

SUSTAINABLE DEVELOPMENT REPORT 2011

Towards sustainable partnerships



Towards sustainable partnerships



FRONT COVER: A GOOD EXAMPLE OF SUSTAINABLE PARTNERSHIPS

Grecious Tlhaole, Maggy van der Post and Rachel Manumo are employed at the Skyfontein hydroponics food project outside Postmasburg, near Kumba's Kolomela mine. Here, they are working together on one of the project's first spinach harvests. Theirs are jobs of partnership, requiring mutual recognition of each other's roles, together with an understanding of their shared goal.

At Kumba, we understand the importance and the business potential of working in partnership with our stakeholders to achieve and exceed our long-term goals, both for our company and for South Africa as a whole.

It is with this in mind that we introduce our suite of reports for 2011 with the theme: 'Towards sustainable partnerships.'



Integrated Report 2011



Annual Financial Statements 2011



Sustainable Development Report 2011



Abridged Integrated Report 2011



Kumba Online Report 2011
http://www.angloamericankumba.com/reports/kumba_ar2011/index.php

Look out for important references in this document

- KPI** Key performance indicator
- AFS** See the corresponding pages in the Annual Financial Statements
- IR** See the corresponding pages in the Integrated Report
- www** See the website www.angloamericankumba.com
- CS** Case study

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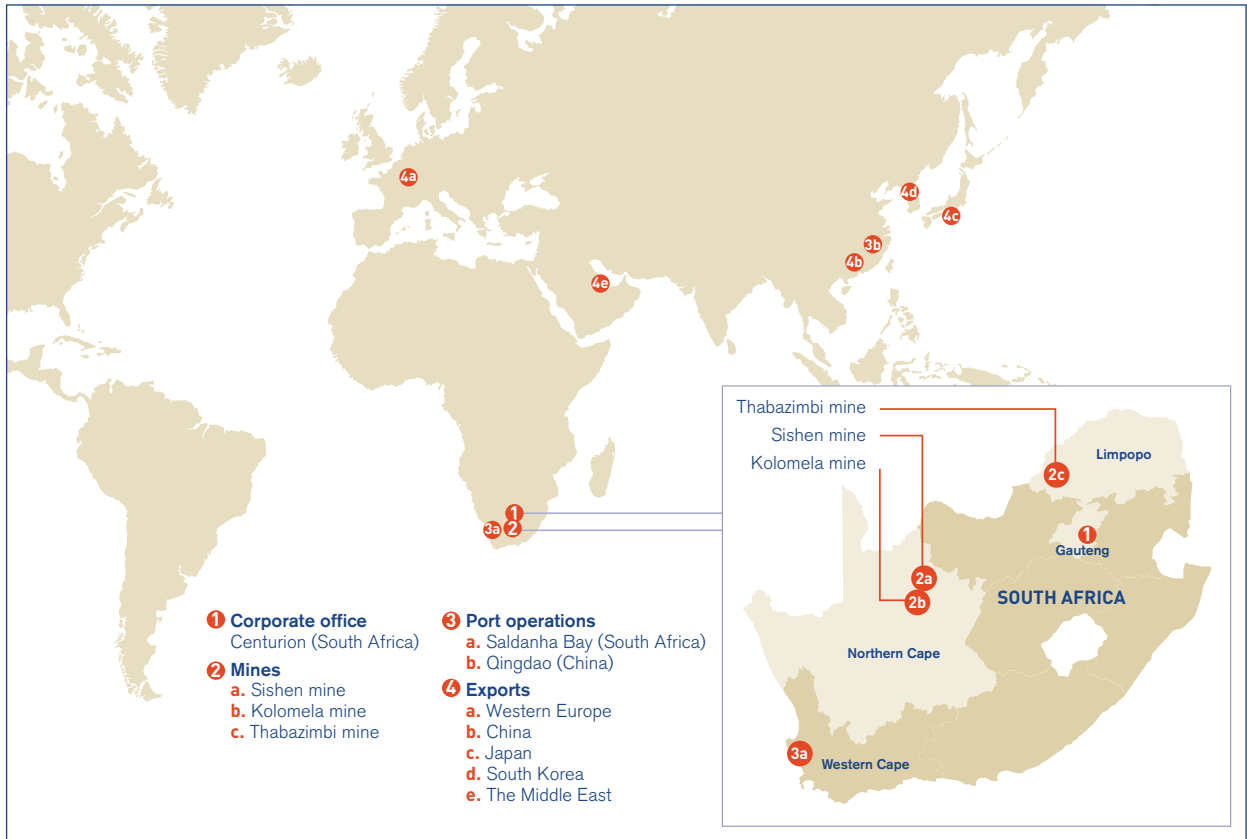
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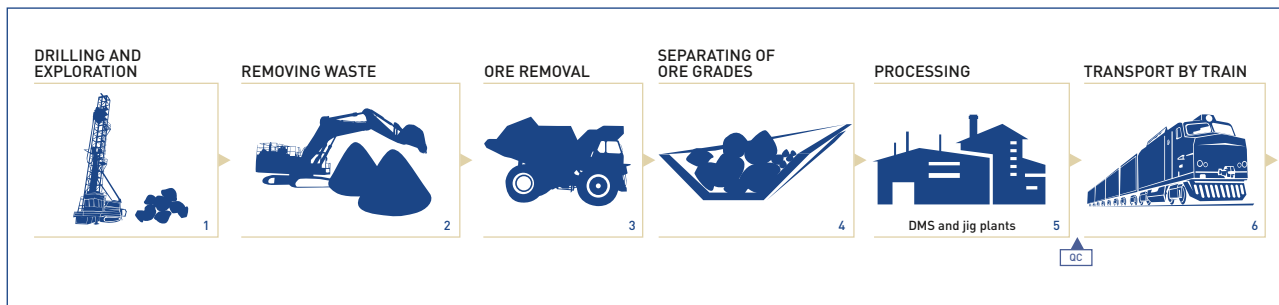
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A GROUP PROFILE

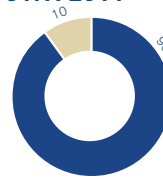


IRON ORE VALUE CHAIN



QC – Quality check
 FOB – Free-on-board
 CIF – Cost, insurance and freight

EXPORT AND DOMESTIC SALES BREAKDOWN 2011 (%)



■ Export ■ Domestic

EMPLOYEE AND CONTRACTOR BREAKDOWN 2011



■ Employees ■ Contractors

Kumba Iron Ore Limited (Kumba or the group), a member of the Anglo American plc Group, is a leading value-adding supplier of high-quality iron ore to the global steel industry. With its headquarters in Centurion, South Africa, the group holds a 73.9% interest in and manages Sishen Iron Ore Company (Pty) Limited (SIOC) which, in turn, has three mining operations:

- Sishen mine, located near the town of Kathu in Northern Cape Province;
- Thabazimbi mine, situated in the town of Thabazimbi in Limpopo Province; and
- Kolomela mine, a new development in the vicinity of Postmasburg in Northern Cape Province, which was brought into commercial production in December 2011 and is anticipated to produce between 4 million tonnes (Mt) and 5Mt while ramping up in 2012, before reaching design capacity of 9 million tonnes per annum (Mtpa) in 2013.

Both the Sishen and Kolomela mines are long-life operations with current life-of-mine estimates of 21 years and 27 years respectively. Thabazimbi mine is reaching the end of its life (planned for 2016), after some 80 years of continuous operation. The Phoenix project, which is adjacent to Thabazimbi mine, is currently at a feasibility stage. Subject to board approval, this project will replace production from Thabazimbi mine. At the end of 2011, the group reported total attributable Ore Reserves of 1,197.7Mt and attributable Mineral Resources of 1,340.4Mt. These are reported in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Kumba produced 41.3Mt of iron ore for domestic and export markets in 2011. The export ore is railed via a dedicated iron ore rail link operated by Transnet Freight Rail, the national transport utility for rail operations, to the port of Saldanha Bay.

In 2011 the company exported 37.1Mt of iron ore from the port of Saldanha Bay to customers in countries and regions around the world, including China (68%), Western Europe (13%), Japan and South Korea (18%) and the Middle East (1%).

The group continues to invest significantly in the development and expansion of its business. In 2011 Kumba spent R5.8 billion on capital – 53% on growth projects and 47% on stay in business capital.

Kumba's South African project pipeline is extensive, with the potential to grow production to 70Mtpa by 2019; Kolomela mine is expected to produce an additional 9Mtpa by 2013 while a further 15Mtpa could come from other Northern Cape Province operations and 5Mtpa from Limpopo Province. As much of this growth potential resides in lower-grade ore, the group is intensely focused on turning this material to account. In the year under review, Kumba announced its intention of seeking growth in other parts of Africa, in a second footprint, most notably west and central Africa, with the aim of growing production by a further 10 to 20Mtpa by 2020.

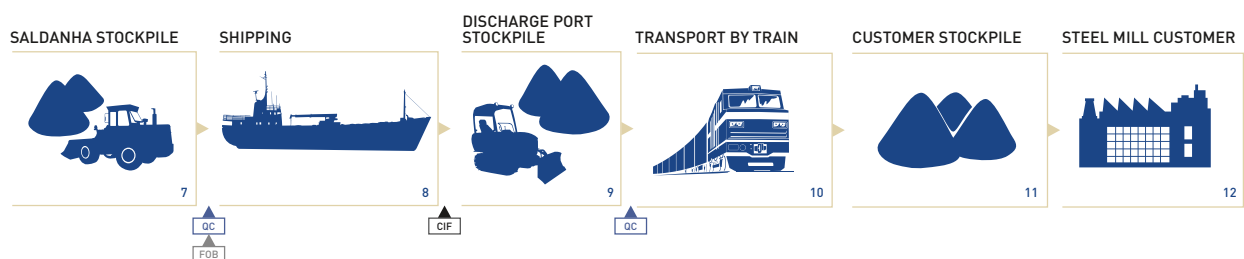
At the end of December 2011, Kumba employed 11,898 people, comprising 6,303 full-time employees and 5,595 full-time contractors. A further 4,131 fixed-term project contractors were employed on capital expenditure projects during the year.

Kumba, which is listed on the JSE Limited (JSE) in South Africa, had a market capitalisation of R161 billion at 31 December 2011, the eighth largest company listed on the JSE by market capitalisation.

The company's largest shareholder is Anglo American plc, with a 65.2% interest. Also holding a significant stake is South Africa's Industrial Development Corporation, a national development finance institution set up to promote economic development and growth in the country, which holds 12.9%. The balance (free float) is held largely by institutional investors in South Africa (45%), the United Kingdom (19%), North America (26%) and Europe (5%).

Achieved in a landmark transaction in 2006, SIOC is fully empowered, with a black economic empowerment (BEE) ownership of 26.1%. Through this empowerment structure, Kumba has achieved a significant and broad-based BEE shareholding as set out below. The slight increase in the BEE ownership from 2010 is as a result of the unwinding of the first phase as well as the implementation of the second five-year phase of the Envision scheme.

- Exxaro Resources Limited (Exxaro), a leading BEE company listed on the JSE, has a 19.98% stake.
- SIOC Community Development Trust (CDT) has a 3% unencumbered interest.
- The Envision employee share participation scheme has 3.1%.



INTEGRATED APPROACH TO REPORTING

Kumba has adopted an integrated approach as the basis for its annual reporting for the 2011 financial year, that is, from 1 January 2011 to 31 December 2011.

Kumba has therefore produced an integrated report as its primary vehicle for communicating with the company's broad range of stakeholders and interested and affected parties, including shareholders, employees, customers, communities, suppliers and the public at large. This report is intended to provide a holistic picture of the business, covering the group's operating context and markets, the opportunities and challenges it faces, its strategy, its operational, financial and non-financial performance for the year, and its objectives and outlook for the year ahead. Cognisance is taken also of the issues and concerns raised by stakeholders.

In embarking on this journey towards fully integrated reporting, Kumba recognises that there is still a need to develop and publish a sustainable development report. Its previous report, called the Responsibility Report, was published for 2010.

This Sustainable Development Report 2011 has been developed in line with the G3.0 Guidelines of the Global Reporting Initiative (GRI) and GRI's Mining and Metals Sector Supplement. Kumba has declared an A+ level of reporting, and this has been assured by PricewaterhouseCoopers (PwC). PwC's statement of assurance may be found on page 84. This report has also been checked by GRI, whose statement appears on page 86. The previous report was aligned with a C+ level of reporting.

This Sustainable Development Report 2011 also takes the framework and principles of the International Council on Mining and Metals (ICMM) into consideration, of which Anglo American plc is a member.

While this report provides greater detail on the economic, social and environmental objectives, strategy and performance of the group during 2011, it recognises the need to address the business case for sustainable development, and focuses on those issues that are most material to the business and its stakeholders. Kumba has followed a structured and disciplined process in identifying its stakeholders and in arriving at its material issues, which has been informed by GRI's guidance on defining report content, quality and boundaries. Further discussion on material issues and stakeholder engagement may be found on pages 10 and 18 respectively.

The report covers the primary operations owned and managed by the group, namely Sishen, Thabazimbi and Kolomela mines, as well as the group's corporate office. The report also includes the performance of contractors in respect of certain key parameters, such as safety.

Production at Kolomela mine started during the year under review and is reported for the first time. As this operation is still in a start-up phase, some information is either not available or not yet meaningful and is therefore not yet provided. Historical information is supplied

for context where appropriate. Also supplied are targets and projections where these support an understanding of the strategy of the business.

Kumba has internal systems in place for data collation, and these are aligned with the requirements of the Anglo American plc Group of companies. Internal and external audits of the group's systems and data integrity are carried out on a regular basis. Where relevant, data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of indicators, are indicated in the report, or in the glossary of terms found on page 99. Should further clarity be required, stakeholders are invited to contact the company.

FEEDBACK

Stakeholders are encouraged to provide feedback on Kumba's reports and its reporting. Feedback and suggestions will be taken into consideration as the group continues its integrated reporting journey. A feedback form is provided as an insert at the back of this report and on the website.

 http://www.angloamericankumba.com/reports/kumba_ar2011/sustainability/feedback_form.php

Any questions regarding this report or its contents should be addressed to:

Anel Marais
Manager: social and community development
Kumba Iron Ore
Centurion Gate Building 2B
124 Akkerboom Road
Centurion
0157
South Africa

Tel: +27 (0) 12 683 7000

E-mail: anel.marais@angloamerican.com

KEY FEATURES OF THE YEAR

STAKEHOLDER ENGAGEMENT

- New stakeholder engagement policy developed and approved
- Significant progress made with Dingleton resettlement planning, in line with International Finance Corporation (IFC) guidelines

GOVERNANCE OF SUSTAINABILITY

- First integrated report published
- Sustainable development report published with A+ level of reporting, checked by GRI

ECONOMIC PERFORMANCE

- Total dividend cash flow of R17.9 billion distributed to shareholders, of which R4.2 billion paid to BEE shareholders
- Envision capital distribution of R2.7 billion to employees
- R8.7 billion paid to the South African government in taxes and royalties
- 45.6% of discretionary procurement expenditure spent with BEE suppliers

SOCIAL PERFORMANCE

Safety

- No fatal accidents for the first time since listing in 2006
- Lost-time injury frequency rate (LTIFR) improved by 33% to 0.08 per 200,000 hours worked
- Sishen and Thabazimbi mines retained OHSAS18001 certification

Employment

- 86% of employees represented by unions or collective bargaining agreements
- No significant disputes or work stoppages
- 80 hours of training per employee, with R120.4 million spent on training and development

Human rights

- No human rights disputes
- Continued signatory to the United Nations Global Compact

Social and community development

- All social and labour plan (SLP) targets, with the exception of hostel conversion, met or exceeded
- R191 million spent on social and community development (SCD), including inter-Anglo American contributions
- R527 million in dividends to SIOC CDT, facilitating investments in the company's communities

ENVIRONMENT

- Sishen and Thabazimbi mines retained ISO14001 certification
- Seven Level 3 environmental incidents with no fines or regulatory directives

KEY STATISTICS

	2011	2010	2009	2008	2007
ECONOMIC PERFORMANCE					
Revenue (R billion)	48.6	38.7	23.4	21.4	11.5
Paid to employees (R billion)	2.4	2.1	1.7	1.4	1.0
Taxes and royalties paid to governments (R billion)	8.7	8.4	3.2	4.3	1.4
Dividends paid (R/share)	44.2	34.5	14.6	21.0	7.5
Capital expenditure (R billion)	5.8	4.7	4.0	2.1	2.1
SOCIAL PERFORMANCE					
Safety					
Fatalities	0	3	1 ¹	1	1
LTIFR (per 200,000 hours worked)	0.08	0.12	0.07	0.17	0.22
Health and well-being²					
New cases of occupational noise-induced hearing loss (NIHL)	17	1	5	1	1
New cases of tuberculosis (TB)	16	2	–	–	–
New cases of occupational lung disease (OLD)	2	0	0	0	0
Number of employees who participated in counselling and confidential testing (CCT)	6,856	5,570	5,268	4,075	3,442
Number of employees on disease management programmes (DMPs) ³	273	371	442	268	312
Number of employees on anti-retroviral treatment (ART)	178	148	160	123	92
Employment					
Number of employees and contractors	11,898 ⁴	11,206	10,852	10,260	–
Number of employees	6,303	5,791	5,222	4,897	4,600
Number of contractors	5,595 ⁴	5,415	5,630	5,363	–
HDSAs in management (%)	49.8	46.0	44.3	41.6	37.5
Women in core mining positions (%)	11.9	10.9	13.7	12.4	–
Social and community development					
SCD expenditure (R million)	191	134	41	79	70
ENVIRONMENT					
Energy used (million GJ)	7.05	6.37	5.06	4.27	3.79
Energy generated from fossil fuels (million GJ)	5.23	4.54	3.38	2.84	2.59
Energy purchased (million GJ)	1.82	1.82	1.60	1.78	1.20
Carbon emissions (million tCO ₂ e)	0.91	0.84	0.70	0.57	0.52
Scope 1	0.39	0.32	0.25	0.21	0.20
Scope 2	0.52	0.52	0.45	0.36	0.32
Water used for primary activities (million m ³)	8.2	8.7	9.7	8.0	8.3
Estimated closure obligation (R million)	1,591	1,416	1,060	941	822
Environmental funds available (R million)	568	372	279	237	165

¹ Not reportable as a work-related fatality at the time on the Anglo American plc safety, health and environment (SHE) database. This has now become reportable due to a broadening of the reporting scope, which came into effect during the year.

² NIHL, TB and OLD figures are for employees only.

³ As at 31 December 2011.

⁴ This number excludes 4,131 fixed-term project contractors, who were employed at Kumba's construction projects during the year.

– Information not reported in these years.

BROAD OWNERSHIP AT ALL LEVELS



David Phiri and Cornelius Moatche, plant operators, and Andries Mankge, process controller, discussing plant maintenance at Thabazimbi mine.

KPI Key performance indicator

AFS See the corresponding pages in the Annual Financial Statements

IR See the corresponding pages in the Integrated Report

www See the website www.angloamericankumba.com

CS Case study

APPROACH AND OVERVIEW

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PROMOTING RESPONSIBLE BUSINESS PRACTICE



Dolly Mokgatle, Chairman: Safety, Sustainable Development, Social and Ethics Committee

“Sustainability is everything to do with the rise of a business conscience and a growing awareness of the importance of non-financial performance.”

The year under review has seen the continued evolution of the concept of sustainability not only at global and national levels, but within Kumba itself. Sustainability is not confined to concerns about the air we breathe or the variability of climate. On the contrary, it is about the holistic environment in which business is conducted. It is everything to do with the rise of a business conscience and a growing awareness of the importance of non-financial performance. The way in which business is viewed now is simply far broader than it was in the past.

I use the term non-financial performance advisedly. It is very clear to us at Kumba that the way in which an organisation addresses these so-called non-financial issues can make or break a business.

This year, the Safety, Sustainable Development, Social and Ethics Committee (SSDS&E Committee) has continued to be very closely involved with the activities of the company and with its executive and management teams. Our agenda extends well beyond matters that arise at our operations, as we align our structure, resources and competencies with our aim of becoming a leading African mineral resources company. Our role is to ensure that those critical sustainability issues – both threats and opportunities – are recognised and addressed, in line with international best practice.

Towards the end of the year our role became significantly expanded following the advent of the new Companies Act, which came into effect in May 2011. One of the requirements of the new Act is for listed companies to appoint a Social and Ethics Committee, to report to shareholders and other stakeholders on the performance of the company, on a variety of social aspects of the company's corporate citizenship and ethics.

In October 2011, the board approved a recommendation that the mandate of the Safety & Sustainable Development Committee be expanded to accommodate this requirement. A review of the committee's terms of reference was initiated in November 2011 to this effect, and it was decided that the committee would adopt new and broader terms of reference to become the Safety, Sustainable Development, Social and Ethics Committee, from February 2012. Together with my committee members, I am honoured to take on these additional responsibilities on behalf of the board and Kumba as a whole.

Kumba has embraced the principles of the King Code of and Report on Governance Principles for South Africa 2009 (King III). I think it is important to note that King III and other developments will encourage responsible business practices, but will not necessarily ensure them. It is up to the company to operate the business in an integrated way and to function as a responsible citizen, with its leaders being accountable for its performance.

We recognise the importance of complying with industry standards and codes of conduct, although compliance for its own sake is not what drives us. The company's business is underpinned instead by a much more fundamental value – a simple commitment to excellence. This applies not just to production numbers and delivering value to shareholders, but across every aspect of our operations. Safety, health, environmental management, the development of our employees and our contributions to local community development



Flip Welgemoed, mine overseer, with Itemogeng Smith, drill assistant, and Taneil Steenkamp, truck operator, at the Kolomela mine training centre.

are not considered in terms of mere compliance, but are accepted as areas of business performance where excellence can and must be achieved.

Likewise, in this report, we have not followed a 'tick the box' approach, but have made a genuine effort to take a complete view of the business and its impacts, and, through this, to gain the insight required to ensure its sustainability.

The report is as comprehensive as it can be considering that our aim was to make it brief, understandable and readable. It is, however, only one vehicle for communicating with our stakeholders: we intend to develop and refine this channel more in the year ahead.

I hope that stakeholders will take the time to read the pages that cover the most significant issues that apply to them and find out how we are dealing with them.

In a business undertaking such as ours, people play the most significant role, and creating and maintaining a safe working environment is our number one priority. We will not earn profits at the expense of lives. While we are pleased with the performance achieved at our operations during the year, we remain vigilant at all times and the lessons learnt from any incident serve to further improve safe working conditions and enhance safety culture. We have allocated a case study to the implementation of the Anglo American Safety Way.

CS Implementing the Anglo American Way to transform safety performance

We also recognise the role of key stakeholders in our business. The concept of stakeholders as it is now used is an evolving one, and an ongoing result of the acknowledgement that the company's sustainability goes beyond shareholder value. To this end, the group developed a new stakeholder engagement policy during the year, and I look forward to strengthening our interaction with our stakeholders to better understand their needs. Their input will be invaluable to the sustainability and improvement of our business – see pages 18 to 25 for further details.

Sharing the gains of the business with employees can only herald greater sustainability in the future and it is imperative that we continue to see such returns. We have been particularly pleased with the Envision employee share participation scheme among our other transformation initiatives. See the case study on page 14.

CS Envision: empowering our employees

The role of leadership is a critical area for Kumba and the group is determined to excel in this regard. This year in particular has seen a demonstration of strong and sustained leadership, ensuring that Kumba's business is protected and its values are upheld.

In 2011 we continued to work towards creating a sustainable business for our shareholders, our employees and for the country as a whole. As a group, Kumba needs to demonstrate that it uses its resources responsibly, recognising that it is only a custodian of these, and that, while we spend the capital to turn them to account, they ultimately belong to the country.

I would like to thank the members of the group's executive and management teams for their efforts in achieving greater sustainability, and our employees for working to make this a reality. To my fellow committee members, thank you for your wisdom and support.

Finally, to the board, thank you for entrusting us with the task of developing the culture of sustainability in our organisation.

Dolly Mokgatle
Chairman, Safety, Sustainable Development, Social and Ethics Committee

PROVING OUR METTLE



Chris Griffith, Chief executive

“Creating and leaving a positive legacy”

A report such as this gives us the opportunity to reflect on what we do and how we do it, as well as on the consequences of our actions. We understand that, as a group, we cannot simply go about our business in isolation from society. We are, and must be, an integral part of a broader group of stakeholders who are either affected by Kumba, or have an impact on our business. How these stakeholders judge our efficiency and effectiveness is as important as our own assessment of our performance. In effect, we need to prove our mettle – as a business and as a citizen.

Steel is fundamental to modern life, and we at Kumba – as the world's fifth largest producer of iron ore – play an important role in the development of infrastructure all around the world.

We turn to account iron ore oxides from remote regions of the Kalahari and beyond, in massive scale mining and processing operations, involving thousands of people. We then transport this material by rail and by sea to destinations around the globe. And in doing so, we make an impact at many levels. Some basic facts about Kumba in the year under review are set out below.

- We mined 245.5Mt of material in 2011.
- We produced 41.3Mt of iron ore, and sold 43.6Mt, with 37.1Mt for the export market and 6.4Mt for domestic consumption.
- We employed 11,898 people at the end of December 2011, comprising 6,303 full-time employees and 5,595 full-time contractors. A further 4,131 project contractors were also employed on our construction projects. Direct payments to employees (excluding contractors) amounted to R2.4 million, with a further R2.7 billion paid out from Envision.
- We completed the year without a fatality, and had an excellent safety performance overall, with a 33% decrease in our LTIFR.
- We spent R120.4 million (4.4% of the total wage bill) on training and development, with each employee receiving an average of approximately 80 hours of training during the year. A total of 953 employees, community members and others participated in our learnership, bursary, professionals-in-training and adult basic education and training programmes.
- We generated revenues of R48.6 billion, and spent R16.6 billion on costs related to the business.
- We paid R8.7 billion to the government in taxes and royalties.
- We paid dividends of R17.9 billion to shareholders, of which R4.2 billion went to BEE shareholders of SIOC, that is, to Exxaro, the SIOC CDT and the company's employees.
- We used 8.2 million cubic metres of water for primary activities, and 7.05 million gigajoules of energy in our business. Through our energy use we generated around 0.91 million tonnes of carbon dioxide (CO₂).
- We invested R5.8 billion in capital expenditure to grow and sustain our business.
- We contributed R184.9 million to expenditure on social and community development, largely in the communities surrounding our operations. Including contributions to Anglo American plc's Zimele, this amounts to R191 million, 1% of the company's net operating profit after tax (NOPAT) from 2010.

But these numbers do not tell the real story of Kumba. To discover that, you need to dig a little deeper and this we have done in the pages that follow, providing some insight for our stakeholders into our business.

EMPLOYEES AND CONTRACTORS

(2010: 11,206)

11,898

ENVISION PAYOUT TO EMPLOYEES IN 2011

R2.7bn

INTEGRATED REPORTING

The Board of Directors' Report 2010 was our first step towards integrated reporting, a format that recognises the interdependence between financial and non-financial performance, and our obligation to report on both these aspects to a broad range of stakeholders, including shareholders, employees, government, unions, communities, customers and suppliers. In 2011, we have produced an integrated report which is the continuation of that journey.

This Sustainable Development Report 2011 is intended to provide greater insight into the non-financial aspects of our business and supplements the role of the Integrated Report 2011. But these are not separate from, or in addition to, the fundamental business case for sustainability. Since inception, Kumba has considered the triple bottom line as an integral part of its business strategy and performance, taking the financial, social and environmental parts of the business into account and giving the same weight to each aspect. This is simply the way we run the company.

Stakeholder engagement

On pages 18 to 23 of this report, we provide greater detail on the way in which we engage with stakeholders. Overall, our stakeholder relationships are sound and are underpinned by structured, strategic and transparent engagement processes, and a genuine willingness to achieve mutually beneficial outcomes. The theme of the 2011 suite of reports, 'Towards sustainable partnerships', signifies our desire to pursue this journey with our stakeholders.

