2025	–	7,443		7,443	265	4,684	–
	LTIP	1 June 2017	1 March 2020	43,748		43,748	–	12,391	–	–
	LTIP	1 June 2018	1 March 2021	30,184			30,184	–	9,432	–
	LTIP ^{2,3}	31 May 2019	1 March 2022	24,776			24,776	–	8,815	–
	LTIP ^{2,3}	11 August 2020	1 March 2023	–	36,430		36,430	–	12,313	–
	Anglo American plc share awards									
	DBA ⁴	1 March 2020	1 March 2023	–	27,574		27,574	321	13,503	–
Sub-total				157,150	86,334	54,124	189,360	18,157	88,365	–
BA Mazarura	Kumba share awards									
	DBA	9 April 2018	1 March 2021	1,617			1,617	58	1,018	–
	DBA	1 March 2019	1 March 2022	5,637			5,637	201	3,548	–
	DBA ¹	1 March 2020	1 March 2023	–	6,977		6,977	248	4,391	–
	LTIP	1 September 2017	1 March 2020	15,496		15,496	–	4,389	–	–
	LTIP	1 June 2018	1 March 2021	9,798			9,798	–	3,062	–
	LTIP ^{2,3}	31 May 2019	1 March 2022	9,048			9,048	–	3,219	–
	LTIP ^{2,3}	11 August 2020	1 March 2023	–	13,558		13,558	–	4,583	–
Sub-total				41,596	20,535	15,496	46,635	4,896	19,821	–

¹ DBA shares awarded in terms of the Bonus and Retention Share Plan

² LTIP shares awarded in terms of the Performance Share Plan

³ Post vesting of the awards, an additional two-year holding period, subject to clawback conditions, will apply. Do not qualify for any dividend equivalents during the performance period

⁴ Anglo American plc forfeitable shares were awarded related to his position as member of the Anglo American General Management Committee

⁵ No shares were forfeited during 2020

⁶ Includes dividend payments received in March 2020 and August 2020 as well as face value of share vesting during 2020

⁷ Sum total of the estimated fair value of unvested DBA and FSP shares, 2018 LTIP award (actual vesting of 49.66%), 2019 and 2020 LTIP awards (estimated vesting of 60%). The value is based on a 3-day VWAP on 31 December 2020 of R629.33 for Kumba and R489.71 for Anglo American plc