Risk management, materiality and strategy

Kumba's risk management process is intensive and thorough, and identifies key risks that could have a material impact on the business now and in the future. Further, the board applies itself on an annual basis to the review, identification and consideration of macro risks, taking a broad, 'helicopter' view. The outcome is a risk register which specifies mitigating measures and the processes to ensure the review, monitoring and reporting of risks. With respect to sustainability, we have the benefit of the guidance and vigilance of the board's SSDS&E Committee which, under the leadership of chairman Dolly Mokgatle, has continued to play an invaluable role.

We are deeply cognisant of stakeholders' interests and concerns, which have been raised through our extensive formal and informal processes and structures. A considered combination of the key risks of the business and the issues raised by stakeholders are addressed as material issues (see page 10). It should be noted that these have been compiled to assist stakeholders in delineating and understanding the issues facing the group, but this process is inevitably subjective and possibly simplistic. Stakeholders wishing to attain a holistic picture of our business are referred to our comprehensive suite of reports, available on our website.

In 2011, we undertook a thorough review of our strategy through a consultative process, taking new and emerging issues into account and updating our view of the global economy and iron ore market, as well as of other external factors that affect our business. This was carried out internally and the review was then scrutinised by the board. I have been very encouraged by the robust nature of the process and pleased with its outcomes.

Our strategy has evolved during the year under review: we have moved from being a South African company focused on growth, to becoming an African company, with the potential for much more ambitious growth from a second, African footprint. We have set our sights on the mineral-endowed west and central African region and we will keep our stakeholders informed of progress on this in due course.

We are supportive of the Global Reporting Initiative (GRI) and this report has been developed in line with its G3.0 Guidelines and Mining and Metals Sector Supplement. We have declared an A+ level of reporting. Certain key performance indicators and our compliance with GRI have been assured by PricewaterhouseCoopers. In addition, this report has been checked by GRI.

OBJECTIVES

In accordance with the organisational responsibility and capability pillar of our strategy, Kumba will seek to create and leave a positive legacy in the communities in which we operate, and through its commitment to safety and health, environmental management and social and community development, become the partner of choice for the broadest range of stakeholders. Our objectives are spelt out below:

- We will grow our business to achieve production of 80 to 90Mtpa of iron ore by 2020; 70Mtpa from South Africa and 10 to 20Mtpa from the rest of Africa.
- We will do this safely, aiming for Zero Harm to employees, contractors and communities.
- We will continue to optimise our business performance by maximising the input and potential of our human capital, attracting the necessary skills and resources and retaining and developing them within the group.
- We will ensure the continued delivery of our BEE programme. In particular, we have implemented the second phase of the Envision employee share participation scheme to ensure that employees maintain a vested interest in the success of the company.
- We will continue our transformation initiatives within the company (through the attraction and development of historically disadvantaged South Africans and of women to core mining activities), and externally (through local economic development and affirmative procurement).
- We will strive to reduce our environmental footprint per tonne of ore produced, by increasing the recycling of water, optimising energy usage (and hence minimising CO₂e emissions) and rehabilitating affected areas concurrently with mining where this is practical.
- We will maintain our relationships with customers so that we continue to be able to place our ore for niche applications, at the right price.
- We will resolve the legal issues we are currently facing in respect of Sishen mine's mineral rights.
- We will care for our people and communities, and their development, and fully implement our social and labour plans.
- We will develop and sustain mutually beneficial partnerships with all our stakeholders.

IN CONCLUSION

Kumba's performance in 2011 is a credit to the people in our business and associated with our business – our partners, employees, contractors, suppliers, customers and communities. I thank them for their efforts and support.



Chris Griffith
Chief executive

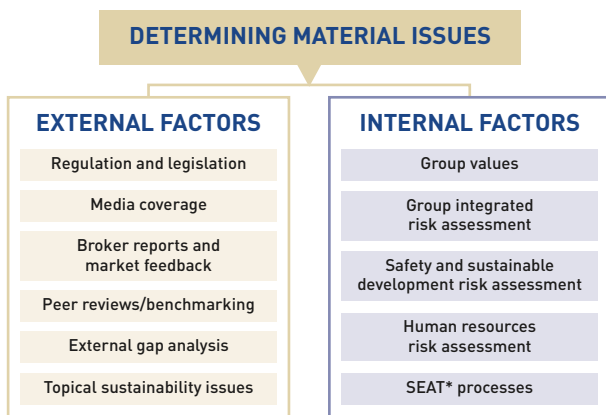
IR Pages 26 to 31

www http://www.angloamericankumba.com/reports/kumba_ar2011/sustainability/ceo_review.php

IDENTIFYING MATERIAL ISSUES

KPI In determining and developing the contents for this report, Kumba has adopted a methodical approach to identifying and reporting on material issues. GRI has been used to guide this process, in which internal and external issues have been considered. In line with GRI, Kumba has defined material issues as “topics and indicators that reflect the organisation’s significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders.”

Kumba recognises the subjective nature of the threshold at which an issue is deemed to become material and that this involves a combination of financial factors and potential reputational impacts. It is a reflection not only of the company’s view of the world, but also that of its stakeholders, and takes into consideration the level of stakeholder concern and interest, the impact of the issue on the company and the impact of the company on the issue. Some of the inputs into this process are indicated in the diagram below.



* Socio-economic assessment toolbox

The outcome of this process has been the delineation of the following six material issues, which form the basis of the report that follows.

MATERIAL ISSUES

- Ensuring the **ongoing financial sustainability** of the business, with a focus on asset performance and optimisation, managing market volatility, securing growth and the success of the SIOC employee share participation scheme (Envision) and the SIOC CDT.
- Ensuring the **safety and health** of our employees and contractors at work.
- **Retaining legal access** to our mineral rights.
- **Complying** with regulatory and minerals legislation.
- **Securing access to people, resources and infrastructure**, including skills, water and energy, land and rail infrastructure.
- Actively **engaging** with communities and **managing their expectations**.

These issues were documented, considered and intensively discussed and interrogated at an internal materiality assessment workshop. The issues were reviewed firstly by the heads of disciplines and the Executive Committee, and then by the SSDS&E Committee and the Audit Committee.

These material issues were then tested against the outcomes of a board-level review of group risks and opportunities, which were interrogated during a two-day board risk and strategy workshop.

Kumba will continue to review these issues, and will endeavour to engage with stakeholders to ensure that we are addressing their most significant concerns.

ORGANISATIONAL RESPONSIBILITY AND CAPABILITY A FUNDAMENTAL PILLAR OF KUMBA'S STRATEGY

VISION

To be a leading, value-adding supplier of iron ore to the global steel industry.

MISSION

People making a difference in a company making a difference.

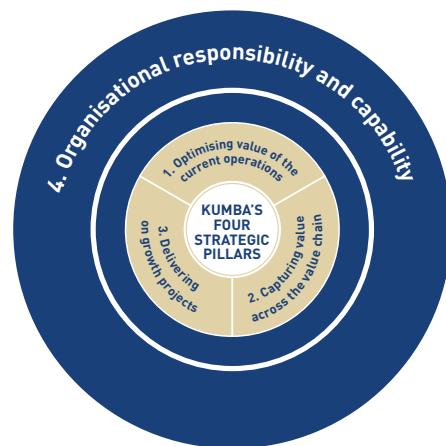
VALUES

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

STRATEGIC INTENT

Kumba is an African company that seeks to maximise total shareholder value by optimising the value of its current operations, capturing value down the value chain, executing its growth projects and ensuring that it has the resources and capabilities to carry through its strategy.

Kumba seeks to grow its business through projects, aiming to achieve production of 80 to 90Mtpa of iron ore by 2020: 70Mtpa from South Africa and 10 to 20Mtpa from the rest of Africa.



STRATEGY

Following an intensive strategic review in 2011, Kumba reaffirmed its commitment to the four pillars of its strategy.

The financial and non-financial objectives and performance of the group are integrated and the pillars of its strategy are comprehensive, cutting across all disciplines. Reporting in this publication, however, relates primarily to delivery against the fourth pillar. This states that through organisational responsibility and capability, Kumba will seek to create and leave a positive legacy in the communities in which it operates, and through its commitment to safety and health, environmental management and corporate social investment, become the partner of choice for the broadest range of stakeholders.

Kumba's structure, resources and competencies will be aligned with the current and emerging strategy of a leading African company that is focused on growth.

CASE STUDY

IMPLEMENTING THE ANGLO AMERICAN WAY TO TRANSFORM SAFETY PERFORMANCE



Abey Louw, fitter, and Hyken Modise, maintenance operator, undertaking maintenance at Sishen mine.

KPI Kumba's safety and health management systems are adapted from the Anglo American Occupational Health and Safety Way standards, which are underpinned by three principles: Zero Harm mindset, no repeats and simple, non-negotiable standards.

Zero Harm

Karen Geerthsen, manager: safety and health, comments: "Zero Harm is applied to people, equipment and business. As a company, we work hard to adopt a Zero Harm mindset: we really believe it is possible to work without safety or health incidents. As far as 'no repeats' is concerned, all incidents are investigated thoroughly, including high potential incidents (HPIs), or incidents that had the potential to result in fatalities. HPI investigations present good opportunities to learn from and prevent similar incidents from occurring again, with more severe consequences."

The safety and health management standards have been developed from industry best practice and from internationally recognised safety and health system standards, such as OHSAS18001. They provide a framework for a risk-based approach to safety and health management, which is built on Anglo American plc's integrated risk management process. They also provide clear, auditable criteria against which safety and health management systems can be assessed.

Implementing standards

Key to the success of the Anglo American Way standards is the requirement for businesses and operations to carry out annual self-assessments of the extent to which these standards have been implemented. The gaps between compliance and self-assessed reality provide a focus for annual safety and health improvement

plans. As well as Kumba's annual self-assessments, external audits take place and Sishen and Thabazimbi mines are officially certified to the OHSAS standard.

The standards cover 12 key areas:

- Policy, leadership and commitment: management shall demonstrate leadership and commitment to safety and occupational health in line with the company's vision of Zero Harm.
- Risk and change management: health and safety hazards shall be identified, assessed and managed. Where changes occur, these shall be managed through the risk management process.
- Legal and other requirements: legal, regulatory and other safety and occupational health requirements are to be identified, communicated, understood and complied with.
- Objectives, targets and performance management: safety and occupational health objectives and targets are to be integrated into the business planning process.
- Training, awareness and competence/fitness for work: all employees and contractors shall be fit for work and competent to perform their activities safely.
- Communication, consultation and involvement: the organisation shall communicate and consult with all employees and contractors regarding safety and health issues.
- Documentation and data control: all information required to control risks and occupational health documents shall be readily available and, where appropriate, controlled.
- Operational control: the organisation shall apply appropriate control measures for effective management of health and safety hazards and risks.
- Emergency preparedness and response: all operations will have capability to respond effectively to emergency and crisis situations.
- Contractor and business partner management: contractors and business partners shall adhere to health and safety framework and rules.

- Incident reporting and investigation: all safety incidents, occupational health risk exposures and diseases shall be reported, investigated and analysed, action taken and lessons learned and shared.
- Monitoring, audits and reviews: operations shall ensure that safety and occupational health systems and equipment are monitored, audited and reviewed to identify trends, monitor progress and assess compliance.

Karen says: "The safety standards are embraced throughout Kumba but risk profiles differ at the various sites and procedures are adapted accordingly by those on the ground. The occupational health standards are not as well embedded in Kumba as the safety ones. It is a work in progress."

Operational risk management process

During 2007, Anglo American plc recognised that in order to achieve improved safety performance, safety leadership and risk management had to be addressed. This led to the Safety Risk Management Process (SRMP) which was developed in conjunction with the University of Queensland. Despite significant investment in risk management training at four levels: for executives, managers, supervisors and all other employees, and the training of risk champions to ensure that what was learned from the training was being implemented, the results were disappointing, with unidentified and underestimated risks still featuring far too often in incident investigation outcomes. Detailed processes, procedures and guidelines for the implementation of the SRMP were then developed, and it has since been expanded to become the Occupational Risk Management Process (ORMP).

Focus areas

When evaluating its safety performance in 2010, Kumba's leadership team agreed on four focus areas for safety improvement plans. One of these was principal hazard management which concentrated on those hazards that could result in fatalities. This fitted in very well with the ORMP process, which focuses on major hazards and priority unwanted events that could result in loss of life.

Kumba began implementing this process in late 2010. At first, all workshops were run by external facilitators, but in order to make this a sustainable process, internal facilitators were also trained, and will continue to be mentored until they are sufficiently confident.

Driven by the risk champions, an implementation process was developed with the support of management. The process begins with gap analyses against the Risk and Change Standard of the Anglo American Safety Way, followed by a workshop with the relevant senior leadership team to ensure that all understood the process. The next step is a baseline risk assessment to rank hazards associated with operational activities.

Major hazards and priority unwanted events are identified and assessed using a two-sided 'bowtie analysis' to determine:

- which preventative controls are in place to prevent the unwanted event happening; and
- which reactive controls need to be developed to reduce the severity of the impact should the unwanted event occur.

Critical controls are then selected which must be in place and effective before starting the relevant activity. Ongoing monitoring of these critical controls is required to establish whether they are working effectively.

It is very important that the end result of this process is not just a risk and critical control register. The controls from the baseline risk assessment and bowtie analysis must be fed back into updated procedures, work instructions, training material, inspection registers and maintenance programmes. Most important of all, the controls must be implemented in the workplace.

Karen is very positive about the future of Kumba's safety and health performance. "Our people are getting more and more involved with Kumba's risk management process; it's becoming more embedded in the company. We're all moving onto the same Zero Harm mindset page."

See pages 46 to 49 of this report for further information on the company's safety performance during 2011.



www.angloamericankumba.com/reports/kumba_ar2011/sustainability/social_safety.php

SAFETY, HEALTH & ENVIRONMENT – SYSTEMS AND FOCUS AREAS 2011



CASE STUDY

KPI ENVISION – EMPOWERING OUR EMPLOYEES



Elias Makinta, an operator at Thabazimbi mine, and his family looking forward to a better future.

Elias Makinta joined Kumba in 1983 and is currently an operator at Thabazimbi mine. Like many of Kumba's employees, he has been a participant in the Envision employee share participation scheme since it started in 2006, but he hadn't quite understood how life changing the scheme was going to be.

"I had heard rumours that something big was coming our way from Envision, but I never dreamed that the amount would be this big. I don't have enough words to say how grateful I am."

Elias' colleague, John July, a foreman at Thabazimbi who has been there since 1987, echoes the shock. "I couldn't believe my ears when I heard about the Envision payout to employees," he says. "This is the first time I have ever heard of a company doing something like this."

Elias and John were two of the 6,209 employees below management level (94.2% of Kumba's workforce) to benefit from one of the most significant share ownership schemes in support of transformation that has ever been initiated.

KPI Envision was implemented in November 2006, when Kumba Iron Ore was spun out of Kumba Resources, at which point employees typically received 3,375 units in the scheme. Kumba was then separately listed on the JSE; with a starting share price of R110.

In December 2011, 30 days after 17 November, when the scheme reached the end of its first five-year term, the share price closed on R468.35 a share, and a pre-tax payout of up to R576,045 per employee was declared – a total amount of R2.7 billion.

This maximum amount was for employees who had been with the scheme from the beginning, but newer members were also rewarded

with a *pro rata* share, for example, beneficiaries employed since October 2011 received R9,558 before tax, each.

This was in addition to dividends of R55,298 per employee, received during the life of the scheme.

While the rise in commodity prices has contributed significantly to this value, the company feels that investors have also rewarded Kumba for consistently delivering on its targets, and that it is right for employees to benefit from this, as it is their work that recovers the iron ore out of the ground.

R2.7 billion paid to 6,209 employees below management level in December 2011.

Choices of proceeds

All employee participants were given a choice when it came to receiving the proceeds of their benefit in the scheme. Instead of a cash payout, employees had the option to receive Kumba shares. The majority of employees elected to receive the cash payout.

Envision was set up in 2006 as part of the company's BEE initiative, and to work towards compliance with the Mining Charter, which requires that mining companies are at least 26% black-owned. In Kumba's case, 19.98% of SIOC's shares are owned by Exxaro Resources Limited, while the SIOC CDT holds 3% and Envision,

3.1%, which adds up to 26.1%. The scheme is governed by a board of trustees comprising company representatives, employee-elected representatives and one independent trustee.

The aim of establishing Envision was to ensure that all Kumba employees, regardless of their position, could share in the company's success. It was also designed as a performance incentive and to encourage staff retention, as well as to promote BEE through the participation of historically disadvantaged South Africans.

Financial fitness

An important consideration was ensuring that beneficiaries understood how to use the payout wisely. Kumba provided employees with education programmes called Financial Fitness, to prepare them for the substantial remuneration they would receive and to advise them on the best and most prudent way of spending and/or reinvesting their payouts. This training was extended to the wives and husbands of beneficiaries. All along, the emphasis was on sound financial management and long-term planning, while discouraging profligate consumerism. Educational materials took the form of comics, posters and industrial theatre, and were clear and explicit. Subject matter ranged from the benefits of home ownership and education, to the need for estate planning and a will, as well as some of the negatives and hazards, for example, pyramid schemes and the risks of misplaced entrepreneurship.

This was a critical step in the journey, one that has been received very positively. Nelson Moagaesi, a master electrician at Sishen mine, commented, "When I first heard about Envision, I was worried that some people would misuse their money, but the company has provided

us with financial planning and counselling that has really helped to point people in the right direction."

Following the Financial Fitness programmes, most employees described similar priorities for their money: paying off debt, saving for education and buying a home, with one or two personal extras.

For example, Lizzy Itumeleng is a diesel truck operator at Sishen mine who joined the scheme in 2009. She plans on building a home for herself and her children and then to establish a borehole and start growing vegetables to support other people living in her area. "This money is really going to change our lives," she says, "and help so many people around us."

One of the hurdles in the communication programmes was ensuring that employees, who had not had a great deal of prior exposure to employee tax, understood the requirement to pay tax on the proceeds of their return. This was particularly difficult given that the dividends they received had been exempt from tax. The company is addressing this by providing more detailed tax training facilitated by the South African Revenue Service (SARS), including how to fill in a tax return.

Kumba CEO, Chris Griffith, says that the scheme has been an unqualified success. "What was particularly gratifying was that, following the training session, 95% of employees indicated that they will continue to work for Kumba after receiving the cash payout. We are told that this is South Africa's most successful BEE transaction and is evidence that broad-based BEE can and does work."

The second phase of Envision is now under way and operates on similar terms.

www.angloamericankumba.com/media_stories.php



Lizzy Itumeleng, diesel truck operator at Sishen mine, is now able to grow vegetables to support other people in the area thanks to Envision.

CASE STUDY

MAKING SUSTAINABILITY A REALITY THROUGH CONSTRUCTIVE ENGAGEMENT



Eric Mthandeki, surveyor, and Silas Quieni, assistant surveyor, working on the construction and tarring of the Motlaetsaba road in Postmasburg near Kolomela mine.

KPI Construction of the new Kolomela mine at Postmasburg in the Northern Cape began in 2008, with the first blast taking place towards the end of 2009. Production began ahead of schedule in December 2011, ramping up to full capacity of 9Mtpa of direct-shipping ore for export in 2013. In tandem with the establishment of the mine, Kumba began forging a strong and mutually beneficial partnership with the local municipality of Tsantsabane and other stakeholders.

When work started on Kolomela mine, the Postmasburg community was struggling, with a stagnating economy, unemployment of between 35% and 40%, discontented youth, a low level of education and skills, a high dependence on the social grant system, social ills, political instability and an understaffed, underperforming municipality. Added to these difficulties was the fact that the local people had a preconceived opinion that mining companies functioned independently of the rest of the community.

Public affairs manager at Kolomela mine, George Benjamin, says: "Community members believed mining companies were only there to make the rich richer. We had to gain their trust and make them aware of the economic and social benefits that could ensue from the mine's presence."

Forging partnerships

As a first step towards forging partnerships, Kolomela mine identified its stakeholders. In addition to local government, these include the different local communities in the area, the departments of Mineral Resources, Water Affairs and Environment and Nature Conservation,

neighbouring farmers, the community, a Section 21 development company linked to the SIOC CDT, Transnet and the local business chamber of the Northern Cape Chamber of Commerce and Industry.

"Community members believed mining companies were only there to make the rich richer. We had to gain their trust and make them aware of the economic and social benefits that could ensue from the mine's presence."

George says: "Stakeholder management was made the responsibility of the public affairs department and we began a process of forming relationships with our stakeholders and constantly building on them in order to develop a sense of trust between them and Kolomela mine. These relationships need to be nurtured and monitored at all times until sufficient openness develops for fruitful dialogue. This is a critical platform to establish before embarking on any joint ventures or initiatives. Once there is a certain maturity in a relationship, one can and should maintain a balance between a standpoint of benevolence and focusing on end goals."

“By adhering to stakeholder management guidelines, we were able to establish excellent public-private partnerships.”

Kolomela mine used the socio-economic assessment toolbox (SEAT) process, which included a stakeholder map, profiles, rules of engagement, and a guide to issues of management and reputational risk. The local Tsantsabane government was earmarked as the mine's highest-rated stakeholder and with whom a special relationship of trust needed to be established if consultations and negotiations were to be successful.

“We sought a robust partnership with the municipality: one where we could address complicated issues and debate different views, yet collaboratively seek constructive solutions to ensure we reached our goals,” explains George. “We also had to maintain continuity and stick to the fundamentals, despite having to deal with different government representatives along the way.”

Open communication

Internal measures were put in place to log all engagements with stakeholders and share any feedback. To maintain an open consultation process, the community was always represented when technical project team members met with government. Care was taken to give equal attention to the political and administrative functions of the municipality and to keep both informed at all times.

The partnership between Tsantsabane municipality and Kolomela mine is mutually beneficial. While not capable of contributing on the same financial level as the mine, the municipality brings many other more indirect benefits such as exemplary use of its local mandate and its ability to influence and lobby.

Tsamba forum

A forum named Tsamba – an amalgam of Tsantsabane and Kumba – was formed to manage all bulk services and infrastructural projects undertaken by the municipality and the mine. A variety of stakeholders are represented on Tsamba, including the municipality, Kolomela mine, the Department of Water Affairs, the Development Bank of Southern Africa and Eskom. The forum was acknowledged as a public-private partnership by the National Treasury. Development projects are aligned with municipal integrated development plans. Projects undertaken to date include those outlined below.

- The Khuting storm water system was upgraded to put an end to the flooding of residents' homes. The municipality was the custodian of this project and the mine's technical unit was responsible for implementation. Some R11 million was spent on reconstructing the gradient, putting in storm water channels and constructing six new roads.
- Stasie Street was built. This road links the town and its closest community, allows better access to industrial sites where residents work and takes pressure off the busy Beeshoek Road, which provides access to the mine. The project cost some R8.4 million and provided 50 contractor jobs.
- The bus and taxi terminus was upgraded for the benefit of commuters. This project cost some R6.5 million. The new taxi rank includes an area for informal traders.

George sums it up: “We work together towards reaching goals and celebrate the successes as a collective. We never lose sight of recognition and reward for both partners. By adhering to stakeholder management guidelines, we were able to establish excellent public-private partnerships and our relationship with Tsantsabane has sent out a lot of positive messages.”

www.angloamericankumba.com/pdf/reports/seat_report_29022011.pdf



Keabaka Matilo and Annalise Lourence, community programme co-ordinators, with Johannes Letshegong, the local taxi association chairman, at the Postmasburg taxi rank upgraded by Kolomela mine.

PARTNERS IN GROWTH

Anglo Zimele
MED Practitioners



Magdeline Medupi, receptionist, and Theodor Moeti, business developer, in the reception area of the Kumba small business hub support centre in Kuruman, near Sishen mine.

KPI Key performance indicator

AFS See the corresponding pages in the Annual Financial Statements

IR See the corresponding pages in the Integrated Report

www See the website www.angloamericankumba.com

CS Case study

Stakeholder engagement

24 Case study: The Dingleton resettlement: changing for the better



STAKEHOLDER ENGAGEMENT

Kumba is aware that its ability to conduct its day-to-day business is influenced by its capacity to develop and maintain long-standing relationships with its stakeholders. Kumba's stakeholder engagement therefore aims to build new, and improve existing relationships, to establish key partnerships and to obtain support for the company's activities. Hence the theme of this report: 'Towards sustainable partnerships'.

In its approach to engaging with identified stakeholders, the company adopts the principles of transparency, integrity and accountability, and reports timeous, relevant and meaningful information to all stakeholders. The identification of, and Kumba's interaction with, its community stakeholders is conducted in line with the Anglo American plc SEAT processes. Community development is further prescribed by the commitments made in the company's social and labour plans. In line with the requirements of the Mining Charter, Kumba ensures that its policies and practices are aligned with the integrated development plans of local municipalities.

As part of its engagement strategy, Kumba is committed to membership of, or support for, several external initiatives on public policy issues. These organisations deal with key issues of concern to the company and its stakeholders and are as follows:

- Chamber of Mines of South Africa;
- International Council on Mining and Metals (ICMM);
- National Business Initiative;
- JSE Limited Socially Responsible Investment Index (JSE SRI);
- Carbon Disclosure Project (CDP);
- World Business Council for Sustainable Development;
- Business Leadership South Africa;
- Progressive Business Forum;
- Die AHI (Afrikaanse Handelsinstituut);
- Executive Global Networks South Africa; and
- South African Business Coalition on HIV/AIDS (SABCOHA).

Kumba received external recognition for outstanding performance in various areas during 2011. These included:

- Nedbank Green Mining Awards: the top award in the sustainability category and joint top award in the socio-economic category;

- African Access National Business Awards: the fast growth company award for investing in people, the environment and sustainability;
- South African Publication Awards: best sustainability report;
- Sunday Times Top 100 Companies: third place for its share return over five years;
- Financial Mail Top Companies 2011: sixth place; and
- Ernst and Young Excellence in Corporate Reporting Awards: tenth place.

IDENTIFYING KEY STAKEHOLDERS

KPI During the year, Kumba completed a formal stakeholder identification process to identify those groups and individuals who have an interest in the company, and with whom the company regularly engages. A stakeholder engagement policy was also developed and approved by the Executive Committee in December 2011. This will be rolled out across the group in 2012. A copy of this policy is available on the company's website.

In identifying its stakeholders, Kumba has developed a matrix of those groups and individuals who are directly and indirectly associated with the company, including employees, shareholders, customers, suppliers, unions, government and regulatory authorities, neighbours and community members from communities in which we operate.

Kumba's stakeholder relationships are underpinned by structured, strategic and transparent engagement processes and a genuine willingness to achieve mutually beneficial outcomes.

Extensive and ongoing engagement, both formal and informal, is undertaken by the board at a strategic level and by various disciplines. The table below illustrates some of these interactions.

Description of key stakeholders	Discipline	Comment
Shareholders, analysts and potential shareholders have an interest in the company's performance.	Investor relations	Shareholders are encouraged to attend the company's results presentations and participate in the AGMs, at which they have access to the board, and to raise issues of concern or interest directly with the company through various means of communication, investor and analyst meetings, site visits and company presentations. Kumba's management team engages directly with investors and key analysts during roadshows. Kumba's major shareholders, Anglo American plc and IDC, are also engaged at a board level and their inputs are sought on key issues.
Relations with employees and unions are governed by recognition agreements.	Human resources	Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources discipline, line management and union structures. Two-way communication channels are used to consult with the unions. Senior executives have access to the board and are expected to represent employees at this level.
Kumba engages with a broad range of interested and affected parties, including national, provincial and local government representatives, non-governmental organisations (NGOs), farmers, business partners, media representatives and opinion makers.	Public affairs	Kumba participates in various industry associations either directly or through its association with Anglo American plc. Other means of engagement include one-on-one discussions, company announcements, site visits and focus group forums, and through the media and other company publications.
Kumba engages with groups and individuals from the communities that surround its operations who are directly affected by or have a direct impact on the company's operations, or who have an interest in the group.	Social and community development	Engagement takes many forms including one-on-one discussions, group dialogues and briefings, local, provincial and national focus group forums, community consultations and internal publications.

Description of key stakeholders	Discipline	Comment
Kumba exports iron ore to around 30 customers in more than 10 countries.	Marketing	The company engages with current and potential customers in a number of ways that involve active, well-established two-way communication. These include formal presentations, road shows, company announcements, feedback reports, site visits and customer satisfaction surveys.
Developing suppliers is one of Kumba's priorities. A number of programmes, designed to train local and historically disadvantaged South African suppliers, are in place.	Supply chain management	One-on-one meetings, open days and stakeholder forums are held to communicate company policy and procedures. Development programmes are discussed to encourage two-way engagement between Kumba and its suppliers.

STAKEHOLDERS

CURRENT SHAREHOLDERS AND POTENTIAL INVESTORS, ANALYSTS AND BUSINESS PARTNERS

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Annual general meetings Investor road shows One-on-one investor analyst meetings Investor presentations Interim and annual results briefings Annual financial statements Company website Company announcements Integrated annual reports Sustainable development reports Carbon Disclosure Project submissions SENS announcements Investor and analyst site visits 	<ul style="list-style-type: none"> Company strategy Overall financial performance Operating performance Ongoing financial sustainability Issues relating to the overall sustainability of the company in particular: <ul style="list-style-type: none"> risk mitigation nationalisation safety energy carbon emissions/climate change equity and transformation 	<ul style="list-style-type: none"> Delivering on strategy <ul style="list-style-type: none"> IR Pages 18 to 35 Material issues <ul style="list-style-type: none"> SD Page 10 Risk management <ul style="list-style-type: none"> IR Pages 11 to 15 Shareholders' information <ul style="list-style-type: none"> IR Page 102 Carbon Disclosure Project Report <ul style="list-style-type: none"> www www.angloamericankumba.com/pdf/reports/carbon_report_2011/2011_carbon_report.pdf JSE SRI Index <ul style="list-style-type: none"> www www.jse.co.za/About-Us/SRI/Introduction_to_SRI_Index.aspx

GOVERNMENT AND REGULATORY AUTHORITIES

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Dialogue with, and participation in industry associations Participation in forums Social and labour plans Integrated report Open days Site visits Presentations 	<ul style="list-style-type: none"> Licence to operate Health and safety Employment equity Transformation Preferential procurement Beneficiation Human resource development Social and community development Infrastructure development Environmental impact and rehabilitation Taxes and royalties 	<ul style="list-style-type: none"> Group profile <ul style="list-style-type: none"> IR SD Pages ii to iii Compliance and controls <ul style="list-style-type: none"> IR Pages 88 to 92 Governance of sustainability <ul style="list-style-type: none"> SD Pages 26 to 33 Social performance <ul style="list-style-type: none"> SD Pages 46 to 69 Environmental performance <ul style="list-style-type: none"> SD Pages 70 to 81

COMMUNITIES AND NON-GOVERNMENTAL ORGANISATIONS

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Community forums Municipal, provincial and national focus group forums Industry partnerships Social and labour plans Community engagement programmes Dialogue Company announcements Local publications Awareness campaigns SEAT 	<ul style="list-style-type: none"> Transformation Preferential procurement Beneficiation Human rights Social and community development Skills development Employment and job creation Health-related issues, in particular HIV/AIDS and TB Environmental impact and rehabilitation 	<ul style="list-style-type: none"> Social and community development <ul style="list-style-type: none"> SD Pages 64 to 67 Value-added statement <ul style="list-style-type: none"> SD Page 36 SEAT Report <ul style="list-style-type: none"> www www.angloamericankumba.com/pdf/reports/seat_report_29022011.pdf

STAKEHOLDER ENGAGEMENT

EMPLOYEES AND UNIONS

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Collective bargaining practices Briefings by CEO and general managers Team briefings Two-way manager-employee communication Campaigns Internal communication channels: <ul style="list-style-type: none"> intranet publications posters flyers 	<ul style="list-style-type: none"> Company strategy and performance Training and development Transformation Remuneration Health and safety Contractor management Participation in share incentive schemes Housing and living conditions 	<ul style="list-style-type: none"> Remuneration report AFS Pages 19 to 26 Envision SD Pages 14 to 15 Value-added statement SD Page 36 Social performance SD Pages 46 to 69

CUSTOMERS

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Formal presentations Road shows Company announcements Integrated report Site visits Dialogue Customer satisfaction surveys Carbon Disclosure Project submissions 	<ul style="list-style-type: none"> Company strategy Innovation Transportation and supply of products Quality of products Price 	<ul style="list-style-type: none"> Product responsibility SD Pages 68 to 69 Our products www www.angloamericankumba.com/products_main.php

CONTRACTORS AND SUPPLIERS

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Company announcements Integrated report Participation in forums Briefing sessions Open days Dialogue Annual financial statements 	<ul style="list-style-type: none"> Company strategy Local/BEE procurement programmes Preferential practices Overall sustainability of company Business training and support Financial sustainability 	<ul style="list-style-type: none"> Human rights SD Pages 62 to 63 Economic transformation, procurement and supply chain SD Pages 38 to 41

MEDIA

Engagement process	Key topics and concerns	Useful references
<ul style="list-style-type: none"> Company announcements Company website Online presentations Interviews Media site visits Integrated report Briefings 	<ul style="list-style-type: none"> Financial results Corporate activity Environmental issues Marketing Community development topics Safety and health Labour relations 	<ul style="list-style-type: none"> Review by the chairman IR Pages 6 to 9 Chief executive's review IR Pages 26 to 31 SD Pages 8 to 9 Press releases and media coverage www www.angloamericankumba.com/media_main.php



Honest Nloyo and Last Moyo, builders, working near the general offices of Thabazimbi mine.

CASE STUDY

KPI THE DINGLETON RESETTLEMENT: CHANGING FOR THE BETTER



The existing town of Dingleton, near Sishen mine.

Some 3,500 people in 684 households live in the town of Dingleton, which borders Sishen mine in the Northern Cape. There has been talk of resettling the residents here since the late 1980s. In 2007, Kumba began planning for this large-scale and complex resettlement process to finally go ahead.

The resettlement of Dingleton residents to the southeast of Kathu, some 30km away, became necessary for many reasons.

- Dingleton lies only 500m from Sishen mine's open-pit boundary – this is the minimum blasting distance required by legislation. Mining operations inevitably affect the quality of life for residents as they cause dust, noise and damage, such as windows cracking during blasting.
- Ever since resettlement was first mooted some 25 years ago, local government has been disinclined to invest in the town, which was established in the 1950s, and infrastructure has been neglected.
- As a direct result of the lack of investment in the town, businesses have moved out. Shops are non-existent and residents have to drive to Kathu to get petrol.
- Sishen mine wants to carry out mining activities in the buffer zone and thus extend the life of mine.
- Some 98% of the residents want to move, a fact established by two comprehensive surveys carried out by Kumba.

Pre-feasibility phase

The project's pre-feasibility phase began in 2007, with the identification of potential impacts and affected parties, and the mobilisation of a resettlement committee.

An asset inventory of infrastructure and households – down to the number of fruit trees within a property – and a register of residents were drawn up. Information was also collected from each household about economic activities undertaken, incidences of disease or illness among household members, births and deaths, income and expenditure, material possessions and residents' use of social

infrastructure. The conceptual design of the new facilities was worked on and costs were estimated.

KPI Public involvement was paramount at all stages of the process and communication between all parties was essential to identify any areas of concern. The Resettlement Working Group (RWG) was formed, consisting of all primary stakeholders: six Dingleton residents representing the community, four representatives from the local Gamagara municipality, three members from the Northern Cape provincial government, two Kumba representatives and various consultants who were appointed in an advisory capacity. The RWG's role was to investigate the feasibility of the resettlement, to produce a resettlement action plan (RAP) and to advise both Kumba and the Northern Cape government. A joint steering committee (JSC) was also formed, comprising representatives of local, district and provincial governments, the RWG and Kumba. The roles of the JSC included oversight, the provision of access to technical support and process facilitation.

All pre-feasibility study requirements have taken place, including a social impact baseline assessment, environmental impact assessment and an economic impact assessment, all of which will form part of the RAP.

International Finance Corporation Performance Standard adopted

Guiding the overall resettlement process from the beginning has been Kumba's adherence to the Performance Standard 5: *Land Acquisition and Involuntary Resettlement* of the International Finance Corporation (IFC). This, in summary, advocates that resettled residents should enjoy equal or better circumstances than those they experienced before resettlement and that displaced persons are to be offered compensation for loss of assets at full replacement cost, as well as other assistance. With the average value of a house in Dingleton estimated at R150,000 and that of the average house

in Kathu standing in excess of R1 million, resettled residents are set to gain a far more valuable asset. As an indication of the extent to which Kumba is taking its responsibilities towards Dingleton residents, allowances will be awarded for the reinstallation of household amenities and facilities.

Feasibility phase

The resettlement process is currently in the feasibility phase, with all related studies expected to be completed in June 2012, including detailed valuations of existing properties and structures and detailed designs of the new properties and structures in Kathu. This will be followed by a series of reviews and approvals, which is expected to take about six months, with final approval for the entire project expected in early 2013. A first draft of the RAP was prepared at the end of 2011, and covers all aspects of the resettlement in depth. The RAP will have to be approved by the community and local government. An accurate costing is currently taking place and early indications are that the entire project will cost more than R1 billion. Town planners have been consulted and the layout is currently awaiting the municipality's approval.

An environmental management plan and a sustainable development plan (SDP) are being drawn up, which will also have to be approved by government. A non-governmental organisation is being appointed to independently monitor and evaluate the resettlement process and adherence to IFC guidelines.

Since September, financial advisers have been talking to residents to assist them with decision-making. This is not a straightforward process as residents are not necessarily exchanging like for like in terms of their homes. For example, older residents are being given the option to downscale, construct a smaller home for their own needs and build an adjoining 'granny flat' to rent out to provide them with extra income. Once decisions are made, residents will sign formal agreements with the help of legal advisers.

Tenders are being obtained for the demolition of the old houses and infrastructure, for the erection of the new houses and other buildings and for moving the households of Dingleton to Kathu.

In addition to the regular RWG and JSC meetings, the Dingleton representatives on the RWG hold monthly meetings to give feedback to the community so they can see that their needs are being addressed. Kumba, the Dingleton representatives and the community also meet twice a month.

Execution phase

During the execution phase, the RAP will be updated and compensation for all affected persons finalised. Contractors will be appointed to undertake the construction work and the new houses and social structures will be erected. The SDP will be finalised and implemented, and a resettlement review and audit will take place.

Willie Human, project manager, Kumba projects, says: "The vast majority of Dingleton residents are very excited about the move and actually can't wait. There is a small percentage, say 2%, of the people that are not so keen. They tend to be elderly people who are more resistant to change and the upheaval associated with the move. They are particularly concerned about where they will keep chickens and other livestock, as the by-laws are different in Kathu. Kumba is looking into the possibility of addressing these types of concerns."

The new houses to be built in Kathu will be easy to maintain while solar panels will make them eco-friendly. Willie says: "The former

Dingleton residents will undoubtedly become part of the bigger picture of Kathu where there is a lot of expansion taking place. They will be able to enjoy the benefits of living in a developing municipal area rather than what has become a dusty backwater."

The sustainable development plan: the future

The SDP for the Dingleton resettlement project is a forward-looking document and considers in detail life after the resettlement process from socio-economic, environmental and health perspectives.

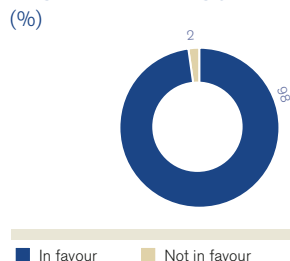
Many initiatives are being proposed, including the recycling of materials from the demolished houses and other structures. There is a huge demand for low-income housing in the area and such items as second-hand door frames and bricks are valuable commodities. Also being considered is the way in which the many small local construction businesses being used for the project can be developed into bigger, more profitable businesses in the future. Rental accommodation in the area is also in demand and this too is being investigated. Various schemes are being proposed which will allow for some kind of subsidy to make the higher rates and taxes on the more valuable properties in Kathu more affordable for the resettled residents.

Anel Marais, manager, social and community development, Kumba, says: "The development will be as green and as cost-effective as possible." To this end, fruit trees will be replaced and gardens will be designed in such a way that household water can be recycled back into gardens.

A learning curve

Asked what Kumba had learned from the resettlement process so far, Willie, who is completing his masters in project management and made the Dingleton resettlement the subject of his thesis, says a great deal. "Without doubt, the three pillars of a resettlement project are risk management, communications and stakeholder management. There is a crucial need to engage with all stakeholders at all times. If there is trust among stakeholders, your chances of project success are so much higher." He adds, "There was a priest in one of the Dingleton churches who regularly said he didn't trust what we were doing or our motives. He has finally changed his mind and told me the other day that he now trusts us. I was overjoyed."

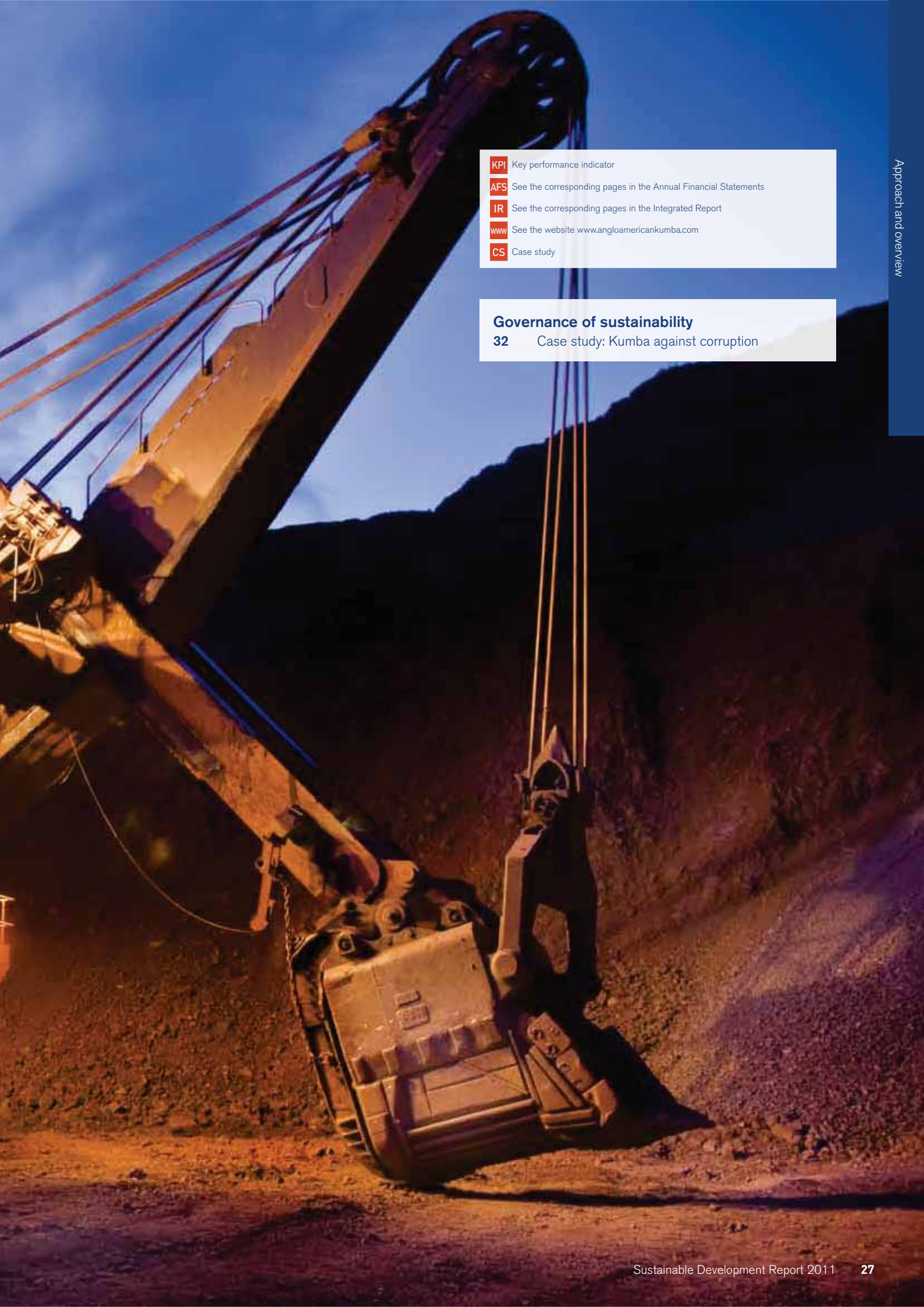
DINGLETON RESIDENTS' RESETTLEMENT SURVEY (%)



EXCELLENT BUSINESS LEADERSHIP



The massive P&H 560 shovel in the middle section pit at Sishen mine.



- KPI** Key performance indicator
- AFS** See the corresponding pages in the Annual Financial Statements
- IR** See the corresponding pages in the Integrated Report
- www** See the website www.angloamericankumba.com
- CS** Case study

Governance of sustainability

32 Case study: Kumba against corruption

GOVERNANCE OF SUSTAINABILITY

SOUND CORPORATE GOVERNANCE

Kumba's board of directors ensures that the principles of good corporate governance are implemented and upheld at all levels of the company. To guarantee that the group continues to deliver value to all its stakeholders, the board ensures that all deliberations, decisions and actions of the group's business and operational structures are based on integrity, responsibility, accountability, fairness and transparency.

Corporate governance at Kumba is guided by the company's Memorandum of Incorporation, the Kumba Delegated Authority Framework (DAF), the Listings Requirements of the JSE Limited, the New South African Companies Act (Act No 71 of 2008), the third King Code of and Report on Governance Principles for South Africa (King III) and any other applicable governance principles and legislation.

Formal mechanisms for shareholders to communicate with the company are in place and include one-on-one meetings with management, presentations, annual and special general meetings, media releases, interim and year-end results announcements, the company's website, the company's annual integrated report and the proxy form shareholders use to exercise their voting rights.

To ensure that the company reports on topics that reflect its significant economic, environmental and social impacts, or that would substantively influence the assessment and decisions of stakeholders, Kumba has assessed the materiality of those issues that could have an impact on the business now and in the future.

In doing so, the company has amalgamated those issues which have been identified by way of its robust risk management system on the one hand and the interests and concerns raised by its stakeholders, through extensive formal and informal processes and structures on the other.

By reporting on its material issues, Kumba seeks to provide stakeholders with insight into the company's strategic intent. See pages 18 to 23 of this report for more information on how Kumba engages with its stakeholders.

IR Page 88

RISK MANAGEMENT

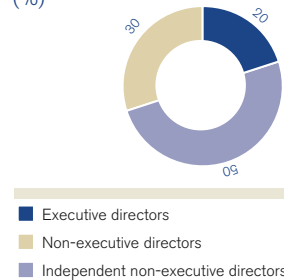
KPI Responsibility for the oversight of risk management at Kumba starts with the board, which delegates some of the associated duties to the Risk Committee. The overall quality, integrity and reliability of the company's risk management function rests with this committee.

Kumba maintains an integrated risk management programme which facilitates the identification of key risks that could have a significant impact on the ability of the group to achieve its strategic objectives; the analysis of risks and controls; implementation of appropriate controls and responses to mitigate identified risks; the monitoring of the effectiveness of those controls; and regular reporting to the Executive Committee, the Risk Committee and the board.

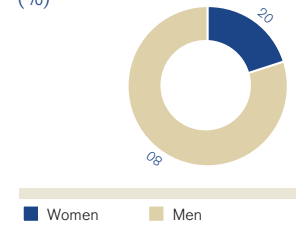
MANAGEMENT APPROACH AND RESPONSIBILITY

Management is responsible for monitoring the progress of actions taken to mitigate key risks and is supported by the group's internal audit programme which evaluates the design and effectiveness of controls to mitigate risks. The results of the integrated risk

COMPOSITION OF BOARD (%)



COMPOSITION OF BOARD BY GENDER (%)



management process are reported to the Executive Committee every month, and to the Risk Committee and the board every quarter.

The following risk areas have been identified:

- regulatory, political and legal;
- resources and reserves;
- employee safety and health;
- social;
- commodity price and demand;
- infrastructure;
- environment;
- employees;
- foreign exchange; and
- operational performance.

Kumba has a unitary board, led by an interim non-executive and independent chairman, Allen Morgan. The board comprises two executive directors (20%) and eight non-executive directors (80%), five of whom are independent (50%), and two of whom are black women (20%).

The company's operating entity, Sishen Iron Ore Company (Proprietary) Limited (SIOC), in which Kumba has a 73.9% shareholding, has a fully operational board of directors, consisting of three executive (60%) and two non-executive directors (40%), in place. The DAF regulates the authority limits and the relationship between the Kumba and SIOC boards. Accordingly, SIOC directors retain unencumbered discretion with respect to SIOC matters.

The Kumba board charter regulates how business is conducted by the board according to the principles of good governance by:

- regulating the parameters within which the board operates;
- setting out specific responsibilities to be discharged by board members;
- enforcing adherence to the provisions of the Memorandum of Incorporation; and
- delineating matters pertaining to board governance and the key issues that the board considers in the course of its direction of the company.

As outlined in the board charter, the board maintains a clear separation between the responsibilities of the chairman and the chief executive officer. While the chairman holds responsibility for the overall leadership of the board, the chief executive officer focuses on the operation of the business.

The board has established four standing committees through which it executes its duties, namely:

- the Audit Committee;
- the Risk Committee;
- the Human Resources, Remuneration and Nomination Committee (Remco); and
- the SSDS&E Committee.



Jimmy Makolokwane, electrician, and Kabelo Leeka, process engineer, at work on module 3 at the Sishen mine jig plant.

The SSDS&E Committee came into being in February 2012 and replaces the Safety & Sustainable Development Committee. It oversees the same areas of concern, such as safety, health, environmental and community matters, in addition to new social and ethical aspects of the company's performance, in line with the requirements of the new Companies Act.

LEADERSHIP

While overall responsibility for sustainable development lies with the board, specific oversight of the development of policies and guidelines to manage sustainable development, safety, health and environmental matters has been delegated to the SSDS&E Committee. Transformation and compliance with the Mineral and Petroleum Resources Development Act (MPRDA) and the Mining Charter are considered by the board as a whole with responsibility for implementation allocated to Remco and the human resources department.

Directors are appointed to the Kumba board based on their individual competencies and experience relevant to achieving the group's objectives as a leading iron ore supplier. The board seeks to maintain a balance of business, governance, project management, technical and financial skills and expertise. Since Kumba regards

the company's economic, social and environmental performance as integral to all aspects of its business and to its overall success, candidates in any of these fields are required to demonstrate an intimate understanding of the specific challenges faced by mining companies in these areas, and how they would consider these concerns in their potential board role.

The board recognises that improved performance and effectiveness may be achieved through regular and timely appraisals both of the board as a collective and of its individual members. In line with Anglo American plc's requirements in this regard, the board, its subcommittees and its individual members undergo externally facilitated performance appraisals every two years, which include self appraisals and peer reviews of individual, committee and board performance against targets. The performance of the board in terms of sustainable development is addressed as part of this process, particularly as part of the appraisal of the SSDS&E Committee.

Remco ensures that the board comprises suitably qualified individuals and consults other directors in its evaluation of the chairman, the chief executive officer and individual directors. Regular evaluations of the board and its committees, involving one-on-one interviews with individual directors and internal questionnaires which address a broad range of issues relating to board performance, are conducted on a regular basis.

GOVERNANCE OF SUSTAINABILITY

The board ensures that the remuneration of both board members and senior executives reflects the overall performance of the company as a whole. This includes an assessment of financial and non-financial performance indicators. While executives receive fixed compensation for their work in line with the terms of their individual contracts, bonuses are only awarded if all the necessary key performance indicator targets have been achieved. This excludes non-executive directors, whose remuneration is awarded for services to the board and is considered separate from the operational performance of the company.

The relationship between compensation for members of the highest governance body, senior managers, and executives (including departure terms), and the organisation's performance is covered in detail in the company's remuneration report, which can be found in the company's Annual Financial Statements.

AFS Pages 19 to 26

ETHICS

Kumba is committed to the highest ethical standards. The group has in place numerous policies that govern the relationships between the group and its stakeholders. These policies may be accessed on the company's website. These codes apply to directors, executives, managers, employees, contractors, communities, clients, customers and suppliers. Their implementation and monitoring is ensured by the SSSD&E Committee.

CS Kumba against corruption

www www.angloamericankumba.com/pdf/policies/business_integrity_policy_may2011.pdf

Conflicts of interest

Kumba has a conflict of interest policy designed to assist directors and managers in identifying situations that could present potential conflicts of interest. The policy is intended to comply with the requirements of the Companies Act and the JSE Listings Requirements and contains an outline of the procedures to be followed, which could include recusal, once a conflict of interest has been reported or identified.

The company requires that all management employees and directors disclose details regarding external shareholding and directorships which could potentially create conflicts of interest while they serve as directors on the board. A comprehensive register of interests is maintained and updated and signed by each management employee and director.

Where necessary, the company may seek independent legal opinion regarding potential conflicts of interest in so far as these may affect specific directors or employees, to determine whether or not a conflict of interest exists and to provide appropriate recommendations to the company to follow in dealing with these matters.

Donations and gifts

Kumba prohibits political donations to any politician, political party or related organisation. No political donations were made in 2011. The company makes charitable contributions and social and community investments which are intended to promote sustainable community development. Any form of facilitation payment is prohibited. Employees are not allowed to accept any gifts that may create a sense of obligation, may influence their judgement or that could result in a conflict of interest.

Insider trading

In terms of both the Securities Services Act No. 35 of 2004, the insider trading rules of the JSE Listings Requirements and the company's policy for dealing in the company's securities, neither directors nor employees are allowed to deal in the company's shares if they are in possession of material price-sensitive information, or when the company is in a closed period. The directive also applies to close relatives of directors and employees. Directors and employees are required to obtain prior approval before dealing in the company's shares. In addition, employees are periodically advised of closed periods.

Whistle-blowing

Employees and other parties are encouraged to anonymously report corrupt and fraudulent activity or any concerns about conduct by making use of Tip-offs Anonymous, a 24-hour whistle-blowing facility. Independently operated, the Tip-offs Anonymous facility provides telephone, e-mail and website contact details and can be accessed via www.anglospeakup.com or by emailing anglocorp@anglospeakup.com. All whistle-blowers are protected against any form of victimisation provided that disclosures are made in accordance with the provisions of the Protected Disclosures Act, No. 26 of 2000.

External initiatives and memberships in associations

Kumba is a signatory of the United Nations Development Programme (UNDP) through Anglo American plc. The UNDP advocates for change and connects countries to knowledge, experience and resources to create solutions to global and national development challenges.

Kumba is also an advocacy member of the Chamber of Mines of South Africa, and the company's CEO, Chris Griffith, is a member of the Chamber's executive council. The Chamber of Mines is a private sector employer organisation which is the principal advocate of major policy positions endorsed by mining employers. It represents these to various organs of South African national and provincial governments and to other relevant policy-making and opinion-forming entities, both within the country and abroad. The Chamber also works closely with the various employee organisations in formulating these positions where appropriate.

SIGNIFICANT LEGAL ISSUES OR FINES

Kumba did not incur any fines in respect of non-compliance with laws or regulations in 2011, and was not involved in any legal action relating to anti-competitive behaviour, anti-trust or monopoly practices during the year.

Mineral rights dispute

KPI After ArcelorMittal South Africa (AMSA) failed to convert its old order rights, SIOC applied for the residual 21.4% mining right previously held by AMSA and its application was accepted by the DMR on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to Imperial Crown Trading 289 (Pty) Limited (ICT). SIOC initiated



Etienne Fourie, shift co-ordinator, in discussion with Sasha Kimemiah, project engineer, at the Thabazimbi mine despatch and collision avoidance control room.

a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

The High Court Review, in which SIOC challenged the award of the 21.4% prospecting right over Sishen mine by the DMR to ICT, was presided over by Judge Raymond Zondo in the North Gauteng High Court in Pretoria, South Africa, from 15 – 18 August 2011.