⁸ Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period



				Number of shares				R'000		
				Opening balance on 1 January 2020	Granted during 2020	Vesting during 2020	Closing balance on 31 December 2020	Value of receipts	Estimated fair value on 31 December 2020 R'000	Estimated fair value of cumulative dividend equivalents at 31 December 2020 R'000
2020	Scheme	Award date	Earliest date of vesting							
Prescribed officers				6				7	8	9
PJP Fourie	Kumba share awards									
	DBA	9 April 2018	1 March 2021	3,246			3,246	116	2,043	–
	DBA	1 March 2019	1 March 2022	3,303			3,303	118	2,079	–
	DBA ¹	1 March 2020	1 March 2023	–	3,463		3,463	123	2,179	–
	FSP	1 May 2017	1 May 2020	5,281		5,281	–	1,966	–	–
	FSP	9 April 2018	1 March 2021	2,773			2,773	99	1,745	–
	LTIP ²	31 May 2019	1 March 2022	4,552			4,552	–	1,620	181
	LTIP ²	11 August 2020	1 March 2023		6,140		6,140	–	2,075	72
Sub-total				19,155	9,603	5,281	23,477	2,422	11,741	253
VJ Kumar ³	Anglo American plc share awards									
	DBA	1 March 2019	1 March 2022	2,431	–		2,431	28	1,190	–
	DBA	1 March 2020	1 March 2023	–	3,763		3,763	44	1,843	–
	LTIP	1 March 2019	1 March 2022	9,900	–		9,900	–	2,741	163
	LTIP	1 March 2020	1 March 2023	–	11,000		11,000	–	2,893	77
Sub-total				12,331	14,763	–	27,094	72	8,667	240
SA Martin ³	Kumba share awards									
	DBA	1 March 2019	1 March 2022	2,066			2,066	74	1,300	–
	DBA ¹	1 March 2020	1 March 2023		3,524		3,524	125	2,218	–
	LTIP ²	31 May 2019	1 March 2022	4,632			4,632	–	1,648	184
	LTIP ²	11 August 2020	1 March 2023		6,248		6,248	–	2,112	73
	Anglo American plc share award									
	DBA	1 March 2018	1 March 2021	1,665	–		1,665	19	815	–
	LTIP	1 March 2018	1 March 2021	3,500	–		3,500	41	1,714	–
Sub-total				11,863	9,772	–	21,635	259	9,807	257
GM Mc Gavigan	Kumba share awards									
	DBA	1 March 2017	1 March 2020	3,712		3,712	–	1,051	–	–
	DBA	9 April 2018	1 March 2021	5,128			5,128	183	3,227	–
	DBA	1 March 2019	1 March 2022	4,018			4,018	143	2,529	–
	DBA ¹	1 March 2020	1 March 2023		3,911		3,911	139	2,461	–
	FSP	1 March 2017	1 March 2020	5,091		5,091	–	1,442	–	–
	FSP	9 April 2018	1 March 2021	3,131			3,131	111	1,970	–
	LTIP ²	31 May 2019	1 March 2022	5,142			5,142	–	1,830	205
	LTIP ²	11 August 2020	1 March 2023		6,934		6,934	–	2,344	82
Sub-total				26,222	10,845	8,803	28,264	3,069	14,361	287
Y Mfolo	Kumba share awards									
	DBA	1 March 2017	1 March 2020	5,352		5,352	–	1,516	–	–
	DBA	9 April 2018	1 March 2021	3,518			3,518	125	2,214	–
	DBA	1 March 2019	1 March 2022	3,135			3,135	112	1,973	–
	DBA ¹	1 March 2020	1 March 2023		3,287		3,287	117	2,069	–
	FSP	1 March 2017	1 March 2020	4,266		4,266	–	1,208	–	–
	FSP	9 April 2018	1 March 2021	2,631			2,631	94	1,656	–
	LTIP ²	31 May 2019	1 March 2022	4,320			4,320	–	1,537	172
Sub-total				23,222	3,287	9,618	16,891	3,172	9,449	172



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				Number of shares				R'000		

¹ DBA shares awarded in terms of the Bonus and Retention Share Plan

² LTIP shares awarded in terms of the Performance Share Plan

³ Anglo American shares previously awarded when employed by Anglo American Coal SA

⁴ Anglo American shares previously awarded when employed by Anglo American Corporate SA

⁵ Anglo American shares traded on the LSE. Value is converted to ZAR at the applicable exchange rate to the declared event

⁶ No shares were forfeited during 2020

⁷ Includes dividend payments received in March 2020 and August 2020 as well as face value of share vesting during 2020

⁸ Sum total of the estimated fair value of unvested DBA and FSP shares, 2018 LTIP award (actual vesting of 49.66%), 2019 and 2020 LTIP awards (estimated vesting of 60%). The value is based on a 3-day VWAP on 31 December 2020 of R629.33 for Kumba and R489.71 for Anglo American plc

⁹ Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period



Unvested awards and cash flow

2019				Number of shares				R'000		
	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	Estimated fair value on 31 December 2019
Executive directors									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	0	24,776			24,776	–	8,477
Sub-total				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
Sub-total				26,911	14,685	–	–	41,596	337	14,016
NB Mbazima ⁴	DBA	1 March 2015	1 March 2018	–				–	–	–
	DBA ¹	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 ¹	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	–
Sub-total				465,272	–	–	465,272	–	183,066	–
FT Kotzee ⁴	LTIP	1 April 2016	1 March 2019	94,918			94,918	–	35,916	–
Sub-total				94,918	–	–	94,918	–	35,916	–

¹ Share vesting accelerated as per scheme rules as a result of retirement from the Anglo American Group of Companies on 30 June 2019

² Includes dividend payments received on 18 March 2019 and 19 August 2019 as well as face value of share vesting during 2019

³ 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 3-day VWAP on 31 December 2019 of R403.45. Anticipated dividend equivalent based on the estimated LTIP vesting is also included

⁴ Post-vesting of the executive director 2018 onward LTIP awards, an additional two-year holding period, subject to clawback conditions, will apply



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Remuneration report continued

2019				Number of shares					R'000	
	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	Estimated fair value on 31 December 2019
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 Mfolo	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



2019	Number of shares							R'000		
	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	Estimated fair value on 31 December 2019
Prescribed officers									1	2
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 ³	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

¹ Includes dividend payments received on 18 March 2019 and 19 August 2019 as well as face value of share vesting during 2019

² 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 3-day VWAP on 31 December 2019 of R403.45. Anticipated dividend equivalent based on the estimated LTIP vesting is also included

³ Unvested share awards forfeited as a result of resignation on 31 July 2019

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2020 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 2020 and the date of approval of the annual financial statements.