On 21 December 2011, judgment was delivered in the High Court regarding the status of the mining rights at the Sishen mine. The High Court held that, upon the conversion of SIOC's old order mining right relating to the Sishen mine properties in 2008, SIOC became the exclusive holder of a converted mining right for iron ore and quartzite in respect of the Sishen mine properties. The High Court held further that as a consequence, any decision taken by the DMR after such conversion in 2008 to accept or grant any further rights to iron ore at the Sishen mine properties was void. Finally, the High Court reviewed and set aside the decision of the Minister of Mineral Resources or her delegate to grant a prospecting right to ICT relating to the iron ore as a 21.4% share in respect of the Sishen mine properties. On 3 February 2012, both the DMR and ICT submitted applications for leave to appeal against the High Court judgment. SIOC has noted an application for leave to present a conditional cross appeal, in order to protect its rights, and is awaiting the date for the hearing of the application for leave to appeal.

The High Court order does not affect the interim supply agreement between AMSA and SIOC, which will endure until 31 July 2012.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

PRECAUTIONARY PRINCIPLE

The integration of good corporate citizenship, sound business principles, a risk-based approach and a Zero Harm mindset collectively contribute towards the fulfilment of the precautionary principle as captured in Article 15 of the Rio Declaration.

As required by the principle, Kumba ensures that all its operations and projects undertake effective environmental impact identification and assessment, in line with the group's environmental policy.

Added to this, Anglo American plc's Social and Environmental Impact Assessment Standard and the various Environmental Performance Standards are designed to ensure that there is proactive management of the environment and that there is a risk-based approach in whatever activity is undertaken. Similarly, this is implemented through compliance with ISO14001 and OHSAS18001. In cases where there is uncertainty in terms of the requirements, Kumba has always opted for the most stringent requirements, thereby ensuring that proper measures are in place for the protection of the environment.

CASE STUDY

KUMBA AGAINST CORRUPTION



Chris Griffith, chief executive, talking to employees during a presentation at Kolomela mine.

Integrity and accountability are core values for Kumba and are fundamental to the success of the company's business. Kumba applies Anglo American plc's business integrity policy, which makes it clear that the company is implacably opposed to corruption throughout its worldwide operations. The policy states: "Corruption erodes trust, drives away investment and increases the costs and unpredictability of doing business."

www.angloamericankumba.com/pdf/policies/business_integrity_policy_may2011.pdf

Included in the policy are performance standards which are guides to assist in identifying and interpreting situations of actual or potential corruption. The standards are principles-based and provide a framework within which employees are expected to exercise their judgement in relation to specific situations.

A total of 11 areas are covered by the performance standards:

- gifts, entertainment and hospitality;
- conflicts of interest;
- facilitation payments;
- use of company assets;
- political donations;
- interactions with government officials and lobbying;
- charitable donations;
- social and community investment and enterprise development activities;

- sponsorships;
- retention and payment of intermediaries; and
- mergers, acquisitions, joint ventures and associates.

Illustrative examples are provided for each performance standard and suggest the appropriate decision-making processes. The standards apply to all employees and to contractors.

Anglo American plc's internal audit department, Anglo Business Assurances Services (ABAS), performed bribery and corruption risk audits on all of its business units during 2011. Kumba was given an overall rating of 'good', meaning that while suggestions for additional improvements were raised, no major or minor issues of concern were identified.

Kumba and the business integrity policy

KPI Kumba strives to educate as many of its employees as possible about its business integrity policy. At the end of 2011, 85% of the group's employees had completed training in this regard (Sishen mine: 85%; Kolomela mine: 80%; Thabazimbi mine: 88%; corporate office: 86%). Refresher training takes place on an annual basis and forms part of the induction programme for new employees. Web-based knowledge training is also available in modules, and provides for testing. Two training interventions per site have been scheduled for 2012 to address outstanding employees together with all new recruits.

Performance standards

To monitor the area of gifts and entertainment, each Kumba department or 'functional area' maintains a gift register, and there are formal approval processes for gifts the values of which exceed the threshold agreed upon.

All gifts and entertainment given to staff are logged, described and valued. A manager must give permission for an employee to receive a gift with a value in excess of R500. Gifts of greater value must be pre-approved by the head of department, and in certain circumstances, by the chief executive as well.

With regard to conflicts of interest, employees are required to complete a declaration of interest, which requests information on anything that may impinge on an employee's ability to remain impartial in a business environment, including any shares they may have in a company or family members working for suppliers to the industry. These forms must be updated annually, or when any changes take place.

Company secretary, Vusani Malie says: "The policy is clear that facilitation payments are prohibited. The only exception to this would be if the life of an employee or colleague were at risk. Training serves to make people aware of their responsibilities in this area."

Kumba is very clear on the incorrect use of company assets: company assets should not be provided for the personal use of customers, public officials or other third parties where there is no underlying proper business purpose or clear public benefit.

Charitable donations are provided for in the company's community and social investment budgets; each operation has its own budget and this is administered by that operation's public affairs department. Anything outside the limits of this budget or any unusual request for a donation goes to the Executive Committee for approval, as do sponsorships requests.

With respect to interactions with government officials, Vusani explains: "While interaction between employees and people in government is necessary, it must be conducted in a constructive and honest manner and in accordance with the applicable stakeholder engagement matrix, which is prescriptive on the permitted levels of interaction."

Safety, breaches of the policy and whistle-blowing

The policy states: "The safety and security of our employees is our paramount concern. We do not expect any employee to compromise their safety . . . in order to comply with the terms of this policy."

Employees are encouraged to report immediately any incident where they have been threatened or intimidated to carry out an act which may result in a breach of the policy.


Employees are also told of their obligation to report any breaches or potential breaches of the policy of which they are aware.

Violations of the policy will lead to disciplinary action and may involve sanctions up to and including dismissal. Criminal action may be taken and the company will seek redress for any losses arising from violations.

Tip-offs Anonymous

A whistle-blowing facility is provided whereby employees can phone a call centre with their concern and anonymously give all the details they have of the departments and person/s they believe to be acting in violation of the integrity policy. The call is logged in a register and the information is forwarded to the chief executive, CFO and the chairman of the SSDS&E Committee, which is responsible for the investigation of tip-offs. The committee comprises eight representatives from across Kumba, including the mine general managers, an industrial relations officer, legal and internal audit representatives. The committee meets quarterly to monitor progress on investigations and make decisions on possible follow-up action. Depending on the results of the investigation, such follow-up steps may include an internal disciplinary process possibly leading to dismissal, the lodging of a criminal complaint, or steps to recover any financial loss.

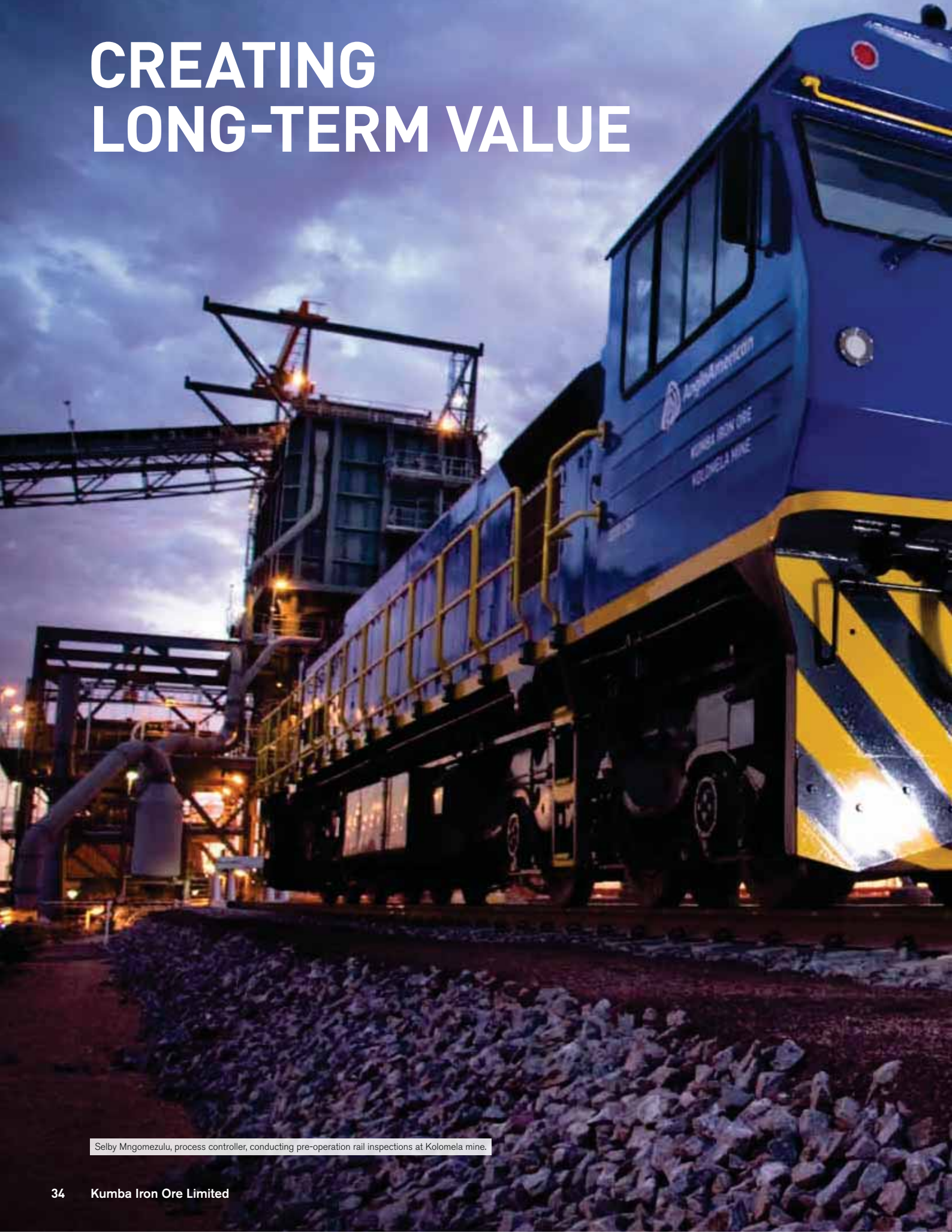
Vusani says of the tip-offs system: "Tip-offs Anonymous is well publicised. Information posters are displayed throughout Kumba's operations and it is the subject of regular briefings at the mines. The system is very active: some 35 cases are currently being investigated. Less than 1% of whistle blowing is frivolous or malicious. Many tip-offs centre on the misuse of company assets and theft."

 www.tip-offs.com or www.anglopeakup.com



One of the Tip-offs Anonymous posters used around Kumba's operations.

CREATING LONG-TERM VALUE



Selby Mngomezulu, process controller, conducting pre-operation rail inspections at Kolomela mine.



REVENUE
(2010: R38.7bn)

R48.6bn

CAPEX
(2010: R4.7bn)

R5.8bn

KPI Key performance indicator

AFS See the corresponding pages in the Annual Financial Statements

IR See the corresponding pages in the Integrated Report

www See the website www.angloamericankumba.com

CS Case study

Economic performance

- 40** Case study: Developing local suppliers and small and medium enterprises
- 42** Case study: Training and development for change

ECONOMIC PERFORMANCE

Kumba is aware of the effects of its economic performance on its stakeholders. The resources business is enormously capital intensive and focused on the long term. Given these factors, Kumba's objective is to ensure that its business activities generate the level of wealth that stimulates the development of public infrastructure, social and community services, and ancillary businesses and services, which will benefit our stakeholders into the future. This is particularly important in light of the fact that a resource has a finite life: there is only so much time during the life of an operation for the group to make a meaningful and sustainable impact.

CREATING VALUE

Kumba creates value for a broad range of stakeholders: the group provides direct employment and training opportunities for thousands of people in the Northern Cape and Limpopo provinces; it generates revenues that translate into capital growth and dividends for shareholders; and it contributes through taxes, royalties and duties to government coffers – on a local, provincial and national level.

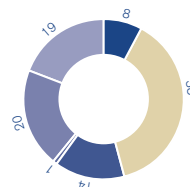
Kumba's performance in 2011 was excellent. Robust export prices for our products contributed to record revenue of R48.6 billion, 25% up on 2010. Operating profit at R31.2 billion was higher, while headline earnings rose to R53.13 per share.

GENERATING SALES

In 2011 Kumba exported 37.1Mt of iron ore from the port of Saldanha Bay to customers around the globe, including China (68%) Western Europe (13%), Japan and South Korea (18%) and the Middle East (1%).

DISTRIBUTION OF WEALTH 2011

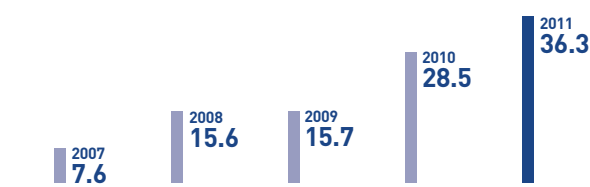
(%)



- Employees (incl. taxes)
- Shareholders
- Minority shareholders
- Providers of loan capital
- Government (direct taxes)
- Reinvested in group

WEALTH CREATED BY KUMBA

(R billion)



VALUE ADDED STATEMENT for the year ended 31 December 2011 (R million)

	%	2011	%	2010	%	2009	%	2008	%	2007
Turnover		48,553		38,704		23,408		21,360		11,497
Cost of material		(8,671)		(7,269)		(5,698)		(4,113)		(2,661)
Depreciation		(947)		(765)		(530)		(332)		(228)
Labour		(2,777)		(2,284)		(1,814)		(1,482)		(1,140)
Value added		36,108		28,386		15,366		15,433		7,468
Income from investments		241		149		286		154		102
Wealth created		36,349		28,535		15,652		15,587		7,570
Employees (incl. employees' tax)	7.6	2,777	8.0	2,284	11.6	1,814	9.5	1,482	15.1	1,140
Shareholders of Kumba Iron Ore	37.8	13,742	23.5	6,714	41.1	6,437	24.3	3,794	17.9	1,353
Minority shareholders	14.5	5,256	13.9	3,966	11.7	1,829	12.0	1,875	10.9	822
Providers of loan capital	0.9	336	1.5	432	3.7	573	3.6	555	5.3	403
Governments - direct taxes	19.7	7,146	25.3	7,212	23.4	3,665	23.7	3,694	11.4	862
Reinvested in the group	19.5	7,092	27.8	7,927	8.5	1,334	26.9	4,187	39.5	2,990
Wealth distributed	100.0	36,349	100.0	28,535	100.0	15,652	100.0	15,587	100.00	7,570
Turnover		48,553		38,704		23,408		21,360		11,497
Income from investments		241		149		286		154		102
Business performance		48,794		38,853		23,694		21,514		11,599

BREAKDOWN OF REVENUE (R billion)

	2011	2010	2009	2008	2007
Domestic	3.4	2.9	1.4	1.3	1.3
Export	45.2	35.8	22.0	20.0	10.1
China	29.9	23.1	16.8	9.2	4.3
Rest of Asia	9.3	7.5	3.1	5.6	2.9
Europe	5.5	4.9	2.1	5.2	3.0
Middle East	0.2	0.3	–	–	–
Americas	0.3	0.1	–	–	–
Total	48.6	38.7	23.4	21.4	11.5

PAYMENTS TO SHAREHOLDERS, INCLUDING EMPLOYEES AND COMMUNITY SHAREHOLDERS

KPI Total dividends paid during the year amounted to R179 billion.

Kumba's major shareholder is Anglo American plc, which owns 65.25% of the company. Minority holdings include global capital management institutions such as BlackRock Investment Management (1.8%) and Lazard Asset Management (1.6%).

Kumba's transformation initiatives have yielded real benefits for a number of stakeholders who have a meaningful stake in the company through its subsidiary, SIOC, as tabled below.

Employees benefit through the employee share participation scheme, Envision, which aims to provide long-term opportunity and security for them and their families. Since inception, the first phase of Envision has received R1.6 billion from dividends, of which R993 million was allocated to settling the initial loan. Up until the maturity of its first five-year term, the scheme had paid R279 million

directly to employees. It reached the conclusion of this first five-year term on 17 November 2011, which resulted in a cash payout to employees of R2.7 billion.

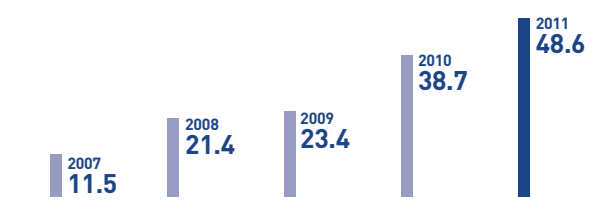
Envision will receive R303 million in February 2012 from the 2011 final dividend declared by SIOC of which R95 million will flow to employees.

CS Envision: empowering our employees

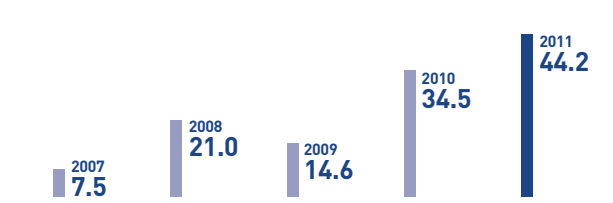
The SIOC CDT is an unencumbered and sustainable model of community development and has a large group of beneficiaries. It will have received a total of some R1.6 billion in dividends including the final 2011 dividend declared, of which R852 million has been directly allocated to the community.

Dividends have also been paid to a number of minority shareholders in Kumba: some R5.1 billion to the Industrial Development Corporation, a national development finance institution to promote growth and development, and some R1.5 billion to the Public Investment Corporation, which manages public sector pension and provident funds.

REVENUE (R billion)



KUMBA DIVIDENDS DECLARED (R/share)



SIOC DIVIDENDS PAID (R billion)

	2011	2010	2009	2008	2007	Total
Kumba	14.3	10.3	4.7	6.7	2.4	38.4
BEE partners						
Exxaro	3.9	3.8	1.3	1.8	0.7	10.5
SIOC CDT	0.6	0.4	0.2	0.3	0.1	1.6
Envision	0.6	0.4	0.2	0.3	0.1	1.6
Total	19.3	14.0	6.3	9.0	3.3	51.9

ECONOMIC PERFORMANCE

PAYMENTS TO GOVERNMENT

Kumba's contributions to government take many forms, including corporate income tax, mineral royalties, withholding taxes on dividend distributions, payroll taxes, VAT and import and export duties. In addition, as a major employer in the country, Kumba is obliged to pay a skills development levy. This is calculated as 1% of employees' pay. The funds, payable to SARS, are allocated to the Sector Education and Training Authorities and the Skills Development Fund to pay for government training initiatives. As a company which provides training to its workers, Kumba qualifies for a rebate on this amount.

ECONOMIC TRANSFORMATION – PROCUREMENT AND SUPPLY CHAIN

KPI The Kumba procurement policy covers the entire supply chain, and extends to local and BEE procurement. The policy guides supply chain activities in order to ensure that the company's risk is minimised. Preferential procurement and local supplier development are key to Kumba's supply chain function and all employees are required to comply with this aspect of the preferential procurement policy. This extends to BEE/preferential procurement from local suppliers at Kumba's mine sites. The spend with historically disadvantaged South African (HDSA) entities is measured in three categories – capital, services and consumables – in accordance with the requirements of the Mining Charter.

All supply chain managers (in the fields of project procurement, strategic commodities and operational supply) across Kumba's operations report BEE spend to the head of supply chain management. A strategic workshop on local and preferential procurement was held earlier in the year, to identify the interventions and focus areas that are needed to continue meeting and to exceed the Mining Charter requirements and SLP commitments.

Kumba recognises that the supply chain is inherently exposed to risk in the sphere of governance. In order to mitigate this risk the company has appointed a manager, governance and supply management with the responsibility for overseeing training and the implementation of, and adherence to, the supply chain policy across the company.

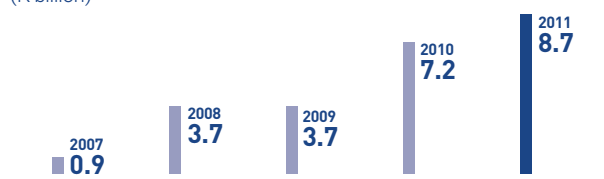
Kumba also has a process in place to monitor the status and credentials of HDSA suppliers following the start of their contracts. This in turn translates into more accurate reporting of HDSA spend.

Sourcing and nurturing local suppliers is a challenge for Kumba, as it is for the entire mining industry. The company's response has been to take a proactive approach by developing strategies to ensure the achievement of preferential procurement targets. Through the association with Anglo American plc's corporate enterprise development programme, Zimele, Kumba also supports the growth of community enterprises and provides avenues for local HDSA businesses. With the valued support of Zimele, Kumba's supply chain and sustainable development departments work hand in hand to ensure all opportunities are identified and taken up.

Kumba's total procurement spend in 2011 was R17.3 billion, of which R13.2 billion was discretionary. Of this, R6.0 billion (45.6%) was spent with BEE suppliers. Kumba continues to grow spend with BEE suppliers and has set the following targets for 2014, in line with the Mining Charter: capital requirements – 40%; consumables – 50%; and services – 70%.

PAYMENTS TO GOVERNMENT (DIRECT TAXES AND MINERAL ROYALTIES)

(R billion)



PAYMENTS TO GOVERNMENT (R million)

	2011	2010
Corporate income tax	5,233	6,147
STC	1,802	884
Mineral royalties	1,700	1,430
Payroll tax	1,544*	465
Skills levy	50	19

* This figure excludes the tax on the Envision payouts paid in 2012.

KEY PROCUREMENT DATA (R billion)

	2011	2010
Total payments	17.3	13.8
Discretionary payments ¹	13.2	9.4
BEE payments ²	6.0	3.7
BEE as % of discretionary spend	45.6	39.1

¹ Discretionary spend is only relevant to South Africa (as per the Mining Charter) and is the value against which the local HDSA spend is measured. It excludes payments to government (e.g. taxes, royalties etc.) and parastatals, e.g. Eskom and Transnet.

² BEE payments: this refers to payments to vendors with 25% + 1 share black ownership.

INVESTING IN DEVELOPMENT

Kumba's local economic development initiatives are managed within the SCD discipline. A corporate manager heads the department. Kumba is committed to supporting development programmes and projects that are based on thorough research and that are necessary and suitable for the people and areas for which they are intended.

CS Case study: Developing local suppliers and small and medium enterprises

RESEARCH AND DEVELOPMENT

Kumba's Value in Use (VIU) group is involved, among other things, in the development of new products and the study of alternative applications of current products. One such application is pelletising, which is a means of agglomerating very fine iron ore that cannot be used directly in the iron-making process. The resulting pellets are used for feed in blast furnaces, direct reduction shafts and kilns.



Guriana Green, electrician, Nicci Manevil, fitter, and Verusha Pieterse, apprentice millwright, discussing vehicle maintenance options in the equipment workshop at Sishen mine.

Conventional pelletising is both costly and energy-intensive so the VIU group is investigating a number of other options which are discussed below.

- Cold bonded pellets: these will be suitable for direct reduction especially in rotary kilns.
- Sintermaking: very fine ore (less than 5mm) can be directly fed into the sintermaking process in limited quantities. The project focuses on maximising the amount of concentrate into sinter without any adverse effects.
- Micro-pellets: these can be used as feed for sinter. By producing micro-pellets, more concentrate can be added to the sinter mixture.

Research and development is central to the group, and is aimed not only at optimising production, but also at improving safety and health, as well as environmental performance.

A NEW APPROACH TO BENEFICIATION

Beneficiation is one of the Mining Charter's key pillars. In addition, the South African Mineral and Petroleum Resources Royalties Act provides for a reduction in the royalty levied, in the event that iron is beneficiated above the 61.5% Fe content level.

For a number of years, Kumba has engaged with relevant stakeholders on the issue of beneficiation and has fostered growth in the domestic steel industry and continues to supply iron ore to AMSA and Scaw Metals. Kumba also supports efforts by the Department of Trade and Industry and the Industrial Development Corporation to attract other steel producers to South Africa, and the potential establishment of a pelletising and steel plant at the port of Coega, in the Eastern Cape.

Kumba is a competitively priced producer of raw material (iron ore), and has expertise or access to expertise in a number of areas, including technology. Within carefully defined parameters, the company is preparing to play a more active role in the iron and steel value chain.

MINERAL RIGHTS AND SECURITY OF TENURE

All Ore Reserves and Mineral Resources quoted in this report are contained within areas that have new order mining and prospecting rights held by SIOC. Kumba has ensured that the lives of the granted and executed new order mining rights are of sufficient duration to support the production schedules from which the 2011 Ore Reserves and subsequent saleable product figures have been derived.

The same applies to all Mineral Resources stated for 2011. They are contained within areas for which new order mining or prospecting rights have been granted and executed. Kumba's portfolio of prospecting rights, which is held in SIOC, comprises seven registered new order prospecting rights. With the exception of two prospecting rights adjacent to Thabazimbi mine, where rights have been granted for three years, all SIOC prospecting rights granted since 2006 have been for five-year periods. The first of the new-order prospecting rights expired in 2011. In cases where Kumba has a continued interest, the necessary renewal or conversion applications have been timeously submitted.

For information on the legal proceedings regarding the mining rights at Sishen mine, please see page 31.

CASE STUDY

DEVELOPING LOCAL SUPPLIERS AND SMALL AND MEDIUM ENTERPRISES



Tebogo Malusi, community developer, with Maggie Katong, office assistant, outside the Kumba business development centre in Kuruman, near Sishen mine.

"We don't just do it for Kumba: we do it because it's the right thing to do." So says Kenneth Kgomo, manager: governance and supply management, about the development of local suppliers and small and medium enterprises (SMEs) in the area of Kumba's operations.

Kenneth continues: "We want a good footprint. Kumba views local communities as partners in business. Working together creates a thriving community and avoids a dependency syndrome. It increases employment opportunities and helps people achieve their goals."

Furthermore, the policy of local procurement is recognised as being of strategic importance to Kumba, playing a key role in securing and maintaining the right to mine, creating efficiencies in the supply chain, and ensuring reliable access to supplies.

Developing local suppliers and SMEs is not without its problems. Chief among these is an absence of a skills base in the rural areas where Kumba's operations are situated. Skills effectiveness may be measured on a matrix that includes both complexity and availability. Skills such as cleaning, bookkeeping and gardening are plentiful, but they are less so in the case of commodity suppliers.

Challenges lie in the fact that each mine's social and community development (SCD) department is responsible for its own operation's local economic and enterprise development, and for ensuring that the mine meets its social and labour plan (SLP) commitments. Much of Kumba's development work, however, extends far beyond the scope of the various SLPs.

Kenneth says: "SCD departments close the gap between community and company. Their purpose is to bring about sustainable development and mutual benefits. Kumba employees involved in this work are passionate about and committed to the development of their local area."

"Kumba views local communities as partners in business. Working together creates a thriving community."

Preferential procurement

KPI Kumba has a local procurement policy for all its operations which stipulates that targets must be established, set at a percentage of total spend and tracked on a monthly basis. By 2014, the Mining Charter has set targets for mining companies to procure 40% of capital requirements, 50% of consumables and 70% of services from black economic empowerment (BEE) suppliers. Currently, 59% of capital requirements, 45% of consumables and 44% of services are procured from these suppliers at Kumba.

A preferential procurement and transformation committee has been established to encourage existing suppliers to transform, to track procurement performance against targets, to verify the BEE status of existing suppliers and remind them when certification expires, and to provide suppliers with relevant information.

There are many success stories in the area of local procurement, some of which are outlined below.

- Booi Holdings, a black-owned construction company, was awarded the tender for the building of caucus rooms for Sishen mine.
- Local black supplier, Ekhayalitle Construction, was awarded the tender for the building of offices at Sishen mine.

- The Bucket and Bowl workshop project – using only BEE-compliant suppliers – will provide mechanical maintenance and tyre handling for 39 new larger Komatsu 960 and 860 haul trucks at Sishen mine over the next two years.
- Dirt Friends, a company with 100% BEE credentials, was created to supply a laundry and cleaning service to a Kolomela mine change-house.
- A joint venture was facilitated between construction giant Steffanutti Stocks and a local construction company for the construction and upgrade of Sesheng hostels. Steffanutti Stocks will assist the local suppliers in project management, expose them to best-in-class project implementation systems and share intellectual capital.
- Vusani Musa Construction, which was established through the SCD department and funded by Zimele, was awarded the housing maintenance contract for Sishen mine.

Enterprise development

Kumba's SCD department works with Zimele to co-ordinate the company's enterprise development initiative.

Most of Kumba's enterprise development activities are driven out of the business simulation hubs at Kathu and Kuruman which have offices and training facilities. These hubs provide training, funding, advice and ongoing mentoring and facilitate partnerships. The Kathu hub was created in 2008 and, in January 2011, the Kuruman business support centre was established to help service entrepreneurs from the rural areas of the John Taolo Gaetsewe district. Kenneth describes the hubs as "homes of hope for SMEs, and you only have to listen to the entrepreneurs who have been assisted to hear how the hubs have helped them to transform their lives".

Since June 2008, 54 businesses have been established, 451 jobs created, R24.7 million provided in loans, and 111 SMEs assisted and advised. The turnover of these small businesses amounts to R129 million and loans to the value of R9.4 million have been repaid.

New businesses established include Butterland Bakery in the town of Thabazimbi, hydroponics farming in the Kolomela mine area, I & M Thaps Bakery, New Horizon Restaurant, Excelle Canopies and Ausleo in Kuruman. In addition, Blichoko Bakery was upgraded.

Since June 2008, 54 businesses have been established, 451 jobs created, R24.7 million provided in loans, and 111 SMEs assisted and advised.

The future

Kumba's focus for enterprise development from 2012 to 2016 includes the setting up of business hubs in Postmasburg at Kolomela mine, at Thabazimbi mine and at Saldanha Bay. Increasing activity is expected in Postmasburg as the mine ramps up to full production. Such is the effort and commitment being put into the partnership between Kumba and the community by all concerned that success in enterprise development seems assured.



Nomsa Mteshepeni and Martha Sebelego are two of the farm workers at the Skyfontein hydroponics project at Postmasburg, near Kolomela mine.

CASE STUDY

TRAINING AND DEVELOPMENT FOR CHANGE



Operators Keitumetse Molaolwa, Lerato Meloko and Henriette Lottering receiving training in the geology office of Kolomela mine.

Emotional intelligence (EI) and the tough work environment of an iron ore mine would not typically be considered to go hand in hand. Yet Kumba has diagnosed a need for EI training as part of the suite of leadership development programmes within the company.

Kobus Meyer, principal organisation developer, explains: "Given the significant leadership and cultural changes in the Kumba group since 2006, combined with the changing workplace environment, we realised that we needed to analyse and understand what would be required for Kumba to embrace the global Anglo American plc culture. In 2008, we commenced with an intensive transformation project at our Sishen mine operation."

With the assistance of a global management consulting firm, several diagnoses were made. As a result of these findings, Kumba's Executive Committee supported the development of certain building blocks, such as trust, locus of control and the personal and business ethics of the workforce. These would be developed through a series of EI workshops in an effort to develop a sustainable and disciplined high performance culture. These include what are known as Personal Insight workshops at Sishen mine and emotional quotient (EQ) workshops at other operations. These workshops aim to transform mindsets and behaviour. Other workshops include Foundations of Feedback – assisting team members to give one another honest feedback; Making Differences Work – helping team members value differences and making them work for the team; and High Performing Teams – a process that looks at what it is to be a team and how to overcome obstacles.

Kumba's other development programmes, which are integrated with the company's talent and succession planning process, include Leadership and Management Development (LMD) programmes for front-line managers up to senior leaders and incorporate various Anglo American plc programmes; mentorship programmes; and fast-track programmes for front-line and middle management such as the Professionals in Training (PIT) programme for graduates.

A key LMD programme is the Leadership Connection Economy (LCE) programme. Through the medium of the LCE, a new culture and leadership framework for Kumba is being developed. As part of this programme, the current culture and desired future culture of the company are defined and there is discussion about ways to move from the one to the other.

Kumba continues to improve the training and development of its workforce in the technical disciplines, such as artisans and mining, maintenance and plant operators, and has set itself a target of achieving 1,428 qualified operators and artisans by the end of 2015. Adult basic education and training (ABET) programmes and portable skills training are also important parts of Kumba's training range as is its bursary scheme for students to study degree courses at tertiary institutions. Career paths for all disciplines and all levels and individual development plans for all frontline employees are being completed.

One of the main objectives of Kumba's human resource strategy for 2011 to 2015 is to "add significant value to operations". With such a wide range of innovative development and training initiatives in place, that objective looks certain to be achieved.



Zwelitsha Cetywayo and Armand Coetzee, assistants, carrying up equipment and materials needed for the maintenance of the ship loader at Saldanha Bay.

MAKING A REAL DIFFERENCE



Abram November, Joseph Kgakatsi, Lukas Koalman, and Kelwie Sebotswana, working together to extract honey safely at the beekeeping project on Deben Dromlei farm.



LTIFR

per 200,000 hours worked
(2010: 0.12)

0.08

EMPLOYEES AND CONTRACTORS

(2010: 11,206)

11,898

KPI Key performance indicator

AFS See the corresponding pages in the Annual Financial Statements

IR See the corresponding pages in the Integrated Report

www See the website www.angloamericankumba.com

CS Case study

Social performance

- 46** Safety
- 50** Health and well-being
- 54** Case study: The Ulysses Gogi Modise wellness clinic
- 55** Case study: People first: the Batho Pele mobile health units
- 56** Employment and employees
- 62** Human rights
- 64** Social and community development
- 67** Case study: Kumba's social and community development strategy 2012 to 2036
- 68** Product responsibility

SAFETY PERFORMANCE IMPROVES



Joseph Witbooi, boilermaker, busy repairing hand rails as part of general maintenance at Kolomela mine's equipment workshop.

KPI Ensuring the safety of those involved in and affected by Kumba's activities is not only one of the company's primary objectives, it is embraced as a core value. The company's vision is to achieve Zero Harm through ongoing, effective risk identification and mitigation and through the consistent application of simple and non-negotiable standards. Kumba believes that all injuries are preventable. The company ensures that the necessary steps are taken to learn from incidents by sharing the findings of investigations into these incidents and implementing the necessary changes across all operations so as to prevent their recurrence. The group has adopted a robust risk-based approach to safety management, with an emphasis on risk mitigation measures, including structured permit systems and relevant training at all its operations.

Although safe behaviour is the responsibility of everyone at Kumba, managers and supervisors are held accountable for the safety of employees and are expected to lead by example and ensure the company's compliance with the requirements of the Mine Health and Safety Act (MHSA) and other relevant legislation. A corporate safety team, led by the executive responsible for safety and sustainable development, supports and guides mine-based safety teams, who in turn assist line management to create a working environment that is conducive to safe behaviour.

The group introduces focused awareness campaigns on an ongoing basis. Visible felt leadership is deemed a critical illustration of management's commitment to safety, and encourages interaction in the workplace with an emphasis on safe production. Leaders at all levels regularly undertake site visits to observe people at work and to discuss operational and safety issues.

The Safety Through Empowerment of People (STEP) process has been revitalised to encourage all employees to look after the safety of their colleagues, and to encourage employees at all levels to identify and correct unsafe behaviour.

Permanent and fixed-term contractors together make up a large proportion (58%) of Kumba's workforce, particularly during the current period of intensive construction. Kumba considers its contractors in the same light as employees and they are therefore required to demonstrate their support for the Anglo American plc safety approach and core values. A project team has been tasked with developing a group-wide contractor management process, harnessing the excellent performance by the Kolomela project team and from safety initiatives at Kumba's other operations. In keeping with the Anglo American Projects Way, a rigorous contractor appointment and engagement process, which incorporates safety, health and environmental input into the design and study phases of the project, has been developed by the Kumba projects team.

To maximise the effectiveness of its safety efforts, Kumba has identified the following priority focus areas to improve safety:

- major hazard management and fatality prevention;
- contractor management;
- leadership and engagement; and
- learning from incidents and best practice adoption.

SAFETY MANAGEMENT SYSTEM

Kumba's risk-based safety management system is underpinned by three clear principles:

- a Zero Harm mindset that encourages working towards zero safety incidents;
- zero repeats of incidents from unsafe behaviour by learning from incidents; and
- the use of simple, non-negotiable standards.

The system is aligned with the Anglo American Safety Way, the Anglo American Occupational Health Way and the international OHSAS18001 standard on Occupational Health and Safety.

Three overarching initiatives in use across the Anglo American plc Group support the programmes in place at Kumba's operations.

These are:

- the Safety Golden Rules, which are key non-negotiable behaviours for all employees, visitors and contractors;
- the Anglo American Fatal Risk Standards, which have been developed through the examination of industry best practice and Anglo American plc's own experience of fatal accidents. These standards establish the minimum performance required to manage potentially fatal risks and are designed to reduce the risk of fatalities and serious injuries; and
- the Anglo American Operational Risk Management Process, which has been implemented at an operational level. As part of this process, all employees are trained in basic risk management and assessment, the aim of which is to improve hazard awareness and identification.

CS Implementing the Anglo American Safety Way to transform safety performance

OHSAS18001 CERTIFICATION

OHSAS18001 is the occupational health and safety management systems standard, developed in response to global industry demand for a recognised standard against which to be certified. Kumba has applied this standard in the development and maintenance of its safety and health management systems. Both Sishen and Thabazimbi mines are fully OHSAS18001 accredited. Kolomela mine will be audited for certification once the commissioning phase has been completed and the mine is fully operational. Certification of these systems is undertaken on a triennial basis with annual surveillance audits conducted by an independent third party. Corrective actions stemming from these audits are implemented by all the operations and tie in with the company's commitment to continual improvement.

RISK MANAGEMENT

In keeping with Anglo American plc's drive to promote effective safety leadership and facilitate a step change in Kumba's safety performance, the company developed best practice risk management education which was rolled out across the group. During the year, Kumba developed and put into practice a risk management implementation plan, supported by a documented process, procedures and guidelines to prioritise safety risks. The plan focuses on improving the identification of priority unwanted events and establishing any further critical controls necessary to ensure safety. The process is monitored to ensure that the company's critical controls are in place and effective.

The primary safety risks identified through this intensive risk management process and past experience involve the use of vehicles and surface mobile equipment, for example, vehicle, surface mobile equipment or pedestrian collisions, run-away vehicles where the driver loses control of the vehicle, tyre explosions and light vehicle travel. A key contributor to safety incidents in recent years has been the increase in mining and construction activities and the resulting higher numbers of contractors.

SOCIAL PERFORMANCE: SAFETY

Kumba continued to implement control measures to mitigate these risks by focusing on:

- vehicle safety through fatigue management, collision avoidance, traffic management plans and implementation of other requirements of the Anglo American Fatal Risk Standards;
- a tyre management programme and dump point safety specifications, in response to the fatalities in 2010 that were caused by tyre explosions;
- effective contractor management programmes;
- the reduction of the frequency of high potential incidents through robust incident investigation to determine root causes and the sharing of findings; and
- employee safety training to ensure employee competence.

INCLUSIVE APPROACH

Kumba supports a collaborative, risk-based approach towards safety management, involving management on an equal footing with unions and the DMR. Group and mine-based tripartite structures play an important role in directing safety programmes. The unions nominate full-time health and safety representatives who sit on mine-based health and safety committees, in line with the requirements of South African legislation, to ensure the involvement of the workforce in finding solutions to collective safety concerns. As a member of the Chamber of Mines, senior management joined union representatives and other members of the Chamber in a march to demonstrate their shared concern for, and commitment to, safety in November 2011.

Where specific safety issues have arisen at each operation, mine-based tripartite committees dedicate working groups to focus on these areas and how they could be better managed. Some of these focus areas in 2011 included contractor management at Thabazimbi mine and fatigue management and health and wellness at Sishen mine. No obvious safety focal areas have yet been identified at Kolomela mine. Union agreements are also in place at each mine regarding the safety component of employee bonuses.

PERFORMANCE 2011

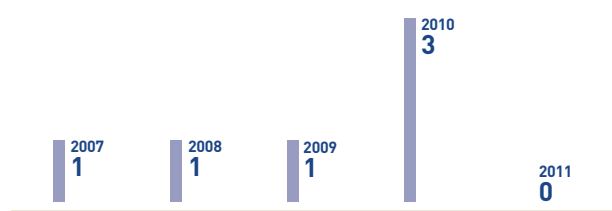
Kumba achieved a substantial improvement in its overall safety performance in 2011. There were no fatal incidents at any of the company's operations and a number of significant achievements were recorded.

The Kolomela project team was awarded the gold award at the annual Kumba Laurel awards for significantly improving its safety performance, while Kolomela mine received the silver award as recognition for achieving a lost-time incident-free start to the mine.

Key indicators of performance showed a positive trend, although the relatively high lost-time injury severity rate (LTISR) remains a concern at 31.94 (2010: 32.92). The group lost-time injury frequency rate (LTIFR) improved by 33% to 0.077 per 200,000 hours worked at the end of December 2011 (2010: 0.12). This is one of the lowest injury frequency rates in the mining industry. Kolomela mine (including the construction project) performed exceptionally well, achieving 17 million lost-time injury (LTI) free hours by the end of December – an excellent performance considering that most employees on site are contractors.

Kumba tracks near misses and high potential incidents (HPIs) as part of its safety management strategy. HPIs are incidents which could potentially have resulted in fatalities, had circumstances been slightly different. The severity of HPIs varies from near misses (where no injury or damage occurred) to LTIs. The company recorded 71 HPIs at all its operations, related to: transportation (63%); falling objects (14%); falling (6%); materials handling (4%); fire/explosion (3%); other energy sources (3%); electricity (3%); pneumatic energy (1%); moving machinery (2%) and other causes (1%).

FATALITIES



LTIFR

(per 200,000 hours worked)



SAFETY PERFORMANCE 2011 (%)

	HPIs	LTIFR	LTISR	LTIs	FIFR	Fatalities	TRCFR	Shifts lost due to injury (days)
Sishen mine	38	0.08	38.26	9	0	0	0.94	533 ¹
Thabazimbi mine	10	0.10	6.04	3	0	0	0.76	23
Kolomela mine	8	0	0	0	0	0	0.40	0
Group	71	0.08	31.94	17²	0	0	0.77	847

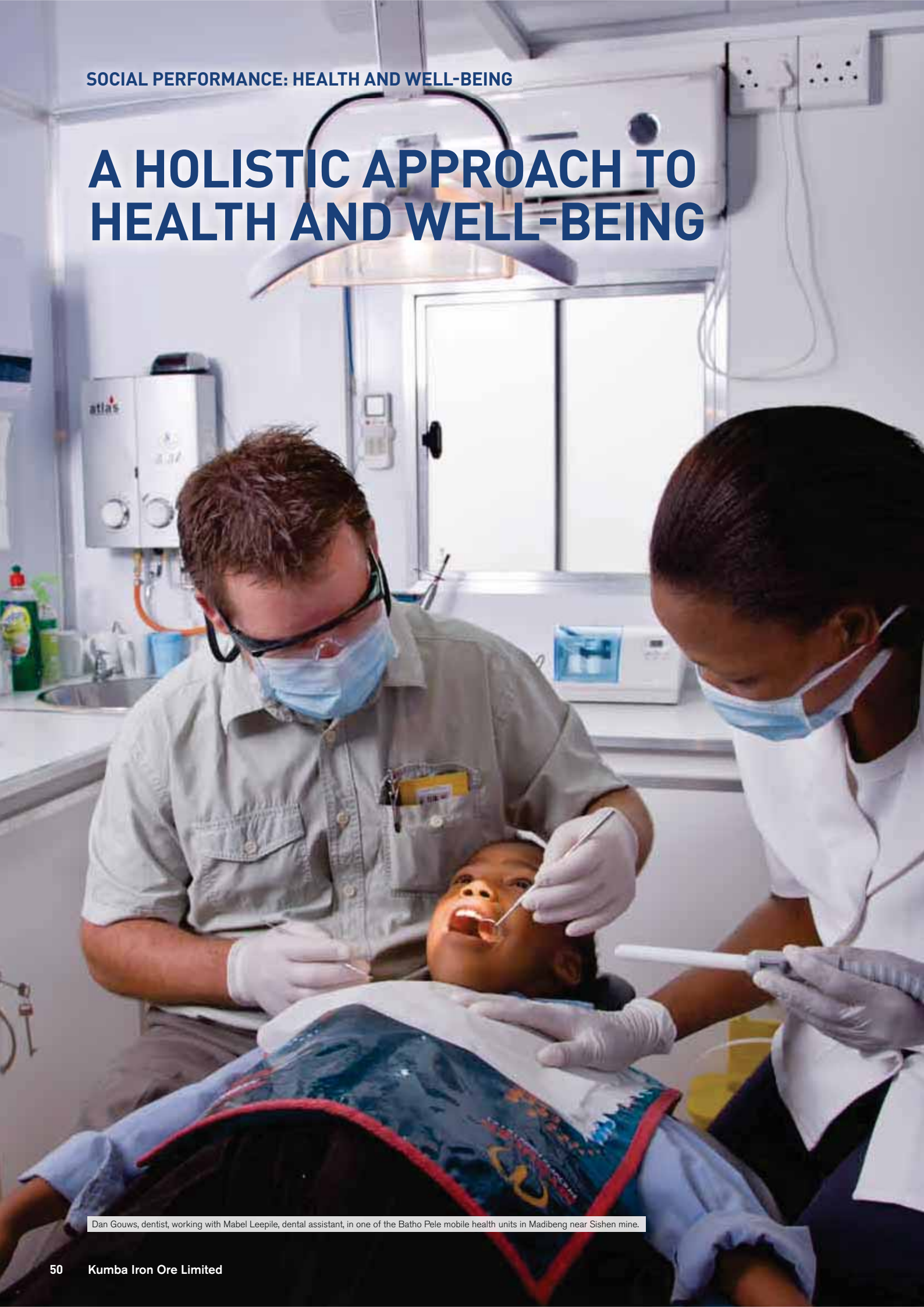
¹ This figure includes the forecast days lost in 2012 as a result of LTIs sustained in 2011, in line with Anglo American plc requirements.

² This figure includes LTIs sustained at projects and on exploration sites.



Paulus Sukunga, operator, and Japhta Masingi, assistant, on the mobile drill rig at the Phoenix project.

A HOLISTIC APPROACH TO HEALTH AND WELL-BEING



Dan Gouws, dentist, working with Mabel Leepile, dental assistant, in one of the Batho Pele mobile health units in Madibeng near Sishen mine.

Aligned with Anglo American plc's vision of Zero Harm, Kumba aims to maintain a healthy and productive workforce through the effective management of occupational health and associated risks at all its operations. The group's approach to occupational illness emphasises prevention, and there is a strong focus on the application of appropriate technology and stringent standards throughout the group.

Exposure monitoring and disease surveillance are part of the health management strategy, which also provides for the application of preventative measures and exposure reduction plans. All employees and contractors are expected to contribute to maintaining a working environment that is without significant risk to health. Accountability for implementing and maintaining standards lies with line management. At all of its operations, Kumba regards compliance with the law as the minimum standard.

Employee health and well-being are considered and managed holistically. This means that the company recognises that employees' workplace behaviour is potentially influenced by many factors outside the workplace. Ensuring the health and well-being of employees therefore requires interventions on a number of levels, drawing on the combined efforts of the human resources and safety and occupational health departments.

The major occupational health risks at Kumba's operations are largely associated with noise and dust. Other health focus areas for the company include the management of fatigue, HIV/AIDS, drug and alcohol abuse and ongoing health risk assessments.

NOISE-INDUCED HEARING LOSS

Noise-induced hearing loss (NIHL) is a condition which can arise following consistent exposure to high levels of noise. The law stipulates that any person working in a place where the continuously weighted sound pressure level is equal to or exceeds 85dB(A), when normalised to equate to an eight-hour working day, should be under medical supervision. To reduce the extent to which employees are exposed to elevated noise levels, the company is in the process of rolling out hearing conservation programmes – aligned with its hearing conservation standard – at all of its operations, to be implemented in 2012. In 2011, 17 new cases of NIHL were identified and reported (2010: 1).

HEALTH PERFORMANCE 2011

	New cases of NIHL identified	New cases of OLD* identified	New cases of TB identified
Sishen mine	17	2	12
Thabazimbi mine	–	–	–
Kolomela mine	–	–	4
Group	17	2	16

* Occupational lung disease.

Of the NIHL cases confirmed in 2011, 12 were in fact reported in 2010, but required investigations to establish whether or not they were occupational cases. Likewise, the two cases of occupational lung disease (OLD) were also identified in 2010, and could only be reported in 2011 following the conclusion of similar investigations. Medical surveillance measures improved significantly in 2011, which also accounts for the jump in numbers from those reported in 2010.

Investigations are conducted by the Medical Bureau for Occupational Diseases (MBOD) whose responsibility it is to determine certain

criteria such as whether a patient's condition is the direct consequence of occupational exposure, and whether he/she has suffered a direct loss of earnings as a result of the condition. This is necessary to ascertain in order to determine whether there are sufficient grounds for compensation.

DUST

Exposure to dust generated by the movement of vehicles, transfer stations, drilling and blasting may pose a nuisance to employees and members of the communities that surround Kumba's operations. Furthermore, exposure to respirable silica dust from quartz-bearing rock may result in OLD, chiefly silicosis, although permanent silicosis is only a potential risk after several years of prolonged exposure.

While Kumba does not have any history of silicosis at its operations, the dust at its mines does contain trace particles of quartz-bearing rock, and so the company manages the potential risk of silicosis proactively, despite the fact that the risk is not considered to be significant.

Regular medical surveillance to detect silicosis for workers exposed to dust includes lung function tests and chest X-rays. In order to prevent the development of chronic disease, the focus at Kumba is on prevention of exposure at the source of the dust, often through engineering controls. Regular personal and area sampling is carried out to determine levels of exposure and verify the effectiveness of control measures.

Dust emission control measures include:

- suppression programmes, including the use of water and binding agents such as dust-aside on the haul roads;
- waste dump rehabilitation; and
- extraction fans and sprayers in dusty areas.

Continuous monitoring and reporting is conducted to ensure that the measures are sufficient.

FATIGUE MANAGEMENT

Although fatigue is associated primarily with the shift system, lack of sleep and poor health and nutrition are contributing factors. Fatigue management therefore requires a multi-faceted approach. Kumba has programmes in place to prevent accidents by reducing the incidence and identifying signs of fatigue. Preventative strategies include the provision of access to good quality accommodation and nutritious meals, along with allowing for sufficient rest.

Employee training includes understanding the factors that cause fatigue and what they can do to reduce the likelihood of fatigue while at work. Lifestyle planners have been developed to assist employees to know when to eat, sleep and exercise and what to eat and drink at specific times of the day. The shift rosters are also being assessed and, where necessary, alternative rosters are proposed when the risk of fatigue is considered to be too high. Kumba is currently evaluating various technological solutions to determine the risk of fatigue proactively and identify when an operator is fatigued. A number of these technology solutions are currently on trial at Sishen and Kolomela mines.

HIV/AIDS MANAGEMENT

Although not defined as an occupational disease, Kumba acknowledges that HIV/AIDS is a serious threat to the well-being of its employees, to the communities that surround its operations and ultimately to its business.

SOCIAL PERFORMANCE: HEALTH AND WELL-BEING

A key element in managing and containing the effects of HIV/AIDS is through awareness campaigns at each operation and within surrounding communities, designed to prevent employees and their families from being infected or infecting others. Kumba's programme includes:

- identifying those who are HIV-positive;
- providing informed counselling and confidential testing (CCT);
- ensuring that employees who are HIV-positive are enrolled in appropriate disease management programmes (DMPs), either through referral to appropriate medical services if they are on medical aid, or by providing medical treatment and medications, including anti-retroviral treatment (ART) if indicated and if they are not on medical aid;
- providing emergency prophylaxis in the case of accidental exposure to HIV, accessible to all at Kumba through a 24-hour emergency number;
- screening of HIV-positive persons and those with possible tuberculosis (TB) symptoms for pulmonary TB, and referral of those with TB to appropriate healthcare providers;
- following up on treatment defaulters, many of whom feel so well after being on ART for some time that they believe they no longer need the medication;
- following up on personnel on treatment programmes who move to another Kumba site to ensure that they continue to receive their medication on time;
- providing awareness training for mining industry workers, community members and schools and support for peer educators at the mines; and
- supporting the terminally ill so that they have the opportunity to live the rest of their lives with dignity.

The prevalence rate among Kumba employees is estimated to have dropped to below 6% in 2011, down from nearly 7.5% in 2010, based on the test results of over 90% of the workforce during 2011 and over 88% of the workforce in 2010. This prevalence rate is lower than the regional rates of 14% in Limpopo and 7% in the Northern Cape. Since 2008, the uptake of CCT in Kumba has risen from around 73% to over 90% of full-time employees in 2011. The number of deaths due to AIDS-related illnesses has also reduced, with three people falling victim in 2011. In 2011, 6,856 employees participated in CCT, including 4,850 at Sishen mine, 894 at Kolomela mine and 780 at Thabazimbi mine. 273 employees who have tested HIV-positive at Kumba are on DMPs (an estimated 51% of HIV-positive employees), and one of Kumba's 2012 targets is to improve uptake on a wellness DMP. In all, 178 employees with low CD4 counts received ART at the end of 2011, which equates to 65.2% of those on DMPs. Efforts are continuing to persuade all HIV-positive personnel to join the DMPs to enable the CD4 count at which ART is started to be raised.

The Ulysses Gogi Modise (UGM) wellness clinic in Kathu provides testing and counselling services and ART to employees, their dependants, contractors and the communities of the Gamagara Local Municipality. During 2011, the UGM wellness clinic expanded its staff to provide similar services in Postmasburg and at Thabazimbi mine. A new, mine-funded wellness centre was opened at Thabazimbi mine on 1 December 2011 – national AIDS Day – also for employees, their dependants, contractors and community members. The centre will be privately run with a portion of its funding provided by Kumba.

CS The Ulysses Gogi Modise wellness clinic

DRUG AND ALCOHOL ABUSE

Substance abuse among employees is often caused by stress outside the working environment. It normally manifests in absenteeism in the working environment and can increase the risk of safety incidents. In 2011, 61 warnings were issued to employees for testing positive for drugs or alcohol while on duty and internal disciplinary cases resulted in seven dismissals related to these offences. The company's Independent Counselling and Advisory Services (ICAS) programme aims to address this issue by offering employees the opportunity to seek advice and support. Social workers based at the operations provide counselling and psychological support and refer people to rehabilitation clinics.

At Sishen, Thabazimbi and Kolomela mines, the majority of employees are tested for alcohol levels when they enter the gates every day.

HEALTH AND WELLNESS

For the first time, the focus of the CCT campaign, which started mid-year, was not only on knowing one's individual HIV status, but also on other lifestyle diseases which are known to have an impact on employee well-being. This change was enthusiastically welcomed and several personnel are on monitoring programmes with the site occupational medical practitioners. Some sites plan to implement measures such as the availability of nutritious food options in canteens and on sites and the promotion of regular exercise. In some cases employees have been able to consult relevant experts such as a physiotherapists or dieticians. During 2012 a separate health focal area will be dedicated to the improved management of hypertension, diabetes, TB and obesity.

At Sishen mine, the bold step was taken to introduce nurses into the mining department teams, and they are deployed with the teams to enable them to have conversations about wellness and how individuals can manage their own health. Work teams thus get to know and trust the nurses working side-by-side with them and as a result, find it easier to seek advice on lifestyle diseases and their management. The nurses also assist with awareness training and other similar activities where required.

HEALTH RISK ASSESSMENTS

Kumba conducts health risk assessments and evaluates the health management systems and programmes in place on a continuous basis. The findings of these assessments form the basis for improvement in the group's overall health performance.

EMERGENCY PREPAREDNESS

Emergency preparedness plans are prepared per site to respond to all potential emergencies that could occur. The baseline risk assessments are used to identify these potential unwanted events are supported by analysis of previous incidents.

For example, thunderstorm activity and lightning have been identified as possible events requiring emergency responses. In preparation, all mine sites are equipped with detectors, suitable emergency shelters and various action levels based on storm proximity have been defined.



Johannes Mosethla, kitchen assistant, preparing a meal option for employees as part of the nutritious food programme now available at Thabazimbi mine.

CASE STUDY

THE ULYSSES GOGI MODISE WELLNESS CLINIC



Virginia Seoko being examined by nurse Boitshepo A Seikaning, Sishen mine.