Capacity and name	2020			2019		
	Number of shares	Long-term incentive scheme shares ¹	Total beneficial interest	Number of shares	Long-term incentive scheme shares	Total beneficial interest
Executive directors						
TM Mkhwanazi	40,178	70,396	110,574	11,826	157,150	168,976
BA Mazarura	—	14,231	14,231	—	41,596	41,596
Sub-total	40,178	84,627	124,805	11,826	198,746	210,572
Non-executive directors						
DD Mokgatle ²	—	—	—	428	—	428
SS Ntsaluba	500	—	500	500	—	500
Sub-total	500	—	500	928	—	928
Total	40,678	84,627	125,305	12,754	198,746	211,500

¹ Granted under the rules of the bonus share plan, bonus and retention share plan and performance share plan and disclosed in the tables above

² Resigned as non-executive directors on 10 May 2019. Total indirect interest held by spouse



Virtual reality (VR) goggles worn by Le Roux Buckle. VR is implemented at the Kolomela training centre to train staff in areas such as vehicle pre checks. A virtual vehicle is used in the VR exercise, allowing the actual vehicles to operate in the field.



Appendices

Remuneration framework composition
Climate change TCFD table
United Nations Sustainable Development Goals
Salient features
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Glossary of terms and acronyms
Administration



Remuneration framework composition

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

	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)	LTIP – Prescribed officers and general managers LTIP – 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)	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 Further to this, the incentive also incentivises performance towards the achievement of the Tswelopele 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		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 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 The additional two-year holding period, subject to clawback provisions, ensures an accentuated level of accountability and corporate sustainability
Methodology	Base salary, as part of total guaranteed pay, is reviewed annually to ensure market competitiveness within the mining industry, as well as nationally	The standard benefits, as part of the total guaranteed pay fixed component of remuneration, are as follows: - Monthly employer retirement fund contribution to selected retirement funds equal to 12% of pensionable earnings - Disability cover included in the monthly employer retirement fund contribution - Personal accident, life and disability cover as well as travel cover - Monthly medical aid subsidy equivalent to the smallest of 60% of the monthly contribution or an annually reviewed subsidy cap - Study assistance for position-related formal, further education for qualifying employees	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 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 Business results are weighted at 70% and the critical tasks and breakthrough accelerator key result areas at 30% each 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% to 20% per fatality, also applies on the overall bonus potential	A deferred bonus arrangement in which a proportion of the cash incentive is matched and awarded as: (i) 100% 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 This is applicable to Executive directors, Prescribed officers and senior management (ii) Participants earn dividends on shares awarded under the DBA	The LTIP consists of conditional awards of shares vesting after three years, subject to the achievement of stretched performance conditions Full voting and dividend rights will only accrue from the vesting date. The LTIP performance measure comprises: 70% relative total shareholder return (TSR) 30% balance scorecard (which consist of attributable free cash flow, rehabilitation and mine closure, TRCFR, attributable ROCE, environmental incidents and PM10 dust control)



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)	LTIP – Prescribed officers and general managers	LTIP – Executive directors
Methodology			(iii) 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year - 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 - This is applicable to middle management level employees - 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	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 global iron ore companies comparator group comprises of: - IRC Limited (Hong Kong) - Hengshi Mining Investments Limited (Cayman Islands) - Shougang Hierro Peru S.a. (Peru), Honbridge Holdings Limited (Cayman Islands) - Ferrexpo plc (United Kingdom), - EVRAZ plc (United Kingdom), Companhia Siderúrgica Nacional (Brazil), NMDC Limited (India), - Fortescue Metals Group Limited (Australia) - Vale S.A. (Brazil) 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 2020 performance targets and vesting schedule are presented in the accompanying Table B.	
Methodology				Prescribed officers and qualifying senior managers will qualify for dividend equivalents on vested shares 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	The Executive directors do not qualify for dividend equivalents on vested shares over the vesting period