Children's artwork in primary colours adorns the walls of the Ulysses Gogi Modise (UGM) wellness clinic in Kathu, welcoming patients and encouraging them to come inside. Built in 2007 by Kumba, the UGM is the first privately sponsored anti-retroviral treatment (ART) clinic in the Northern Cape, providing the community with access to free HIV testing, counselling and treatment. Since the clinic opened, it has made such headway in the Gamagara area it serves that the HIV infection rate has decreased by 1%: 34,679 community members have been educated about HIV/AIDS prevention and 17,374 have received CCT.

Sister Toekie Schoeman says: "Before the UGM wellness clinic was built, the people of the Gamagara municipal area had to travel some 100km to visit the clinic at Kuruman. HIV/AIDS testing and a DMP were taking place at Sishen mine but the community had no place to go. The mine saw the need and the UGM was established."

Kumba sponsored the cost of establishing the clinic and carried all operational costs for the first three years, at a total cost of R17.2 million. Kumba now works with the Department of Health in the running of its operation: government provides laboratory services, a courier service and medication, including anti-retroviral drugs, while mine social and community development departments provide funds. The UGM wellness clinic, which expanded ART services in the province by 50%, complements local private and public services and co-operates with all levels of government in a joint effort to fight HIV/AIDS. Satellite UGM clinics have now been established at Kolomela, Thabazimbi, Khumani and Sesheng.

The UGM clinic uses government laboratory services in Kimberley, with a courier collecting blood samples daily, guaranteeing a shorter waiting period for results. Some 50 to 60 community members a

month are tested at the clinic, while UGM staff continue to service the mine, testing 12,499 contractors and 5,565 Sishen mine employees in 2011.

Over 900 HIV-positive community members receive care and support from the clinic and more than 600 have been placed on ART to prevent the progression to AIDS. The clinic also offers screening for diabetes, hypertension, TB and cancer. UGM is very involved with the Cancer Association of South Africa, conducting cervical cancer screening programmes and training caregivers, among other initiatives.

The UGM provides support and information on drugs, nutrition, molestation, rape prevention measures, teen pregnancies and personal hygiene. The clinic works closely with local government in the area on information campaigns, responding to needs and according to the national health calendar. A two-yearly education programme for some 8,000 learners in 28 schools in the region is conducted by the clinic. The younger children are visited by clinic sisters and a character called 'Bear' to teach them about germs and the importance of looking after their bodies in an effort to protect them against abuse. HIV/AIDS education starts from the age of 12.

A full-time social worker employed by the clinic works closely with the Family and Marriage Association of South Africa and is currently working at the mine in the area of fatigue management.

Alta Buys, UGM clinic manager, describes the clinic as "a challenge that I couldn't resist". Alta and her staff have certainly risen to the challenge of taking medical services to communities with limited access, thus making a big difference to their lives.

 www.angloamericankumba.com/reports/kumba_ar2011/sustainability/social_health.php

CASE STUDY

PEOPLE FIRST: THE BATHO PELE MOBILE HEALTH UNITS



Members of the local Madibeng community outside one of the Batho Pele mobile health units in Madibeng near Sishen mine.

Just one look at the faces of the villagers sitting outside under umbrellas while they wait to be seen by staff of one of Kumba's Batho Pele mobile clinics, will tell you how much this project means to them. That, and the fact that 1,948 patients made use of these services in the first month of operation.

The nine units of the R19 million Batho Pele mobile clinic serve the isolated villages of the John Taolo Gaetsewe district, delivering free primary and secondary health care to a potential 14,800 people. The district suffers from an extreme lack of resources and infrastructure while vast distances make access to basic medical services fraught with difficulty. The area has the highest infant mortality and maternal death rate in South Africa as well as one of the highest rates of HIV/AIDS infection. The provision of care and information makes Batho Pele a truly life-saving project.

Rina Botha, local economic development manager at Sishen mine, says, with justifiable pride: "The Batho Pele mobile health units are the first of their kind in the country, so we are breaking new ground with this project. The Minister of Health, Dr Aaron Motsoaledi, is so enthusiastic about the project and its capacity to reach those in need, he wants this type of initiative to be adopted countrywide."

Batho Pele was launched in July 2011, with the units becoming operational at the beginning of September. The units consist of a GP unit, an eye-care unit, a dental-care unit, an operating theatre, a clinic, an CCT unit, an ablution unit, an accommodation unit and a kitchen unit. They are equipped with state-of-the-art technology and make available treatments and services to the community such as screening for chronic diseases, the management of sexually transmitted infections (STIs), condom distribution, male circumcisions to drive down the HIV/AIDS rate, laboratory tests, eye testing, cataract

surgery, dental care and surgery and minor operations. Full-time, part-time and consulting staff members include a general practitioner, optometrist, ophthalmic nurse, eye specialist, dentist, oral hygienist, AIDS counsellor and nursing sister. Members of the community are employed at each location to cook and clean.

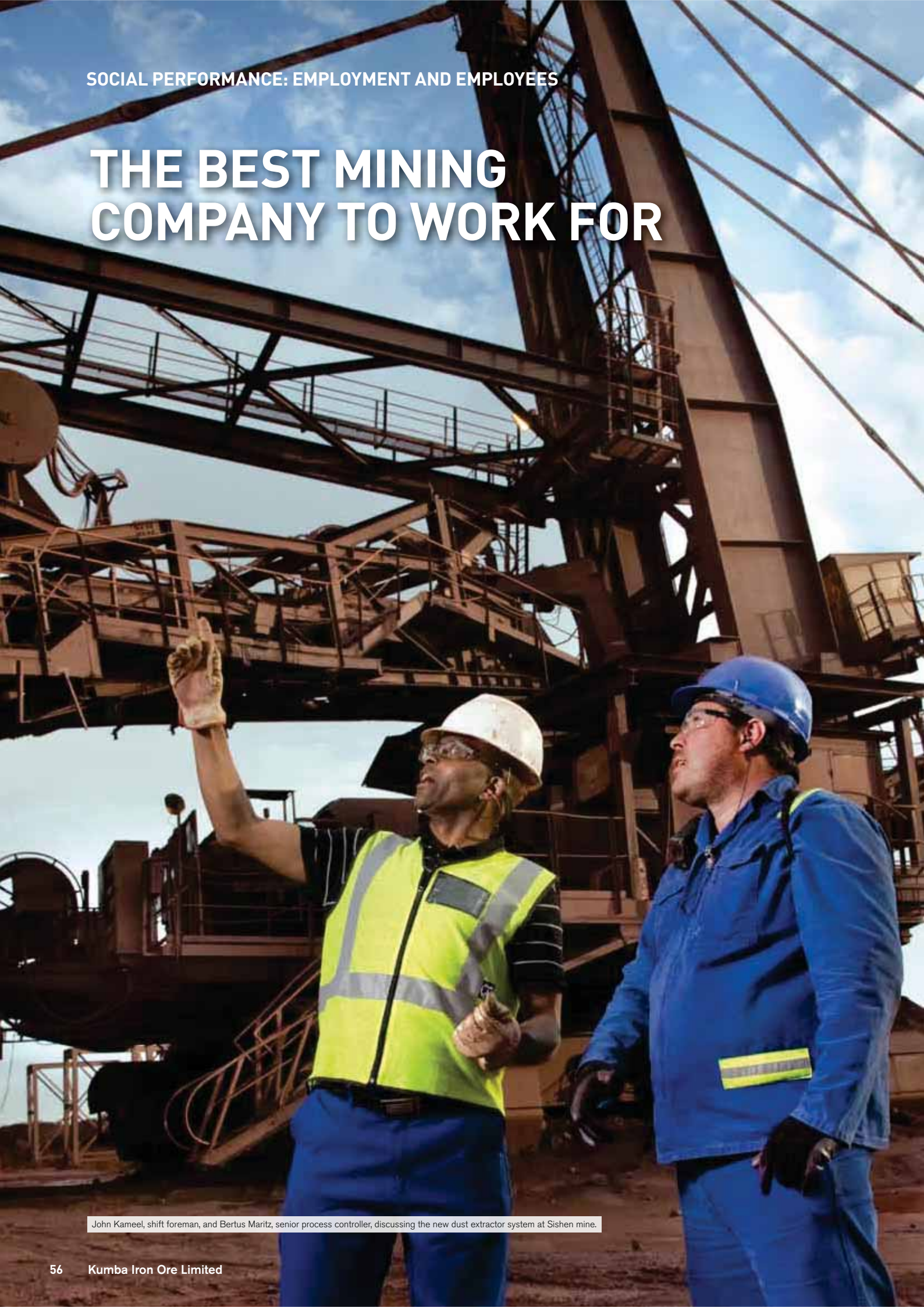
The units, pulled by two four-by-four vehicles and set up over a weekend, move through four main locations – Kagung, Maphinicki, Gasese and Madibeng – spending a week in each. The project is conducted in partnership with the Department of Health, which has been involved from the start and finances the costs of medical consumables, laboratory tests and food for staff. Kumba is financing all other operational costs for the first two years after which the Department of Health will take over this responsibility.

Rina says: "On a daily basis, the most common complaints diagnosed and treated are diabetes, hypertension, arthritis, upper respiratory tract infections, urinary infections, STIs and HIV/AIDS. Batho Pele will have a positive impact on the incidence of HIV/AIDS, TB, infant mortality and diabetes, as well as hypertension-related deaths."

Batho Pele's services are advertised at local clinics and community halls and are communicated by health workers. Tribal councillors inform villagers and circulate clinic schedules. Already clinic attendance figures provide all the positive feedback needed. In the months to come there is no doubt that those attendance figures will increase and Batho Pele will change even more lives for the better.

www.angloamericankumba.com/reports/kumba_ar2011/sustainability/social_health.php

THE BEST MINING COMPANY TO WORK FOR



John Kameel, shift foreman, and Bertus Maritz, senior process controller, discussing the new dust extractor system at Sishen mine.

Attracting, retaining and developing the group's human resources are considered critical priorities for Kumba. The group is intent on being the best mining company to work for, and approaches this role in a holistic way, incorporating competitive remuneration, accredited and ongoing training and development, fair employment practices, the provision of benefits for a good quality of life for the employee and his/her dependants, as well as the provision of personal and professional growth prospects for individual self-fulfilment.

While the management of the group's human resources is an important and integral part of the role of line management, the group's human resources department guides and supports this critical function. Each operation has a dedicated team of human resources specialists and training personnel who report to the executive head of human resources. Progress on employment equity and transformation is guided and monitored by the Human Resources, Remuneration and Nomination Committee (Remco) at a board level.

Kumba's employee management strategy equips employees with the requisite skills and competencies to do their jobs and, at the same time, promotes the transformation of its workforce, by offering historically disadvantaged South Africans (HDSAs) the opportunity to grow within the company.

The company has a 'beyond compliance' approach towards achieving the requirements of the Mining Charter and understands that, as a major employer in South Africa, it has to play a meaningful role in the development and transformation of its skills base. In terms of the company's overall business strategy, all operations and divisions have a human resources plan in place which is aligned to the employment equity plan of the business.

Employment and development of local people is a strategic objective for the group.

EMPLOYMENT

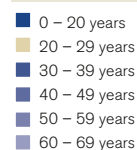
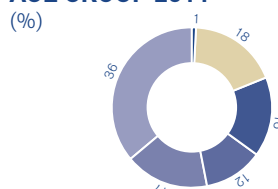
At the end of 2011, Kumba employed an overall total of 11,898 people: 6,303 full-time, permanent employees and 5,595 full-time, permanent contractors. A further 4,131 fixed-term project contractors were also employed at Kumba's construction projects.

The company also provided employment to 753 people in its talent development pipelines. At the end of 2010, the group provided employment for 11,206 people, including full-time contractors, but excluding fixed-term project contractors.

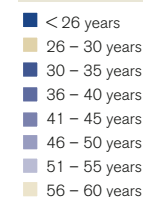
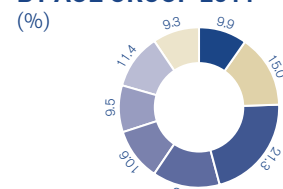
Compared with the industry average, Kumba's turnover rate was very low, at 2.97% (2010: 3.10%), demonstrating the effectiveness of the company's retention strategies which are designed to keep employees satisfied, stimulated and productive. 36% of this turnover was of employees in the age group of 60 to 69 years. The turnover of women in the company was 0.26%.

Absenteeism was also relatively low at the company's operations, with overall absenteeism rates recorded of 17.5%, 14.9% and 12.4% at Sishen, Thabazimbi and Kolomela mines respectively, and an average of 13.3% across the group. This includes employee-related leave, sick leave and leave as a result of injury. Maternity and unpaid leave hours are not included. For shifts lost specifically due to injury, please see page 48.

GROUP TURNOVER BY AGE GROUP 2011 (%)



FULL-TIME EMPLOYEES BY AGE GROUP 2011 (%)



EMPLOYEES AND CONTRACTORS

	Full-time permanent employees		Full-time contractor employees*		Total	
	2011	2010	2011	2010	2011	2010
Corporate office	120	129	20	18	140	147
Sishen mine	4,412	4,173	3,865	4,217	8,227	8,390
Thabazimbi mine	815	806	889	974	1,704	1,780
Kolomela mine	771	534	711	28	1,482	562
Technical services	91	88	35	16	126	104
Projects	43	38	56	146	99	184
Saldanha Bay and other	51	23	19	16	70	39
Group	6,303	5,791	5,595	5,415	11,898	11,206

* Excluding 4,131 fixed-term project contractors and learnership pipeline participants.

TURNOVER (%)

	All employees		Women	
	2011	2010	2011	2010
Corporate office	2.4	2.9	0.8	1.2
Sishen mine	2.8	2.5	0.3	0.2
Thabazimbi mine	4.2	4.3	0.0	0.1
Kolomela mine	1.8	4.3	0.1	0.7
Group	3.0	3.1	0.3	0.3

SOCIAL PERFORMANCE: EMPLOYMENT AND EMPLOYEES

EMPLOYMENT PRACTICES

Kumba's remuneration practices include a range of financial benefits such as short-term bonuses and share incentives, supported by a robust growth and development programme. The employee share participation scheme, Envision, has been a significant step in ensuring that employees have a meaningful interest in the direct fortunes of the company. Part-time employees and contractors receive benefits that, as a minimum, are in line with the Basic Conditions of Employment Act.

Benefits provided to full-time employees include medical benefits, study assistance, membership of pension funds, and housing and accommodation allowances.

COLLECTIVE BARGAINING

Relations with employees and organised labour are governed by recognition agreements while conditions of employment are determined by a process of collective bargaining with representative trade unions. Employment equity practices, trade union access and membership, compensation for occupational illness or injury on duty, and the provision and financing of training programmes are managed in accordance with applicable labour legislation.

A minimum notice period of 60 days in respect of operational changes is prescribed by legislation and recognition agreements with unions, which also regulate aspects such as participation in safety and health structures and disciplinary and grievance procedures. Wages and other conditions of service are negotiated on an annual or biennial basis. In 2010, Kumba signed a multi-year wage agreement with unions for the period from 1 July 2010 to 30 June 2012.

At the end of 2011, 86% of the workforce belonged to a recognised union or was catered for through an agency shop agreement (2010: 73.5%). Kumba recognises the following unions: the National Union of Mineworkers (NUM), the Building Allied Mining and Construction Workers' Union (BAMCO) and Solidarity.

The industrial relations climate in the group is constructive. There were a number of minor disputes during the course of the year, but none that resulted in significant stoppages or loss of production.

CONTRACTOR MANAGEMENT

Kumba engages contractors and their employees at its operations to undertake specialist and fixed-term jobs. At the end of 2011, the percentage ratio of full-time contractors to full-time employees within the group was 89%. Since poor performance by contractors in any aspect of the day-to-day management of its operations can reflect badly on Kumba, contractor management is a critical factor for the group's success. The company continues to implement a company-wide programme to ensure that all contractors conform to its requirements across a wide range of disciplines, including safety and health, training and development, and fair employment practices.

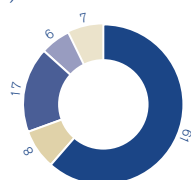
RETAINING AND ATTRACTING EMPLOYEES

KPI Employing people with the necessary skills to do their jobs is an imperative for the long-term sustainability of any business. Kumba recognises that it competes for these skills in a global market. The human resource department implements robust talent management strategies to ensure that gaps in the Kumba skills profile are identified and that succession plans are drawn up.

UNION MEMBERSHIP 2011 (%)

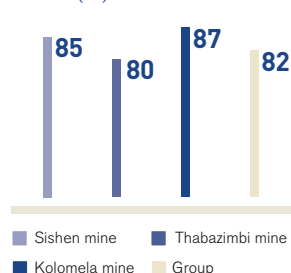
	NUM	Solidarity	Agency shop	BAMCO	Non-unionised
Corporate office	11.5	13.1	4.9	–	70.5
Sishen mine	52.2	19.3	7.0	11.3	3.6
Thabazimbi mine	72.6	19.7	4.7	–	3.0
Kolomela mine	67.0	3.1	2.1	0.9	26.3
Group	61.4	17.1	10.5	8.4	7.1

UNION MEMBERSHIP 2011 (%)



■ National Union of Mineworkers
■ Building Allied Mining and Construction Workers' Union
■ Solidarity
■ Agency shop
■ Non-union members

LOCAL EMPLOYMENT 2011 (%)



■ Sishen mine ■ Thabazimbi mine
■ Kolomela mine ■ Group

Career development plans for all employees are in place at all Kumba operations. Around 24% of Kumba employees received regular performance and career development reviews in 2011.

The company has an internal recruitment policy where candidates with the requisite skills and experience from within the Kumba and Anglo American plc Group are given preference for employment opportunities. Kumba will source employees externally if candidates are not available within Kumba or Anglo American plc.

Kumba is committed to employing people from those communities that surround its operations. To this end, all Kumba operations have local recruitment strategies in place to ensure that local people benefit from the job opportunities created by their activities. During the year, 80% of all employees recruited at Thabazimbi mine hailed from Limpopo Province while 87% of all employees recruited at Kolomela mine and 85% of employees recruited at Sishen mine came from the Northern Cape.

www.angloamericankumba.com/pdf/policies/policy_recruitment_and_selection.pdf

EMPLOYMENT EQUITY AND TRANSFORMATION

Employment equity legislation in South Africa promotes equal opportunity and fair treatment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the imbalances of the past. The Mining Charter requires that HDSA employees make up 40% of management and that women represent 10% of the workforce in core mining positions.

Without sacrificing its existing skills base, Kumba focuses on recruiting employees representative of the South African population, aiming to exceed the targets stipulated by the Mining Charter and

making use of existing skills to train and develop new recruits. The company's recruitment policies are also aimed at targeting and encouraging women to participate in core mining disciplines. Kumba requires that contractors who undertake work for the company are compliant with legislation and this compliance is reviewed on a regular basis.

Kumba has a comprehensive human resources development programme in place which includes mentorship plans, succession planning, individual development planning and constructive retention models to achieve the requisite HDSAs and women in mining targets. The recruitment and retention of highly sought-after skilled HDSAs and women, however, remains a challenge as the widespread unavailability of skills in South Africa has resulted in severe competition for suitable candidates.

At the end of 2011, HDSAs made up 80.1% of the workforce as a whole, including white women, and, 49.8% of management. Women made up 16.6% of the overall workforce, and occupied 12.0% of the company's core mining positions.

Kumba's remuneration policy ensures that remuneration is based on skills, expertise and experience, and not on gender or race.

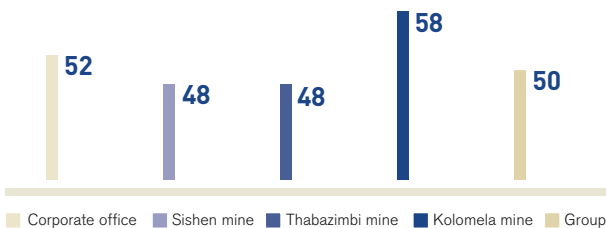
www.angloamericankumba.com/pdf/policies/policy_unfair_discrimination.pdf

HDSAS AND WOMEN IN MANAGEMENT

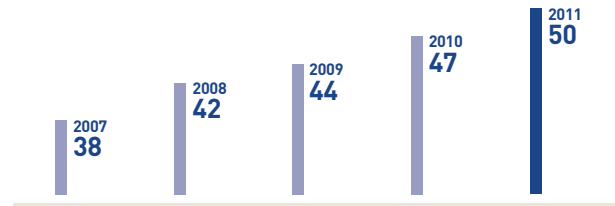
	Total management		% HDSAs in management		% Women in management		% Management who are local*
	2011	2010	2011	2010	2011	2010	2011
Corporate office	244	258	51.6	47.4	35.7	29.5	89
Sishen mine	664	603	47.7	42.4	14.3	13.4	38
Thabazimbi mine	147	144	48.3	49.3	17.7	15.3	33
Kolomela mine	127	93	58.3	51.3	11.8	10.8	–
Group	1,182	1,098	49.8	47.4	18.9	17.2	42

* This data is not available for 2010.

HDSAs IN MANAGEMENT BY OPERATION 2011 (%)



HDSAs IN MANAGEMENT (%)

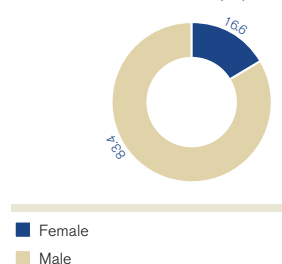


SOCIAL PERFORMANCE: EMPLOYMENT AND EMPLOYEES

WOMEN IN MINING (%)

	Women employed		Women in core mining	
	2011	2010	2011	2010
Corporate office	43	37	27	25
Sishen mine	15	14	11	10
Thabazimbi mine	14	12	9	8
Kolomela mine	20	21	18	19
Group	17	16	12	11

FULL-TIME EMPLOYEES BY GENDER 2011 (%)



WOMEN IN CORE MINING 2011 (%)



TRAINING AND DEVELOPMENT

Kumba has a wide variety of training interventions informed by the Mining Charter as well as its own programmes, including legislative training (skills, health and safety), learnerships, mentorships, portable skills, career progression plans for HDSAs, bursaries and study assistance, adult basic education and training (ABET), and Professionals in Training (PIT).

In 2011, each employee received an average of 80 hours of training (2010: 46 hours) with training expenditure amounting to R120.4 million or 4.4% of the total wage bill (2010: R134.8 million or 6.8% of the total wage bill). This decrease is as a result of a change in the DMR's reporting requirements which came into effect during the year, stipulating that this figure should only include training and development expenditure on HDSA employees. Training and development expenditure on white males has therefore not been included. 83% of this training and development was conducted with HDSA employees and 31% with female employees.

Training is provided for employees reaching the end of their careers (medical separation, retirement, etc). The provision of portable skills training is a component of every mine's SLP.

ADULT BASIC EDUCATION AND TRAINING

ABET is available to all employees on a part-time voluntary basis to facilitate literacy and numeracy, and to offer employees the opportunity to further their education and improve their career prospects. Around 86.5% of employees are functionally literate. The company has programmes to encourage participation by those

employees who require ABET. In 2011, 56 (2010: 95) employees (23 at Sishen mine, 33 at Thabazimbi mine) participated in Kumba's ABET programme. At the new Kolomela mine, there is currently no requirement for ABET as all recruits are literate.

PROFESSIONALS IN TRAINING

Kumba's graduate and diploma trainees participating in the PIT programme comprise three groups of participants, namely:

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

Structured according to the requirements of different professional bodies such as the Engineering Council of South Africa, completion of the programme can range from 24 to 36 months, depending on the professional's discipline and qualification. The non-technical skills of participants are also developed and they receive training in report writing, personal development and management skills. In 2011, 47 (2010: 45) people participated in the programme.

Around 163 employees (2010: 164) received portable skills training in welding, carpentry, bricklaying and plumbing in 2011. Driving lessons for codes 8, 10 and 14 also resumed at Itereleng (Thabazimbi), subsidised by the mine and provided to employees free of charge. 41 employees benefitted during the year. These are skills not traditionally required by a mining company and are part of Kumba's contribution to skills development and job creation in South Africa.

TRAINING AND DEVELOPMENT STATISTICS

Programme	Number of participants		HDSA (%)		Women (%)		Expenditure* (R million)	
	2011	2010	2011	2010	2011	2010	2011	2010
ABET	56	95	100	100	41	–	1.6	2.0
PIT	47	45	72	71	30	20	23.4	24.6
Engineering learnerships	290	356	76	77	19	20	25.5	29.1
Other learnerships	315	126	96	94	32	25	16.8	16.5
Bridging school	4	5	100	100	100	20	0.3	0.5
Bursaries and scholarships	63	70	78	71	43	33	4.3	5.9
Community training and development	48	65	100	96	46	15	4.2	3.1
Total	823	859	85	80	42	24	120.4	134.8

* Excluding management training and soft and other skills (2011: R72.5 million; 2010: R53.1 million).

LEARNERSHIPS

Kumba offers learnerships/technical vocational training to provide employees with the opportunity to improve their skills through a combination of studying and practical, on-the-job training. Learnerships play an important part in progressing employees' careers as they lead to qualifications recognised by the Sector Education Training Authority and are registered with the Department of Labour.

In 2011, Kumba spent R45 million on learnerships with 619 learners participating in the fields of mechanical and electrical engineering (290), civils (14) and mining and metallurgy (315). During the year, 355 participants were declared competent.

Kumba has developed 150 trained artisans every year since 2007.

BRIDGING SCHOOL

Kumba offers learners who have completed their secondary school qualification the opportunity to improve their mathematics and science results to facilitate their entry into tertiary education institutions. In 2011, the company sponsored four students.

BURSARIES AND SCHOLARSHIPS

Kumba has an extensive bursary programme in place and offers bursaries and study assistance to employees and learners from labour-sending areas near its mines, at tertiary institutions in disciplines that are core to the mining industry and form an integral part of the company's employment equity plan.

A total of 65 students received bursaries which covered their tuition fees and the cost of board and lodging, and provided a small allowance. Of these, 14% were from Limpopo Province and 29% from the Northern Cape. The total cost of bursaries and scholarships amounted to R4.4 million (2010: 70 students at a cost of R5.9 million).

The company recognises the achievements of bursars at an annual function supported and attended by the Executive Committee, which exposes them to Kumba and its culture and values.

COMMUNITY TRAINING AND DEVELOPMENT

Kumba offers a number of short courses to community members at the Tshipi (Kathu) and Itereleng (Thabazimbi) training centres. During the year, 65 community members attended courses: 15 in welding, 15 in bricklaying, 20 in plumbing and 15 in carpentry.

ENVISION – FINANCIAL FITNESS

Envision aims to recognise the role of employees in the success of the company and to align the company's fortunes with their own, with no risk to employees. To ensure that employees benefit from the money they received, the company provided Financial Fitness training to beneficiaries and their spouses, which covered topics such as tax and investment opportunities to beneficiaries from Kolomela, Thabazimbi and Sishen mines and head office.

In total, 84% of all beneficiaries attended training sessions. Results from an opinion survey conducted during the year found that, following the course, 66% of participants had changed their minds about what they intended to do with the money they would receive.

CS Envision: empowering our employees

HOUSING AND LIVING CONDITIONS

Given that Kumba's operations are located in remote areas, the provision of houses is a significant challenge.