Appendices

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)	LTIP – Prescribed officers and general managers	LTIP – Executive directors
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	The values of the annual performance incentive for Executive directors and Prescribed officers are: Chief Executive: The Chief Executive's annual incentive is determined by measuring performance against his personal scorecard, aligned with the Team+ Kumba scorecard, comprising of 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 2020. The cash element of the incentive is capped at 125% 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 Performance scoring, taking into account Kumba business performance against the targets set for the year	Executive directors, Prescribed officers and senior management: 100% of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year Middle management: 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year	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 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	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 The Executive directors do not qualify for dividend equivalents over the vesting period



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)	LTIP – Prescribed officers and general managers	LTIP – Executive directors
Opportunity and maximum limit		Comprise the maximum cash bonus potential for the Chief Financial Officer of 78% of annual base salary. Prescribed officers: 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 2020. The bonus rate for Prescribed officers is 50% with a maximum cash bonus potential of 65% of annual base salary Chief Financial Officer: The Chief Financial Officer participates in the Team+ performance management approach and his performance is directly linked to the Kumba business unit scorecard for 2020. 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			



Appendices

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)	LTIP – Prescribed Officers and general managers	Long-term Incentive Plan (LTIP)
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: Financial: • Group earnings per share (EPS); • Group attributable free cash flow; • Kumba EBITDA • Kumba attributable free cash flow • Kumba operating free cash flow • Kumba return on capital employed Production: • Sishen saleable production • Kolomela saleable production Cost: • Kumba total (C1) unit cost Safety: • Elimination of fatalities fatal risks control strategies implemented • Total recordable case frequency rate (TRCFR) • Level 3 to 5 environmental incidents • HIV management performance The business results key results area accounts for 70% of the short-term incentive scorecard weighting. The remaining 30% of the scorecard is comprised of the critical tasks key result area measuring productivity	Two weighted performance metrics measured over a three-year performance period apply to each award being: • 70% relative total shareholder return (TSR) and • 30% balance scorecard which consist of several financial and ESG measures being: – attributable free cash flow; – financial provision provided for rehabilitation and mine closure; – safety total recordable case frequency rate; – attributable return on capital employed; – level 3 to 5 environmental incidents; and – PM10 dust control. 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 2020 LTIP award as approved by the Remco is presented in the accompanying Table C	
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		
Policy changes in 2020	n/a	Please refer to the Kumba 2020 changes to our performance management approach and supporting performance incentive underpin on page 104 to 108		Please refer to the Kumba 2020 changes to our performance management approach and supporting performance incentive underpin on page 104 to 108	



Climate change – TCFD table

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 including in our sustainability report, our annual CDP submission, and Anglo American plc's disclosures. The table below offers guidance on where to find information relating to each of the TCFD's recommendations.

Recommended disclosures	References	Pages
Governance		
Disclose the organisation's governance around climate-related risks and opportunities.		
(a) Describe the Board's oversight of climate-related risks and opportunities.	Corporate governance	IR 10
	Governance and management approach	SR 21 to 29
	Climate change	SR 84 to 88
(b) Describe management's role in assessing and managing climate-related risks and opportunities.	Material risks and opportunities	IR 43
	Governance and management approach	SR 21 to 29
	Climate change	SR 84 to 88
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.		
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Climate change	SR 84 to 88
	🌐 CDP Climate Response 2020 (Q. C2 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 84 to 88
	🌐 CDP Climate Response 2020 (Q. C2 Risks and opportunities)	
	🌐 Anglo American – Climate change: Our plans, policies and progress (2019)	
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	🌐 Anglo American – Climate change: Our plans, policies and progress (2019)	
Risk management		
Disclose how the organisation identifies, assesses, and manages climate-related risks.		
(a) Describe the organisation's processes for identifying and assessing climate-related risks.	Material risks and opportunities	IR 43
	Climate change	SR 84 to 88
	🌐 CDP Climate Response 2020 (Q C2.2b)	
	🌐 Anglo American – Climate change: Our plans, policies and progress (2019)	
(b) Describe the organisation's processes for managing climate related risks.	Climate change	SR 84 to 88
	🌐 CDP Climate Response 2020 (Q. C2.1, 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 84 to 88
	🌐 CDP Climate Response 2020 (Q. C2.1, 2.2, 2.5 and 2.6)	
	🌐 Anglo American – Climate change: Our plans, policies and progress (2019)	
Metrics and targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
(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 84 to 88
	🌐 CDP Climate Response 2020 (Q. C2.2b, 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 84 to 88
	Performance tables	SR 100 to 107
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Climate change	SR 84 to 88



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 FutureSmartMining™ 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	References	Pages
	- Provision of thousands of jobs, both direct and indirect, including in communities that otherwise have limited economic opportunities. - Localised procurement strategy that supports suppliers within host communities, including substantial spend on HDSA business. - Supplier development programme to support local SMMEs and provide advice and support for their business activities. - 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. - Anglo American Zimele, empowering host community black entrepreneurs to start or grow businesses. In addition to granting loans, the programme provides mentorship, helps suppliers access new markets and develop skills among young people. - 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.	Making a positive social contribution	SR 63 to 71
		Stakeholder engagement	SR 30 to 31
	- 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. - With the onset of the Covid-19 pandemic, we placed an emphasis on managing the diverse impacts and implications of the Covid-19 pandemic on employee health and wellbeing. We have well-established wellness initiatives for employees and contractors. In 2020, interventions and supporting campaigns focused on Covid-19 and mental-wellbeing. - Kumba's World of Wellness (WOW) programme, integrates aspects of mental health, physical wellness, recreation ("finding our joy") and inclusion (for example "living with dignity" and dealing with the social stigma of a positive Covid-19 diagnosis) and consists of three themes: mind (mental wellness), body (physical wellness), and spirit (emotional wellness).	Safety and health	SR 34 to 49
	- Ambitious education programme that aims to ensure that schools in our host communities perform among the top 30% of state schools by 2025 (stretch goal) and in the top 20% by 2030. - Anglo American South Africa Education programme aimed at students in early-childhood-development sites and primary and secondary schools local to Sishen and Kolomela. Targets for 2023 include ensuring that 90% of five-year-old children are school-ready and ensuring a 65% pass rate in matric mathematics. - Internal training and development interventions focus on providing skills training for our employees and also include learnerships, leadership development, mentorships and career progression plans. - 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.	Making a positive social contribution	SR 63 to 71
		Stakeholder engagement	SR 30 to 31
		Workforce culture and capability	SR 50 to 57
	- 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. - Gender-sensitive work environment. Interventions aimed at combatting sexual and gender-based violence (GBV) and harassment at work, at home, in our schools and our communities, supported by our zero-tolerance policy on bullying, harassment and victimisation.	Workforce culture and capability	SR 50 to 57



SDG	How Kumba makes a difference	References	Pages
	- 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, stormwater management, and discharge management, complemented by a monitoring programme. - In improving access to clean water in water-scarce host communities, Kumba provides 6.05 million cubic tonnes of water each year to the Sedibeng Water Board and the Gamagara Municipality; Kolomela artificially recharges clean mine water to the underground aquifers that its operations traverse.	Water	SR 79 to 83
	- We employ 6,184 permanent employees and 4,556 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. - 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. - Kumba's total tax contribution of R14.4 billion and the contribution we make to government and our local host communities is critical to foster economic growth in South Africa. - Since Kumba's inception we have paid R37.2 billion in dividends to our empowerment partners and returned R20 billion in dividends to the owners of Kumba during 2020.	Making a positive social contribution	SR 63 to 71
		Workforce culture and capability	SR 50 to 57
		Chief Financial Officer review	IR 58 to 69
	- Technology strategy to accelerate the adoption of appropriate technologies at our operations to improve safety and reduce costs. - Work closely with Transnet to ensure that the rail and port can support Kumba to deliver products to its customers.	Strategy	IR 6 to 9
		Strategic focus areas	IR 58 to 69
	- Our zero waste-to-landfill drive forms part of broader efforts to develop our contribution to a circular economy. - Provide assurance that Kumba is a reputable and responsible iron ore producer through ethical production.	Mineral residue management and non-mineral waste	SR 95 to 97
	- Adhere to Anglo American's climate change policy; focus on driving energy and carbon savings throughout our business, and building internal agility and resilience to climate change. - Implement our roadmap for achieving group goals of 30% reduction in energy intensity and GHG emissions by 2030 (baseline 2016) and carbon neutrality by 2040. - Partner in renewable energy generation, diversifying our energy mix (greater reliance on renewable or zero-carbon alternatives, focusing on solar PV).	Climate change	SR 84 to 88
	- Manage 83,402 hectares of land and 2,500 hectares are set aside for biodiversity offsets. - Integrate mine closure planning with land rehabilitation, promoting biodiversity and conservation, and using our non-operational land to benefit the mine and surrounding communities.	Mine closure, rehabilitation and biodiversity	SR 89 to 92
	- 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. - 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.	Stakeholder engagement	SR 30 to 31
		Governance and management approach	SR 21 to 29
		Workforce culture and capability	SR 50 to 57
	Public-private partnerships: 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.	Stakeholder engagement	SR 30 to 31
		Governance and management approach	SR 21 to 29