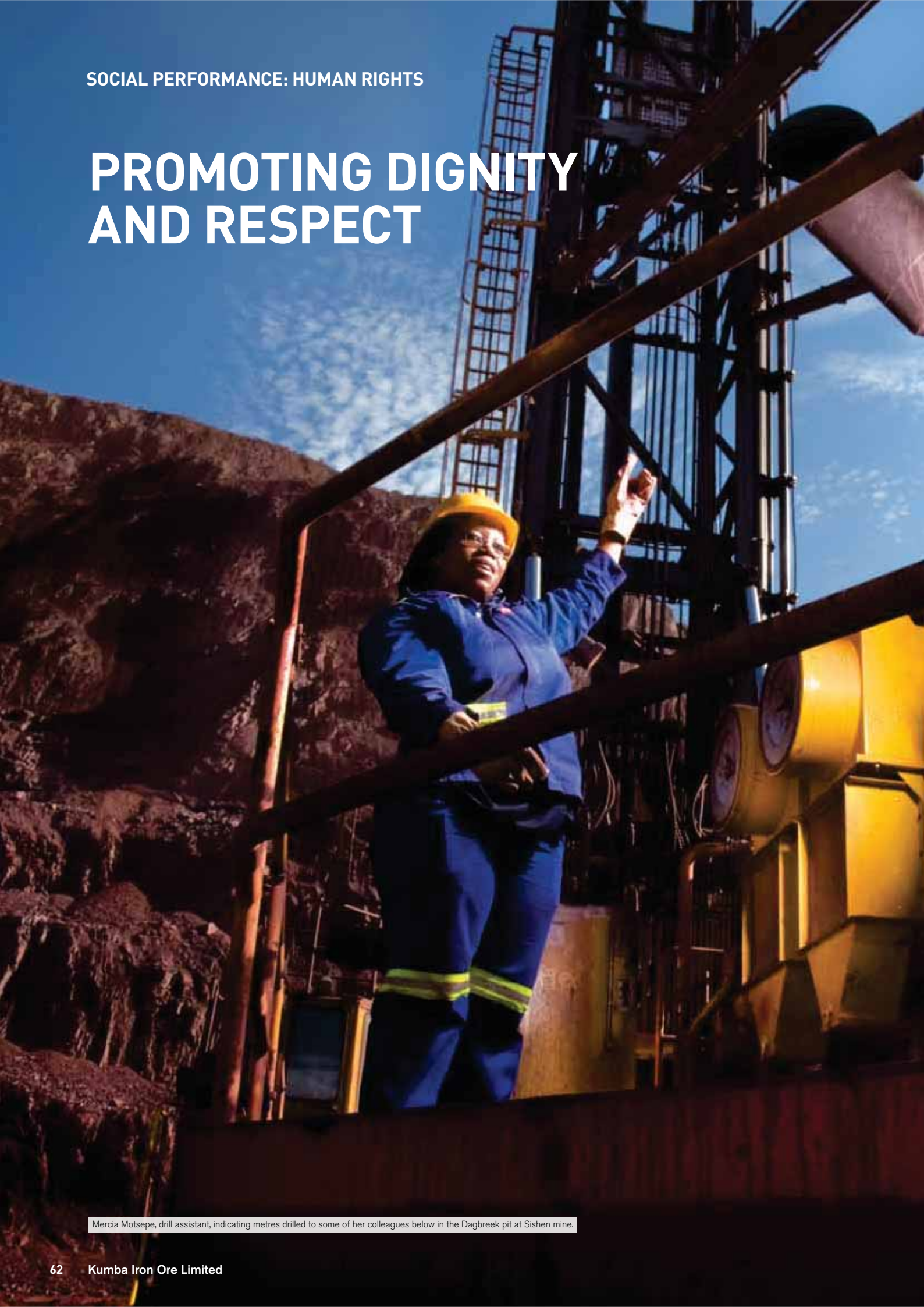
Kumba's housing strategy is underpinned by the requirements set out in the Mining Charter and is based on three pillars:

- promotion of home ownership through support with bulk services and infrastructure to ensure the affordability of homes and the facilitation of first-time home ownership bond subsidies;
- provision of company housing to facilitate recruitment, retention and movement of senior employees to various mines (company-owned accommodation is available for rent to employees); and
- provision of hostel accommodation – the hostels are in the process of being converted to single or family units. 67% have been completed so far, with a targeted completion date of 2014.

136 houses were built at Sishen mine during the year (100 family units and 36 boarding/transit houses), and 212 at Kolomela mine. No houses were built in Thabazimbi mine.

In 2011, around 739 employees (Sishen mine: 456, Kolomela mine: 17, Thabazimbi mine: 266) and 40 contractors (Sishen mine: 0, Kolomela mine: 0, Thabazimbi mine: 40) were accommodated in hostels provided by the company, and 1,820 employees (Sishen mine: 685, as well as 401 employees in Lakutshona houses used to promote home ownership, Kolomela mine: 464, Thabazimbi mine: 170) and 40 contractors (Sishen mine: 0, Kolomela mine: 0, Thabazimbi mine: 40) in company housing units.

PROMOTING DIGNITY AND RESPECT



Mercia Motsepe, drill assistant, indicating metres drilled to some of her colleagues below in the Dagbreek pit at Sishen mine.

Respect for the fundamental human rights of employees, the communities in which the company operates, and those with whom the company does business is implicit and explicit in Kumba's policies and practices.

In particular, the company observes and promotes the rights and principles enshrined by the following:

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

Management teams at Kumba's operations and projects and at head office are required to create and maintain a safe and healthy working environment in which the dignity of employees is respected, and in which complainants will not feel that grievances could be ignored, trivialised, or could carry unfair reprisals. Employers/management are also required to ensure that persons such as customers, suppliers, job applicants and others who have dealings with the business are not subjected to discrimination of any kind and are treated with equal dignity and respect. When grievances are reported, the operational manager is responsible for making sure that support and guidance is made available to the victim and that the allegation is thoroughly and conclusively investigated, while keeping the identity of both the victim and the alleged perpetrator confidential until the investigation is complete.

Management at all Kumba operations must conduct internal human rights assessments twice a year. The frequency of audits may vary, however, where best practice processes and performance have been validated in earlier consecutive audits.

EMPLOYEES

Kumba offers fair compensation for work performed, in line with best practice in the mining industry as a minimum standard. It prohibits and condemns the use of child, compulsory or forced labour, and all forms of discrimination based on any of the following: gender, age, sexual orientation, disability, marital status, race, colour, ethnicity, religion, language, nationality, union membership or political affiliation. This is in line with the standards of the Anglo American Social Way, and audits and background checks are regularly conducted by ABAS to verify that these standards are being upheld. These commitments are also part of Kumba's operations' SLPs, which are approved by the DMR.

The rights to freedom of association and collective bargaining are entrenched in South Africa's Constitution and other legislation. Kumba recognises and supports employees' rights and acts in accordance with the Constitution, prescribed legislation, industry compacts and recognition agreements with unions.

Kumba also recognises the importance of advancing the protection of human rights generally, and does so through the Anglo American plc Group, which actively participates in several international forums on human rights. For example, the Group was one of the first multinational companies to be recognised by the Institute of Human Rights and Business for its efforts in support of the work of Professor John Ruggie, the UN General Secretary's Special Representative on Business and Human Rights, and for the correct implementation of some of his recommendations.

EMPLOYEE TRAINING

Kumba has a contract with a corporate legal services consultancy to conduct an annual A-Z training intervention on disciplinary and grievance procedures with all internal employees, which includes discussion on the legislative requirements that all employees are expected to meet with regard to human rights. In 2011, 95% of the company's employees received training in this regard, receiving an average of 44 hours of training each.

WOMEN IN MINING

KPI The recruitment and retention of female employees is another imperative. A policy is in place that specifically prohibits sexual harassment and aims to educate and inform both male and female employees of their rights, and of the consequences of sexual harassment. This issue has become especially important in light of the company's drive to increase the number of women employed in core mining disciplines.

A company-wide survey was conducted among female employees during the year, with the aim of improving the company's sexual harassment policy. A total of 231 women in core mining positions took part.

While approximately 80% of the survey participants felt respected by their colleagues, many described some level of job dissatisfaction as a result of factors such as:

- insufficient knowledge of their workplace;
- shift work putting pressure on family life and parenthood;
- limitations during pregnancy and maternity leave periods; and
- site infrastructure concerns (toilet facilities and change houses).

Action plans were subsequently put into effect to address these issues. A new training course was introduced to all employees, including men, on the importance of mutual respect and eradicating sexual harassment. Disciplinary action resulting from sexual harassment was increased and the company's messages regarding its policy on sexual harassment were strengthened.

With regard to the physical environment of the workplace, physical support is available to women when working with heavy tools, machinery or equipment and wellness programmes will be introduced to enhance and maintain physical fitness, including new gyms in the hostels.

In 2011, two incidents of sexual harassment were reported at Kolomela mine, which resulted in the dismissal of one employee. There were no other cases of human rights violations, discrimination or unfair treatment reported during the year.

DIVERSITY AND CULTURAL VALUES

In order for employees to better understand diversity in their working environments, Kumba has devised a series of workshops called 'Making Difference Work'. These entail exploring differences in cultural background and how these can influence the way we think and behave.

These workshops took place at Sishen mine between February and July 2011 (24 workshops involving 376 managers), and pilots were completed at Kolomela and Thabazimbi mines and at head office, with very positive feedback. Full rollout is scheduled for 2012.

Kumba also strives to demonstrate respect at all times for the cultural values of its communities and takes account of the self-sufficiency, sustainability, health and safety of their residents.

CONTRACTORS AND SUPPLIERS

Kumba promotes ethical conduct throughout the value chain, giving preference to contractors and suppliers that share the company's values. All new investment contracts (since 2010) with suppliers, contractors and other business partners include clauses covering legal compliance, business integrity, fair employment, transformation, safety and health and human rights. These agreements commit suppliers to observing and upholding the group's business principles. Regular compliance audits are undertaken. Furthermore, prior to the award of significant contracts, appropriate levels of due diligence are conducted on all of these issues.

SECURITY PERSONNEL

Kumba ensures that its security personnel (including contracted security personnel) operate within the law. All security personnel employed and contracted by Kumba are required to register with the Private Security Regulatory Authority, and to participate in a five-day compulsory training course on human rights.

www.angloamericankumba.com/pdf/policies/policy_human_rights.pdf

A CRITICAL PRIORITY FOR KUMBA



Samuel Chiri, builder, and Maria Motsudi, poultry farm worker, assembling the newly arrived equipment at the Groenwater poultry project outside Postmasburg, near Kolomela mine.

KPI Sustainable and effective SCD is an integral part of Kumba's business model at all stages of the life of a project, from the pre-feasibility stage through operation to closure.

Kumba's approach to SCD is holistic and multi-pronged, identifying and addressing real needs through interventions in support of improving local infrastructure, facilitating the establishment of small and medium enterprises, improving education and health services, increasing community safety and alleviating poverty. A group-level SCD department guides stakeholder engagement and reporting and the implementation of Kumba's SCD strategy specifically related to the following focus areas:

- **enterprise development initiatives**, particularly at a local level with the support of Anglo American plc's Zimele programme;
- **education projects** that are aligned with national education priorities. The emphasis is on early childhood development, Grade R (reception) and primary school education, while simultaneously assisting with support for essential infrastructure and teacher development;
- **skills development**, including capacity-building programmes for school leavers who cannot afford tertiary education, and the provision of relevant training in local communities;
- **health and welfare projects**, in partnership with or in support of government initiatives to improve community access to quality health care by investing in health infrastructure (clinics, mobile clinics and hospitals); and
- **primary infrastructure projects** which create environments that are beneficial to Kumba's employees and communities, and the local economic development (LED) and socio-economic projects it supports.

These initiatives are broader than just the company's social and labour plans (SLPs), which were developed in support of the company's mining licences, and made commitments to government and communities. To avoid duplication of effort and address identified community needs, Kumba's SLPs are aligned with the integrated development plans of local municipalities. Mine-based SCD departments are the custodians of the group's initiatives and are directly responsible for LED at an operational level and ensuring that each mine meets its SLP commitments.

In 2011, Kumba's total SCD expenditure amounted to R184.9 million (2010: R134 million). Of this, R42.6 million went to covering Kumba's SLP commitments. Together with the company's inter-Anglo American contribution, this amount adds up to R191 million, 1% of 2010 NOPAT, as per Mining Charter requirements.

MAKING USE OF SEAT

Kumba engages with groups and individuals within the communities that surround its operations who are directly affected by or have a direct impact on the company's operations. (See pages 18 to 23.) The group's community engagement policy was reviewed in 2011. Community stakeholder engagement is based on the SEAT which also guides the company's overall social performance.

www.angloamericankumba.com/pdf/reports/seat_report_29022011.pdf

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

The SEAT was developed by Anglo American plc to improve the management of social and economic impacts, to enhance partnerships and to advance environmental stewardship. By engaging with community stakeholders and reporting on the findings of its SEAT reports, Kumba takes full responsibility for the ongoing sustainability of the communities that surround its operations, and ultimately, of its business. Kumba implements the SEAT process by:

- profiling its operations and surrounding communities in a particular area;
- engaging with the full range of interest groups in each area to identify the impacts of its operations;
- producing management plans designed to meet development needs identified by stakeholders; and
- compiling and publishing local reports that form the basis of ongoing relationships between the company and surrounding communities.

Each operation is required to complete the SEAT process and compile a report, which is subject to review every three years, to ensure that the company's interventions remain appropriate. A wide variety of internal and external stakeholders participate in this process, including employees, employee representatives, community representatives and local government officials.

During the year, SEAT reviews were undertaken at the Kolomela and Sishen mines and both reports were published in December 2011. Thabazimbi mine will review its SEAT report in 2012.

SLP REVIEWS

Sishen mine has completed its five-year SLP commitment period and a new SLP for the period 2012 to 2016 has been developed and submitted to the DMR for approval. The mine has met or exceeded all of its SLP commitments except for those related to the conversion of hostels. Due to housing shortages, not enough transit housing was available to accommodate employees during the conversion of the hostel blocks. The mine is however still on track to meet the Mining Charter target to convert all hostels into single unit accommodation facilities by 2014. Despite production only starting in December 2011, Kolomela mine's SLP programme was started in 2009 and is well under way. Thabazimbi mine has one year left in which to complete its first set of five-year commitments. Both Kolomela and Thabazimbi mines will draft and submit their new SLPs in 2012.

SOCIAL AND COMMUNITY DEVELOPMENT EXPENDITURE (R million)

	2011	2010
Corporate office	71.2	6.2
Sishen mine	73.6	72.1
Thabazimbi mine	9.2	16.8
Kolomela mine	30.9	38.9
Group	184.9*	134.0

*Including Kumba's inter-Anglo American contribution, this amount adds up to R191 million, 1% of 2010 NOPAT, as per Mining Charter requirements.

SOCIAL PERFORMANCE: SOCIAL AND COMMUNITY DEVELOPMENT

MAJOR SOCIAL AND COMMUNITY DEVELOPMENT PROJECTS

Kumba supports a range of developmental interventions. Listed below are a few examples of Kumba's SCD initiatives in 2011.

Name of project	Description
Education and skills development	
Sonstraaltjie day care centre	This venture involved the construction of a 24-hour day care centre that can accommodate 150 toddlers. The centre opened its doors in January 2011 and currently employs 15 staff members who provide care for 126 toddlers. The centre offers meals and an after-school care service to around 200 learners from grades 1 to 7.
Rural early childhood development centres	Three, out of a total six, rural early childhood development centres have been built in the deep rural areas of the John Taolo Gaetsewe district. The whole project is conducted in partnership with the Northern Cape Department of Health and stretches over two years.
Pinocio Grade R	Pinocio Grade R is a grade R facility that forms part of the Postmasburg Primary School. Kolomela mine funded the upgrading and expansion of the facility to accommodate the increased number of learners to the school.
Rooiberg Primary School	The Rooiberg Primary School faced a health risk due to old and dilapidated sanitation infrastructure. The company funded the upgrading of the ablution facilities at the school.
Health and welfare	
Ulysses Gogi Modise (UGM) wellness clinic	The UGM wellness clinic in Kathu provides CCT services and anti-retroviral treatment to the people of the Gamagara local municipality. CS The Ulysses Gogi Modise wellness clinic
Sesheng distribution centre	The centre supplies food, frozen and fresh products, clothing and a range of dry goods to an average of 1,300 people a month.
Batho Pele mobile units	The nine units of the Batho Pele mobile clinics serve the isolated villages of the John Taolo Gaetsewe district, delivering free primary and secondary health care to a potential 14,800 people. Kumba works in partnership with the Northern Cape Department of Health to deliver this much needed medical assistance. CS People first: The Batho Pele mobile health units
Ambulances for the Northern Cape	This initiative involved the funding of 77 ambulances as part of the Northern Cape Department of Health's ambulance replacement strategy.
Thabazimbi community wellness clinic	This clinic is run in partnership with the Limpopo Province Department of Health, and provides primary health care services to the community.
Poverty alleviation and enterprise development	
Business Development Support (BDS) centre (Kuruman)	The BDS centre in Kuruman is based on the Business Simulation Hub model developed in Kathu. Opened in January 2011, the centre supports around 280 entrepreneurs a month by assisting with a variety of business issues, providing training and mentoring, and helping to obtain funds.
Manyeding cultivation project	The aim of the initiative was to create a sustainable agricultural business that would benefit the broader community through employment, skills development and economic empowerment. Although the project started in 2010, it became commercially viable in November 2011 with financial support from Kumba.
Infrastructure	
Zinc air fuel cells project	Kumba fitted around 250 rural households in the Gaetsewe district with zinc air fuel cells as an alternative to paraffin and candles.
Addressing water backlog in Moshaweng: Dithakong village	This project involved the refurbishment of boreholes and storage facilities and the reticulation and replacement of standpipes with pre-paid meters.
Sewer network in Olifantshoek	Kumba was a partner in the upgrading and expansion of the sewer network in the Dithong township in Olifantshoek.
Upgrade of water management infrastructure near Kolomela mine	This involved the planning and construction of water management infrastructure for the Siyanda municipality (Kuruman) and the Tsantsabane municipality (Postmasburg).
Postmasburg bus and taxi terminus	This project is a joint venture with the Tsantsabane municipality, with funding provided by Kolomela and Beeshoek mines. It focused on the upgrading and expansion of the bus and taxi terminus in Postmasburg town to assist with safer traffic flow through the town.

CASE STUDY

KUMBA'S SOCIAL AND COMMUNITY DEVELOPMENT STRATEGY 2012 TO 2036



David Mochaed, irrigation operator, and Patrick Moreeng, extension officer, at work at the Kuruman Manyeding agri co-operative near Sishen mine.

KPI Kumba's recently approved, long-term SCD strategy states it will "start with the end in mind – with its vision of the legacy it leaves its host communities when the ore is exhausted and the mine closes down. For the purposes of this strategy we will consider a 25-year time-frame". The strategy has among its aims to leave host communities with a well-planned and well-implemented Kumba legacy.

The strategy will incorporate the SLP, (LED, CSI and enterprise development). It will comply with statutory, industry and corporate regulations and requirements, consider national, provincial and local government objectives and pull together existing tools, research, practice and knowledge. Key among these tools is Anglo American plc's SEAT which is a process to help create and implement sustainable development policies. SEAT comprises seven key steps and includes the profiling of host communities, identifying and engaging with stakeholders and assessing communities' socio-economic development needs.

The SCD strategy will be reviewed annually and updated every five years and will start planning now for closure and withdrawal of the mine. When the time of withdrawal comes:

- infrastructural needs will have been accommodated during the life of the mine;
- the community will be able to analyse and plan for their needs; and
- local government, along with the community development trust, will assume the maintenance of infrastructural development and the continuation of social and community development formerly undertaken by the mine.

All projects undertaken within this strategy will commence with a baseline situation analysis, upon which progress can be monitored, and annual spend and benefit to beneficiaries can be measured. Partnerships with all roleplayers will be sought, in order to facilitate an all-encompassing, well-planned transformation of host communities. An approach of co-operation rather than competition with other local businesses is to be adopted as corporate co-operation and pooling of resources results in greater economies of scale and a greater impact on communities.

The strategy describes a Kumba mining town in 2036 as one in which:

- road infrastructure has been provided to isolated communities, enabling rapid access to services and facilities;

- efficient and effective education and health systems have been established;
- a vibrant local economy, independent of the mine, has been developed, creating jobs for host communities;
- skills development has been provided to enable uptake of opportunities and encourage further development;
- environmental impact has been a primary consideration in all development so that the area has been grown in a green way, including using solar power and recycling;
- development keeps pace with technological advancement; and
- tourism opportunities have been identified and developed and the Northern Cape 'put on the map'.

The strategy identifies the ways in which this vision will be achieved:

- roads, water and sanitation facilities will have been funded by Kumba through its LED partnership with local municipalities and through partnerships with other big business;
- housing needs will have been met with home-ownership plans;
- targets will have been met in social and community development, particularly improved education and health care; improved care of the vulnerable; improved access to sports, arts and culture; training; capacity building and job creation; and conservation of the environment;
- through its enterprise development programme, Kumba will have assisted in establishing many small businesses to service the community;
- throughout the 25-year period, Kumba will have inculcated in host communities the concept that once the mine closes, the responsibility for maintaining infrastructure, future improvement and social and community development will pass to local government, together with the Community Development Trust; and
- Kumba will have identified capacity-building and training capabilities in municipalities and NGOs in preparation for closure.

The strategy's forecast targets are contained in a guiding framework over the period from 2012 to 2036, and provide a forecast spend trend, a spend shift by focus area, a detailed high-level overview, a budgeted split by operation, and a compliance (with the Mining Charter and Millenium Development Goals) and reach illustration.

In addition, a need for a specific focus on youth development has been identified and a youth development strategy will be formulated by the end of 2012.

SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY

PRODUCING A SIGNIFICANT GLOBAL PRODUCT

Kenneth Voogies, Eugene van Staden, Mike Reynolds and Gabriel Baadjie inspecting the train wheels and couplinks next to the load out station at Kolomela mine.

Kumba takes seriously its commitment to the safe and responsible production, marketing, sale and use of its products. This responsibility exists at various levels and disciplines within the organisation, including: projects; mining and processing; logistics; research and development; marketing; and public affairs and communications.

As South Africa's premier producer of iron ore, Kumba is committed to quality, reliability and consistency of supply. This commitment allows Kumba to anticipate the needs of a select group of customers, with whom it strives to build reliable partnerships. The physical properties of its iron ore have allowed the company to create niche products that enhance the operational efficiencies of its steelmaking customers. This means that by using the products that the company has been able to tailor to their specific needs, customers are in turn able to reduce their energy, water and processing materials consumption as well as their operational emissions.

www.angloamericankumba.com/products_niche.php

ENGAGING WITH CUSTOMERS

Kumba exports iron ore to around 30 customers in more than 10 countries, all of whom are involved in steel production. Over a number of years, the company has built strong relationships with these customers by fostering proactive communication. Established communication vehicles include site visits, feedback reports and customer satisfaction surveys.

At a group level, engagement with customers is overseen by the global head, marketing and logistics. In addition, each customer is assigned a marketing manager to tend to their everyday needs. Customer satisfaction surveys are carried out regularly and a customer complaint system is in place to enable customers to express their concerns.

QUALITY CONTROL

Sishen mine is the only haematite ore producer in the world to fully beneficiate its product by making use of dense medium separation (DMS) and jig technology, while ore from Kolomela mine is only crushed and screened. The company is a fully accredited ISO9001 producer, with a laboratory that is ISO17025-accredited.

As the ore leaves the stockpile area, in-line product sampling, aligned with ISO standards, ensures that only product which meets certain minimum standards is delivered to customers. During the beneficiation process at the mines, regular sampling and analysis of the ore takes place to ensure that quality standards are met.

Further quality assurance is done at the port of Saldanha Bay. During the loading of the vessels, samples are taken by an independent company to certify the actual loaded quality of each consignment. The Saldanha Bay sampling plant is a state-of-the-art facility established to provide world-class sampling and analysis standards and to ensure the highest levels of service delivery.

All of the products are sampled at the plant to provide customers with an accredited consignment analysis certificate. Samples are taken from the ship-loading conveyors and are then introduced into a fully automated robotic laboratory where they are simultaneously prepared for physical and chemical analysis, after which they are analysed by means of X-ray fluorescence. Once the quality has been established and verified, flexible loading strategies allow multiple-product loading on to a single ship, single-product loading using both conveyor lines, or the loading of two vessels with either the same or different products. Each customer receives a certificate of quality upon receipt of the product.

CUSTOMER HEALTH AND SAFETY

All health and safety impacts of the final product at the various stages of the production process have been assessed. In terms of customer health and safety, there are no material health and safety complications related to the final products produced and marketed by Kumba as iron and iron ore are not classified as hazardous materials.

PRODUCT AND SERVICE LABELLING

Since iron and iron ore are not classified as hazardous, labelling procedures are not required in most instances.

Nevertheless, Kumba has material safety data sheets which describe the physical and chemical properties of its products. These sheets also outline precautions which should be applied during handling and use, risk control measures and procedures in case of emergency. No incidents of non-compliance with regulations concerning product and service information or labelling were reported during the year.

CUSTOMER PRIVACY AND CONFIDENTIALITY

Kumba respects the privacy of its customers and to this end, confidentiality agreements and non-disclosure undertakings are standard in its customer contracts. No complaints, substantiated or otherwise, regarding breaches of customer privacy and losses of customer data occurred during the year under review.

COMPLIANCE

No fines were received for non-compliance with laws and regulations during the year.

ABOUT KUMBA'S PRODUCT

Iron ore is the host material from which iron oxides are extracted and subsequently used in the production of steel. It is estimated that up to 98% of mined iron ore is used for this purpose, signifying the significance of this product to the steel-dependent global economy. The principal sources of iron are iron oxides: magnetite, haematite, goethite, limonite and siderite. Kumba's orebodies contain haematite. Iron is the fourth most plentiful element on earth, making up approximately 5% of the planet's crust. It is believed Earth's inner core comprises an iron-nickel alloy.

The mining of iron ore is a high-volume, capital-intensive process, typically requiring extensive infrastructure, including a rail port network.

Raw iron (pig iron, cast iron), which is extracted from iron ore, is very brittle and has limited industrial application, so it is alloyed with various elements (including carbon, tungsten, manganese, nickel, vanadium and chromium) to make a vast array of steels which have an almost endless range of industrial uses.

To extract metallic iron from iron ore, the ore must be smelted in a blast furnace at a temperature in excess of 1,500°C or directly reduced using direct reduction equipment. Iron ore is fed into the blast furnace in its raw form, or in the form of lumpy, pelletised or sintered ore.

Leading iron ore producing countries are China, Australia, Brazil, India, Russia, Ukraine, South Africa and the United States. The primary global consumers of iron ore are China, Japan, South Korea, the US and the European Union.

www.angloamericankumba.com/products_range.php

MINIMISING AND MITIGATING IMPACTS



Shadi Mathobela, environmental officer, and Heilet Hattingh, environmental co-ordinator, verifying that the isobody unit is in order at Thabazimbi mine.



CO₂e INTENSITY
(t/tonne ore)
(2010: 0.019)

0.023

REHABILITATION FUNDS
(2010: R372m)

R568m

KPI Key performance indicator

AFS See the corresponding pages in the Annual Financial Statements

IR See the corresponding pages in the Integrated Report

www See the website www.angloamericankumba.com

CS Case study

Environmental performance

80 Case study: Biodiversity, custodianship and dewatering at Sishen mine

81 Case study: Hydrocarbon management and bioremediation at Sishen mine

ENVIRONMENTAL PERFORMANCE

Kumba aims to minimise and mitigate the environmental impacts of its operations by taking a systematic and disciplined approach to the identification of environmental risks, which are then addressed through strategic initiatives and improvement plans. Environmental management is an integral part of the group's operations, from exploration and construction, to mining and closure, and is the responsibility of line management. Management is supported in its endeavours by a group-level environmental team, headed by a group environmental manager, who in turn reports to the executive head: safety and sustainable development. Mine-based environmental managers are assisted by a team of internal and external environmental technical experts.

Kumba's approach to environmental management is guided by the company's safety, health and environment (SHE) policy. The foundations of the SHE policy are: Zero Harm mindset; no repeats; and simple, non-negotiable standards. The policy's environmental principles are that:

- all environmental damage is preventable;
- recurrence of environmental incidents, non-conformances and complaints can be prevented; and
- non-negotiable environmental standards and rules must be consistently applied throughout Kumba.

The policy was revised during the year and is available on the website.

 www.angloamericankumba.com/pdf/policies/she_policies.pdf

 www.angloamericankumba.com/pdf/policies/environmental_policy.pdf

COMPLIANCE

KPI All three mines have environmental management plans (EMPs) in place that have been reviewed and approved by the DMR. As and when activities are changed or new activities added, the EMPs are amended and re-submitted to the DMR for approval. In line with the requirements of the MPRDA, annual performance assessments against commitments made in the EMPs are reviewed and submitted to the DMR.

Kumba continues to operate within the ambits of approved EMPs, integrated water use licences (IWULs) and other permits. Several EMP and IWUL amendments have been submitted to the relevant authorities and are currently awaiting approval.