Salient features

for the year ended 31 December

	2020	2019	2018	2017	2016
Group safety					
Fatalities	0	0	0	0	2
Total recordable case frequency rate (TRCFR)	1.74	2.06	1.80	3.23	3.90
Fatal-injury frequency rate (FIFR)	0	0	0	0.00	0.016
Lost-time injury frequency rate (LTIFR)	0.80	0.69	0.92	0.84	1.14
Production (Mt)					
Sishen	25.4	29.2	29.2	31.1	28.4
Kolomela	11.7	13.2	13.9	13.9	12.7
Thabazimbi (production ceased in March 2016)	n/a	n/a	n/a	n/a	0.4
Sishen free-on-rail (FOR) unit cost					
Unit cost (R/tonne)/(US\$/tonne)	531.6/32.3	467.3/32.3	378.2/28.6	375.4/28.7	412.0/28.1
Cash cost (R/tonne)/(US\$/tonne)	361.8/22.0	345.1/23.9	290.0/21.9	287.3/22.0	296.2/20.2
Kolomela FOR unit cost					
Unit cost (R/tonne)/(US\$/tonne)	447.8/27.2	374.4/25.9	354.7/26.8	336.7/25.8	283.4/19.3
Cash cost (R/tonne)/(US\$/tonne)	304.3/18.5	270.4/18.7	248.1/18.8	236.7/18.1	201.1/13.7
C1 unit costs (US\$/tonne)					
Kumba C1 unit cost	31.2	33.4	32.3	32.3	27.1
Stripping ratio					
Sishen	4.1	4.8	4.7	4.3	3.3
Kolomela	3.7	4.0	3.5	3.4	3.7
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay	37.5	42.0	40.6	42.0	39.8
Total volumes loaded at port	39.3	40.0	40.0	41.6	38.7
Sales volumes (Mt)					
Export sales	39.3	40.0	40.0	41.6	39.1
Domestic sales	0.4	2.2	3.3	3.3	3.4
Reserve life (years) (including inferred resources) (Mt)					
Sishen	15	13	14	13	17
Kolomela	12	12	14	14	18
CED expenditure (Rm)					
Sishen	77.6	62.1	48.7	13.0	11.4
Kolomela	58.2	53.5	47.1	21.6	16.1
Thabazimbi	—	—	—	0.7	6.7
Transformation					
HDSAs in management (%)	72	71	68	66	62
Women in core mining (%)	21	20	23	17	16
Environmental performance					
Number of level 3, 4 or 5 environmental incidents	0	0	0	0	0
Total water withdrawals (million m ³)	29.4	30.0	30.8	33.2	24.1
Total energy consumed (million GJ)	8.10	8.78	8.85	8.9	8.5

Employees (excluding head office, logistics and learnerships)

	2020		2019		2018		2017		2016	
	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
Operation										
Sishen	4,360	3,386	4,370	4,306	4,312	4,440	4,194	3,112	4,040	1,426
Kolomela	1,448	1,170	1,426	1,206	1,382	1,070	1,324	1,178	1,178	932
Thabazimbi	—	—	—	—	—	—	61	38	63	25



Responsibility statement on internal financial controls

for the year ended 31 December 2020

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements as set out on pages 23 to 99 of the Kumba AFS, fairly present in all material respects the financial position, financial performance and cash flows of Kumba in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Kumba and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code.

Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and have taken the necessary remedial action.

Themba Mkhwanazi
Chief Executive

Bothwell Mazarura
Chief Financial Officer

22 February 2021



Remote operated drill rigs at Kolomela mine.



Glossary of terms and acronyms

ADR	Alternative dispute resolution
AFS	Annual financial statements
AGM	Annual general meeting
AMCU	Association of Mineworkers and Construction Union
Attributable free cash flow	The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends received from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and dividends paid to Kumba shareholders
BCI	Business confidence index
BEC	Basic employment cost
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
C1 unit cost	All direct cash costs incurred in the mining and production of iron ore
Cash unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads, but excluding non-cash costs like depreciation, accounting provisions and share-based payment costs
CED expenditure	The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development)
CFR	Cost and freight
COID	Compensation for occupational injuries and diseases
Covid-19	Coronavirus (SARS-CoV2) disease of 2019
CTC	Cost to company
DAF	Delegation of Authority Framework
DBA	Deferred bonus arrangement
DM	District municipalities
DMRE	Department of Mineral Resources and Energy
DMS	Dense media separation
DMT	Dry metric tonne
DOH	Direct operating hours
DSO	Direct shipping ore
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESOP	Employee share ownership scheme
EVP	Employee value proposition
Exco	Executive Committee
FC	Financial capital
FIFR	Fatal injury frequency rate – rate of fatalities per 1,000,000 hours worked (total fatalities x 1,000,000/ total hours worked)
FOB	Free-on-board
FOR	Free-on-rail
FSP	Forfeitable share plan
FTSE	Financial Times Stock Exchange



GRI	Formerly Global Reporting Initiative – now known as GRI
HC	Human capital
HDSA	Historically disadvantaged South Africans
HIV	Human immunodeficiency virus
HR	Human resources
IAS	International Accounting Standards
IC	Intellectual capital
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IOEC	Iron ore export channel
IR	Integrated report
ISO	International Organisation for Standardisation
JSE	Johannesburg Stock Exchange
King IV™	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicators
Level 3 – 5 environmental incidents	Those environmental incidents that we consider have prolonged impacts on the local environments
LM	Local municipalities
LNG	Liquefied natural gas – this is the transition fuel of choice for marine stakeholders as the world move towards net-zero emissions
LoM	Life-of-mine
LoMP	Life-of-mine plan
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate – the number of lost-time incidents per 1,000,000 hours worked (LTI *1,000,000/total hours)
LTIP	Long-term incentive plan
MC	Manufactured capital
MENA	Middle East and North Africa region
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act
MRC	Management Risk Committee
Mt	Million tonnes
Mtpa	Million tonnes per annum
NC	Natural capital
NDP	National Development Plan
NGO	Non-governmental organisation
NIHL	Noise-induced hearing loss
NomGov	Nominations and Governance Committee
NUM	National Union of Mineworkers
OEE	Overall equipment effectiveness



Appendices

Glossary of terms and acronyms continued

OHSAS	Occupational Health and Safety Assessment Series
OMP	Occupational medical practitioner
ORMR	Ore Reserve (and Saleable Product) and Mineral Resource Report
P101	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
QC	Quality control
PwC	PricewaterhouseCoopers
Remco	Human Resources and Remuneration Committee
Return on capital employed (ROCE)	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves – SAMREC Code 2016 Edition
SC	Social capital
SDG	Sustainable Development Goals
SEAT	Socio-Economic Assessment Toolbox
SENS	Stock exchange news service
Setco	Social, Ethics and Transformation Committee
SHE	Safety, health and environment
SIB	Stay in business
SIOC	Sishen Iron Ore Company Proprietary Limited
SIOC-cdt	SIOC Community Development Trust
SMME	Small, medium and micro-sized enterprise
SR	Sustainability report
STI	Short-term incentive
Stratco	Strategy and Investment Committee
TGP	Total guaranteed pay
Total water withdrawals	Total water withdrawals by source, reported in line with the International Council on Metals and Mining (ICMM) guidance, includes: surface water, ground water, third-party potable water and third-party non-potable water
TRCFR	Total recordable case frequency rate (calculated) is the rate of recordable cases per 1,000,000 hours worked
TSR	Total shareholder return
UASA	United Association of South Africa
UHDMS	Ultra-high density media separation
UIF	Unemployment Insurance Fund
UN	United Nations
Unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads and non-cash costs like depreciation, accounting provisions and share-based payment costs
VFL	Visible felt leadership
Voluntary labour turnover	Number of permanent employee resignations as a percentage of total permanent employees
VWAP	Volume weighted average price
WIP	Work in progress



Administration

Company registration number

2005/015852/06
JSE share code: KIO
ISIN code: ZAE000085346

Company secretary and registered office

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Sponsor

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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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