No fines or non-monetary sanctions were imposed for non-compliance with environmental laws and regulations during the year.

As part of mine closure plans, extensive physical and financial assessments are conducted both to address the requirements of the MPRDA in relation to financial provisions for mine closure and as part of Kumba's adherence to good practice.

During the year, environmental legal compliance audits were conducted at Kolomela mine, Thabazimbi mine, the Sishen South Western Expansion project (SWEP), the company's exploration sites and operations at the port of Saldanha Bay. Valuable lessons were learned from these audits. The following key issues requiring improvement were identified:

- completion of remediation work on legacy groundwater contamination;
- stormwater management;
- eradication of alien and invasive species; and
- waste management.

Plans for corrective action are being developed to ensure that there are no repeats and that management systems continue to improve.

ISO14001 ENVIRONMENTAL MANAGEMENT SYSTEMS CERTIFICATION

Kumba has adopted the ISO14001 standard as the basis for its environmental management systems (EMSs). The ISO14001 compliant EMSs at Sishen and Thabazimbi mines were audited by third-party certification bodies during July 2011 and October 2011 respectively, and both retained their certifications. Kolomela mine is currently setting up an ISO14001 system, and will seek certification in 2012.

INCIDENTS AND INCIDENT REPORTING

Incident reporting procedures in line with the ISO14001 management system are in place at all operations. All incidents are classified according to the Anglo American plc classification of environmental incidents, from Level 1 to Level 5, as per the classifications listed in the table below. Level 4 and 5 incidents are considered to be significant, and no incidents of either classification were reported during 2011. Seven Level 3 incidents did occur at Sishen mine, none of which received a fine or regulatory directive. Six of these were water- or borehole-related and one involved an accidental fire on a landfill site. In all seven cases, remedial action was taken immediately and monthly follow-up monitoring of the water-related remediation measures was implemented.

Level	Classification	Description
1	Insignificant	No or very little impact
2	Minor	Low impact, clean up possible using only internal employees
3	Moderate	Medium impact confined within lease area; clean up possibly requiring external assistance
4	Major	High impact extending beyond lease area; considerable clean up requiring external resources and assistance
5	Catastrophic	Severe and lasting regional impact, with potential harm to species populations; lengthy recovery period requiring external resources and assistance



Lauren Mary Gericke, exploration geologist, discussing the Welgevonden Wolhaarkop outcrop with Deon Nel, senior geologist, at Kolomela mine.

PRIORITIES

Kumba has identified five priority areas and associated actions and targets. These are:

- energy and carbon dioxide equivalent (CO₂e) emissions management and reporting;
- water management and reporting;
- assurance;
- remediation and pollution prevention; and
- land management, biodiversity and rehabilitation.

REDUCING MATERIALS USED

The primary raw materials used by Kumba are the rock mined and the ore processed. Kumba's intention is to minimise its footprint as far as possible. Given recent expansions and pit optimisation, and as

mining of ore remnants at Thabazimbi mine progresses, the ratio of waste removed to ore shipped has risen steeply as more overburden (waste rock) needs to be removed for the same amount of ore shipped.

At this stage, the recycling of input materials only occurs at Sishen mine where approximately 8,000m³ was recycled, 3,500m³ of which is in the process of being treated. However, Kumba is increasingly focused on processing and recovering product from lower-grade material that would otherwise have been discarded as waste. In this way, the company is able to turn to account a far greater percentage of its orebody than in the past.

The primary process materials used (that is, materials that are needed for the manufacturing process but are not part of the final product) are diesel, explosives, lubricants and tyres.

IR Pages 38 to 63

MINING AND PRODUCTION (Mt)

	Ore mined		Waste mined		Final product	
	2011	2010	2011	2010	2011	2010
Sishen mine	165.0	153.2	119.0	102.0	38.9	41.3
Thabazimbi mine	45.9	35.5	44.2	33.2	0.9	2.0
Kolomela mine	34.6	18.6	30.3	18.6	1.5	0
Group	245.5	207.3	193.5	153.8	41.3	43.3

PROCESS MATERIALS USED

	Diesel (MI)		Explosives (000t)		Lubricants (000l)		Tyres (t)	
	2011	2010	2011	2010	2011	2010	2011	2010
Sishen mine	113.6	97.5	47.9	45.5	7.3	12.5	1,896	1,689
Thabazimbi mine	11.6	10.7	6.8	6.8	160.9	162.6	192	152
Kolomela mine	16.8	8.7	19.5	20.8	268.9	126.8	144	3
Group	142.0	116.9	74.3	73.1	437.1	301.9	2,232	1,844

ENVIRONMENTAL PERFORMANCE

WASTE MANAGEMENT

The legal regime governing waste disposal in South Africa changed significantly with the introduction of the National Environmental Management: Waste Act 59 of 2008 (Waste Act), which came into effect on 1 July 2009.

Kumba ensures that its waste is managed in accordance with this legislation and with recognised best practices. A guideline document developed by Anglo American plc sets out an assessment methodology that assists operations with the assessment of their waste type and waste management activities in terms of the Waste Act.

Used tyres are currently stockpiled on site. Kumba is investigating the sustainable disposal of tyres by shredding and processing them into usable products. A firm proposal in that regard will be finalised after a due diligence exercise that is being conducted by Sishen mine.

Used oils and batteries are collected by specialist recyclers. Recycling programmes for soil that has been contaminated with hydrocarbons are in place.

The mineral waste from mining and processing is chemically inert and therefore poses no chemical risk.

Kumba has not transported, imported, exported or treated waste that is deemed hazardous in terms of the Basel Convention Annex.

Waste rock at Thabazimbi mine is deposited at the natural angle of repose, that is, between 35° and 37° down the side of the mountains. These waste rock dumps are then levelled off to between 20° and 24° which is accepted throughout the industry as a safe angle at which the necessary planting of vegetation can be conducted as part of rehabilitation. Small crater-like indentations are created on the levelled-off surface to manage and catch stormwater for the trees and grass that are planted there. The coarse tailings from the plant are deposited on the coarse tailings dump and are used for road building and other similar applications. The fine tailings are deposited in the mine's slimes dams from where the water is recycled to the plant.

Waste rock dumps at Kolomela mine are designed and constructed with the aim of keeping pollution to an absolute minimum. This entails the building of the outer shell of the dumps so that dust and run-off water can be contained and the outer dump benches can undergo concurrent rehabilitation. The tailings storage facility has been constructed as an impoundment facility and the outer walls have been sloped and covered with topsoil so as to encourage the establishment of vegetation.

Waste rock, tailings and sludge dumps at Sishen mine are managed according to the mandatory Code of Practice for Mechanically Placed Mine Residue Deposits, drawn up in accordance with legislation. The rehabilitation of waste dumps will commence in 2012 according to a five-year rehabilitation plan approved by the Executive Committee in July 2011.

At all three operations, general waste is disposed of at local municipal landfill sites. Any hazardous waste is removed and disposed of off-site by qualified waste management contractors.

ENERGY AND CLIMATE CHANGE

KPI Kumba subscribes to the Anglo American Group Energy and Climate Change Strategy in which initial focus will be on performance improvement, followed by innovation in order to reduce consumption and emissions. The group's strategy is to reduce greenhouse gas (GHG) emissions through an overall reduction in energy intensity (consumption per tonne of ore mined).

www.angloamericankumba.com/pdf/policies/climate_change_policy.pdf

THREE-PHASE APPROACH TO MANAGING THE IMPACT AND MITIGATING THE EFFECTS OF CLIMATE CHANGE

First phase:

- roll out of ECO2MAN, an energy and CO₂e management system that will determine carbon and energy performance management standards and assist in setting targets;
- ensuring the cost of carbon informs business decisions;
- using regional climate models to identify key site adaptation requirements;
- evaluating value-added services, including synergy and product market risks and opportunities; and
- co-operating with government and industry to examine responsible carbon policies.

Proactive phase:

- use of carbon markets to minimise cost of compliance;
- factoring of climate adaptation measures into business plans;
- formation of low-carbon technology partnerships with key stakeholders;
- implementation of carbon offset projects; and
- investing in energy and carbon saving projects.

Final phase:

- partnering with stakeholders on carbon reducing projects;
- embedding carbon and energy savings culture in workforce; and
- investing in low carbon technology innovation.

Kumba's approach is to develop 'bottom-up' site energy and carbon targets. A business-as-usual baseline has been established looking at energy consumption/carbon emissions from the present to a forecast for 2020. This baseline takes into consideration factors such as the life-of-mine plan, increasing production and activities that will result in higher energy consumption and emissions. Site-specific carbon abatement cost curves will be established, taking into account opportunities for energy efficiency, asset and supply chain optimisation, new technology and synergy projects, as well as the potential for carbon offsets. These results can then be used to determine the savings that will be possible and their cost implications, and to set realistic site-specific targets.

Kumba is seeking to move towards renewable energy to minimise its impact on climate change. Sishen and Kolomela mines are in an area of abundant year-long sunshine and this provides an opportunity for solar energy as an alternative energy source. The company is investigating this. Solar water heaters have already been used in Kumba's housing projects, and the company is also part of a consortium looking at the development of a 70MW solar power plant and participating in a study to investigate renewable energy opportunities.

Kumba recognises that containing the use of electricity and fuel consumption reduces both the potential carbon footprint and operational costs. Opportunities to reduce energy usage are identified and evaluated by a cross-discipline steering committee, which is also responsible for assessing the company's progress and status regarding climate change. The team is led by the executive head: technical services, acting as the energy/water champion, who reports on findings and provides information to the Executive Committee and the board's SSS&E Committee. The energy team has measurement, reporting and improvement teams functioning at the operational or project level.

A monthly meeting is held by mine energy champions, during which progress against targets and new projects regarding energy and the environment are discussed.

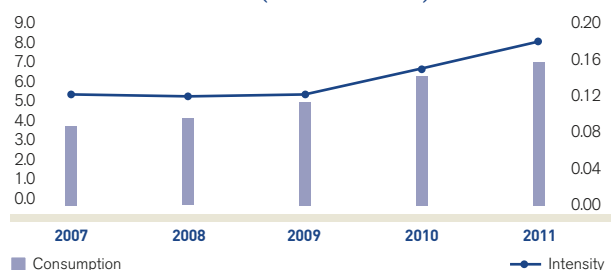
By the end of 2013, a climate adaptation plan for Kumba, detailing the risks and associated mitigation plans, will have been put in place. This will be supported by the development of a regional climate model to identify key site adaptation requirements.

The total energy consumption for the group rose by 10.7% to 7,046,889 gigajoules (GJ) in 2011 (2010: 6,365,277GJ), owing to rising waste stripping requirements and expansions. Energy intensity also rose by 20% to 0.177GJ per tonne of ore. Of the total energy consumed, electricity purchased accounted for 26% while 74% was generated from fossil fuels.

Anglo American plc uses its Group Technical Standard as an energy and emissions management standard for the Group. Gap analyses for full compliance were conducted during the year by Anglo American Technical Services at all of Kumba's operations.

Sishen mine's compliance was found to be 68% in March and 88% by December 2011. Thabazimbi mine's compliance rose from 40% to 68% over the same period, and Kolomela mine's compliance increased from 28% to 40%. Full compliance is targeted for December 2012.

ENERGY CONSUMPTION (million GJ) AND ENERGY INTENSITY (GJ/tonne ore)



ENERGY SAVING INITIATIVES UNDERTAKEN OR COMPLETED DURING 2011

Location	Project	Energy savings potential (GJ per year)	Carbon emission savings potential (CO ₂ e tonnes per year)
Sishen mine	Installation of solar water heaters as part of Sishen mine's hostel conversion process.	1,518	39
	Replacement of a dust extraction system with a dust suppression system that uses smaller motors.	30,758	39
	Installation of solar water heaters on mine houses in town.	2,490	39
	Installation of solar water heaters at Sishen mine change-houses.	39	39
	Diesel energy efficiency management system (DEEMS) used to track diesel performance and to log and track interventions. Diesel saving of 171,262 litres for 2011.	6,186	39
Thabazimbi mine	Changes to the standard fine ore DMS flow line at the Thabazimbi plant.	Savings to be quantified	Savings to be quantified
	Replacement of Thabazimbi mine haul trucks.	Savings to be quantified	Savings to be quantified
Kolomela mine	Installation of 226 solar water heaters on houses completed by November 2011.	1,485	424

ENERGY CONSUMED FROM FOSSIL FUELS (DIRECT) (million GJ)

	2011	2010
Sishen mine	4.16	3.78
Thabazimbi mine	0.42	0.42
Kolomela mine	0.65	0.34
Group	5.23	4.54

ENERGY CONSUMED FROM ELECTRICITY PURCHASED (INDIRECT) (million GJ)

	2011	2010
Sishen mine	1.64	1.70
Thabazimbi mine	0.10	0.10
Kolomela mine	0.07	0.02
Group	1.82	1.82

TOTAL ENERGY CONSUMED (DIRECT AND INDIRECT) (million GJ)

	2011	2010
Sishen mine	5.80	5.48
Thabazimbi mine	0.53	0.52
Kolomela mine	0.72	0.36
Group	7.05	6.36

ENVIRONMENTAL PERFORMANCE

TOTAL CO₂e FROM FOSSIL FUELS (SCOPE 1 EMISSIONS¹) (Mt)

	2011	2010
Sishen mine	0.31	0.27
Thabazimbi mine	0.03	0.03
Kolomela mine	0.05	0.02
Group	0.39	0.32

TOTAL CO₂e FROM ELECTRICITY PURCHASED (SCOPE 2 EMISSIONS²) (Mt)

	2011	2010
Sishen mine	0.47	0.49
Thabazimbi mine	0.03	0.03
Kolomela mine	0.02	0.01
Group	0.52	0.52

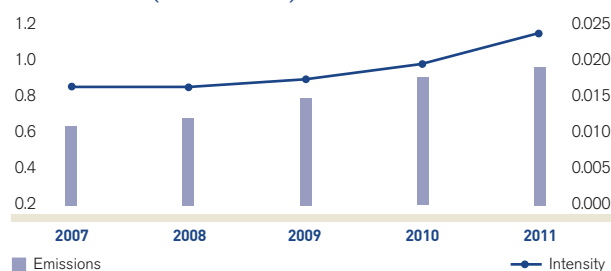
TOTAL CO₂e EMISSIONS (SCOPE 1 AND 2 EMISSIONS) (Mt)

	2011	2010
Sishen mine	0.78	0.75
Thabazimbi mine	0.06	0.06
Kolomela mine	0.07	0.03
Group	0.91	0.84

www.angloamericankumba.com/pdf/reports/carbon_report_2011/2011_carbon_report.pdf

Total CO₂e emissions for 2011 were 907,141 tonnes (2010: 841,245 tonnes). This is 18% higher than those in 2010 as a result of increased waste stripping at Sishen and Thabazimbi mines, and growth at Kolomela mine. The intensity of CO₂e emissions was 0.023 tonnes CO₂e per tonne of ore produced. The group has set a CO₂e emission reduction target of 5% by 2015, against a business-as-usual curve with the base year of 2004.

CO₂e EMISSIONS (Mt) AND CO₂e EMISSIONS INTENSITY (t/tonne ore)



SCOPE 3 EMISSIONS³ (Source: CDP Information Request, May 2011)

Kumba's product is transported and distributed via railway from Sishen mine (and now from Kolomela mine) to Saldanha Bay and then exported by ship to China, Japan, South Korea and Western Europe. Railway emissions were estimated at 7.25 million tonnes of CO₂e (tCO₂e) and shipping emissions at 1.77 million tCO₂e. Kumba's business air travel is by commercial airline and company jet. Emissions were estimated at 83.2 tCO₂e for commercial flights and 26 tCO₂e for the company jet. Claimed business kilometres by road produced an estimated 339 tCO₂e. Employee commuting by road produced an estimated 80,075 tCO₂e.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE

The most material and immediate financial implication of climate change would be the introduction of a carbon tax. As a member of the Anglo American plc Group, Kumba participated in a recent independent study conducted by McKinsey Consulting to evaluate this implication, and ensure that Kumba is prepared for this development, should it arise. The company considers itself to be adequately prepared.

Although the uncertainty inherent in climate change itself makes quantification of financial implications difficult, damage to assets and/or disruptions to production could have severe financial effects. Disruptions to electricity supply and infrastructural damage caused by storms are some of the possible related risks.

Failing stable electricity supplies, relatively costly diesel fuel would have to be used to generate power. The export-orientated nature of the product also exposes a logistical risk with respect to railway, road and harbour infrastructure, although in most cases this would have financial implications for customers rather than producers.

By the end of 2013, a climate adaptation plan for Kumba, detailing risks and associated amelioration plans, will be in place, as will a regional climate model to identify key site adaptation requirements. The Anglo American Group Climate Change and Energy Strategy has a 10-year time horizon. Over that period there will be continuous cost requirements for the design, management and implementation of the adaptation plans – including the development of regional climate models – as well as capital costs associated with adaptation measures introduced into business plans.

¹ Direct emissions from GHG sources owned or operated by Kumba.

² Indirect emissions from GHG sources not owned or operated by Kumba, but that are necessary for Kumba's operation.

³ All indirect emissions not included as part of Scope 2 emissions. Scope 3 emissions occur as a result of Kumba's activities but are not central to its operation. These include business travel, supply chain emissions and product transport.

(Source: Carbon Disclosure Project)

WATER

KPI Kumba's mines, particularly those in the Northern Cape, are located in water-scarce areas. At all of its operations, Kumba relies on groundwater abstraction as a water source. Total water withdrawals by Kumba in 2011 were 20.8 million m³, of which 40% was used for primary processing activities by the company.

Excess clean groundwater from dewatering activities at Sishen and Kolomela mines is exported to the local water authority (Sedibeng Water) in line with approved IWULs, for use by surrounding municipalities. In 2011, a total of 2.1 million m³ was provided to Sedibeng Water from Sishen mine (2010: 0.9 million m³) and 5.0 million m³ from Kolomela mine (2010: 0.7 million m³). Thabazimbi mine does not have a water licence to discharge any of its water. No unplanned discharges are believed to have occurred during the year at any of the company's operations and no natural water bodies were affected by water discharge or runoff as a result.

Kumba is considering increasing its use of treated water from municipal waste water treatment works (grey water). Present indications are that the use of treated effluent would not be detrimental to any mining or metallurgical processes. Currently 21%

of Sishen mine's and 27% of Thabazimbi mine's water use is from treated effluent. There is potential for substantially greater use of grey water. For Sishen and Kolomela mines, increased grey water consumption implies increased water export and for Thabazimbi mine, less abstraction from groundwater sources.

There is also potential for harvesting storm water from surface run-off areas as well as from mining pits. At present, only a very limited amount of surface storm water is recovered from drainage channels. A study is currently under way to design storm water systems to meet modern environmental and legislative requirements. It is estimated that 70% of Sishen's water demand could be met through the use of treated effluent and harvested rain water.

Managing dewatering

Since 2000 numerous complaints have been received from private landowners concerning an alleged lowering of water levels in the area around Sishen mine. At local environmental meetings Kumba has itself committed to determining the impact of its dewatering and to assist those found to be affected.

PRIMARY WATER CONSUMPTION AND WATER RECYCLING (000m³)

	Water used for primary activities		Water used for non-primary activities		Water reused/recycled in processes		Water reused/recycled in relation to water used for primary activities (%)	
	2011	2010	2011	2010	2011	2010	2011	2010
Sishen mine	5,902	6,232	8,078	-	4,278	-	72.48	-
Thabazimbi mine	1,522	2,130	305	-	147	-	9.66	-
Kolomela mine	755	416	0	-	197	38	26.09	9.13
Group	8,179	8,778	8,383	-	4,622	38	56.51	0.43

BREAKDOWN OF WATER ABSTRACTION BY SOURCE 2011 (000m³)

	Potable water from external source	Non-potable water from external source	Groundwater	Waste/second class water	Total
Sishen mine	181	49	12,759	1,551	14,540
Thabazimbi mine	209	-	1,261	231	1,701
Kolomela mine	-	-	6,732	-	6,732
Group	390	49	20,752	1,782	22,973

WATER SAVING INITIATIVES UNDERTAKEN OR COMPLETED DURING 2011

Location	Project	Water savings potential (MI per year)
Thabazimbi mine	Maintenance to fix plant leakages	300
	Construction of catchment area for plant process water	50
	Additional dust suppression measures	In progress
	Installation of water filling point valves	In progress
	Introduction of new chemical measures as substitutes for water to increase dust suppression	In progress
Phoenix project	Recycling of exploration water	Savings to be quantified

ENVIRONMENTAL PERFORMANCE

A geohydrological study was carried out by an external consultant between 2002 and 2007. Studies were carried out in four phases, due to the complexity of the regional geohydrology and the large extent of the area concerned. The aim was to delineate the area affected by the abstraction of groundwater from Sishen mine. The studies confirmed that a number of private landowners to the south of Sishen mine had indeed been affected.

After heavy rainfall during February 2006 Kumba was informed by landowners in the area that the flow of the Gamagara River had been interrupted at a point on Kumba property which prevented further downstream flow. It was found that dewatering activities aggravated the development of river-bed swallets (sinkholes), which intercepted surface flow and thus prevented downstream flow, and it was concluded that a loss of recharge to the Gamagara River alluvial aquifer would have a negative impact on the sustainability of boreholes in this river. The study delineated affected areas and the following measures of assistance are being given to parties within them:

- provision of water through pipeline infrastructure and mobile water tankers;
- testing of pumps at existing boreholes and installation of pipelines;
- drilling new boreholes, testing existing pumps and installing new pumps;
- provision of grazing land and subsidies;
- provision of water tanks for storage; and
- purchase of affected farms.

Complaints were then still received from landowners situated adjacent to the demarcated affected areas. Assistance is now also being given to these neighbours in the affected areas.

Further, in 2009, an external geohydrologist was appointed by Kumba to represent landowners in developing a conceptual geohydrological model of the area and to evaluate the effect of the dewatering, taking all previous studies and information into account.

Kumba is aligned with Anglo American plc's overall goals for water stewardship. Local and incremental savings targets are derived from the bottom up, taking into consideration the catchments' water stress conditions. Apart from maximising efficiencies or water-use intensities, consideration is also given to water reuse, recycling and harvesting.

Water contamination

Contamination of groundwater at Sishen mine in the 1990s, resulting from a burst fuel pipeline spilling diesel along its route, has largely been addressed. Contaminated water is collected in subterranean drains, pumped out, treated and reused in the plant. Kumba will continue to treat the contamination until it is clean.

Kumba does not discharge any dirty or contaminated water into the natural surroundings of any of its mines. No water bodies are affected by discharge from its operations.

LAND MANAGEMENT

Kumba has 57,849 hectares of land under management: 16,942 hectares at Kolomela mine and 30,100 hectares at Sishen mine in the Northern Cape, and 10,807 hectares in Limpopo. Around 9,140 hectares (6,193 hectares at Sishen mine, 291 hectares at Thabazimbi mine and 2,667 hectares at Kolomela mine) of this land has been disturbed by mining activities.

BIODIVERSITY

Sishen mine is currently in the process of reviewing its overall biodiversity status in terms of new legislation and a comprehensive reclassification of its biodiversity impact is taking place, the results of which will be reported in 2012.

The Northern Cape, where Sishen and Kolomela mines are situated, is an area of high ecological value and, most notably, one that is known for the prolific growth of camel thorn (*acacia erioloba*), which is classified as a protected species. The company takes special care to meet legislation related to any protected species and the group has biodiversity action plans (BAP) in place at all three of its mines. BAP reviews were previously conducted by Anglo American plc specialist teams in conjunction with Flora and Fauna International. The BAPs are due for completion and review in 2012.

The company is also conducting studies in conjunction with the Council for Scientific and Industrial Research (CSIR) and various universities to better understand the impact of its mining operations on biodiversity. In particular, the CSIR has been appointed to undertake a baseline tree assessment, by means of satellite imagery combined with field assessment, in the first phase of a project to

LAND DISTURBED BY MINING ACTIVITIES (hectares)

	Total land under management	Land disturbed to date	Land disturbed in 2011	Land rehabilitated in 2011
Sishen mine	30,100	6,193	0	0
Thabazimbi mine	10,807	291	0	0
Kolomela mine	16,942	2,667	2,375	2
Group	57,849	9,140	2,375	2

assess the potential impact of mining on the local camel thorn populations.

At Sishen mine, a biodiversity offset area is being identified to compensate for the destruction of trees, in preparation for the implementation of the SWEP project. This land borders the mine to the east and southwest and is currently being fenced, ahead of the introduction of several species of game, planned for 2012. Sishen mine is also working on the eradication of alien and invasive species on mine land.

Kolomela mine has a protocol in place for monitoring the effect of dewatering, dust and rehabilitation activities on biodiversity. Also at Kolomela mine, waste dumps have been designed to skirt and protect certain areas and the fauna and flora contained in them. As an example of such practice, three century-old fig trees were transplanted rather than destroyed in preparation for mining.

At Thabazimbi mine, a lodge located in the Ben Alberts Nature Reserve on mine land has been rehabilitated for post-mining use. The mine area is also being fenced off in order to relocate animal species, while plans have been completed to reduce bush encroachment and reintroduce grass cover. Infrastructure that cannot be used in the game farming activity will be leased or sold in line with closure plans.

Approximately 40 to 50 species of conservation importance are estimated to occur around Sishen mine, including plants, vertebrates and invertebrates. The mine is currently in the process of reviewing its biodiversity status in terms of new legislation and a comprehensive reclassification of all biodiversity is taking place as part of this process.

Kolomela mine is home to 108 protected vertebrates, including three IUCN Red Data List species, whose habitats are potentially affected by mining activities.

Thabazimbi mine is home to five species of vegetation classified as protected (camel thorn, marula, leadwood, violet tree and bushveld saffron), one, specially protected (Transvaal red balloon) and one, vulnerable (tamboti). Three endangered bird species are found in the same area as the mine (white-backed, cape and lappet-faced vultures), and one vulnerable species (martial eagle).

REHABILITATION

In total, some 154 hectares of Kumba's land under management have been rehabilitated to date. No rehabilitation was carried out at Thabazimbi mine in 2011, due to changes in the life of mine plan and taking into account that the mine had remained within its current footprint with regard to its land under management. Rehabilitation is due to continue in 2012. Similarly, no rehabilitation was conducted at Kolomela mine, as operations have only recently started.

Kumba is moving towards concurrent rehabilitation at all mines. Thabazimbi mine has been conducting concurrent rehabilitation since 1984. Sishen mine's comprehensive, five-year rehabilitation plan was approved by the Executive Committee in July 2011 and is currently being implemented. A civil engineer has been appointed to design the rehabilitation areas, and a tender was subsequently issued to civil contractors for its implementation. A preferred contractor has been selected and the purchase recommendation was signed off in December 2011.

The 1990s Sishen mine diesel spills also resulted in major contamination of soil. Unexplained diesel spillages around fuelling stations also occur but improved operational measures such as new nozzles at filling stations, bunding in areas where spills can occur, new work instructions and ongoing environmental awareness programmes have been implemented to prevent future pollution. Soil is removed and treated using bioremediation.

Any residual soil contamination is treated *in situ* using naturally occurring bacteria to break down and feed on residues. A sophisticated remediation facility, through which all sludge produced is now processed, has been recently commissioned at Sishen mine.

Both Kolomela and Thabazimbi mines are awaiting authorisation to enable them to construct and operate bioremediation plants. Approximately 400m³ of contaminated soil is currently undergoing bioremediation at Thabazimbi mine.

Sishen and Thabazimbi mines have preliminary closure plans in place, while Kolomela mine's closure plan is under preparation and should be in place by August 2012.

Kumba is fully compliant with legal requirements for guarantees and funding of rehabilitation associated with closure. Quarterly contributions are made by the mines into the Kumba Rehabilitation Trust. At 31 December 2011, the total investment held by the trust was R568 million (2010: R372 million). This is against a total estimated closure obligation of R1,591 million (2010: R1,416 million).

AFS Pages 44 to 45

CS Biodiversity custodianship and dewatering at Sishen mine

CS Hydrocarbon management and bioremediation at Sishen mine

CONTAINING DUST

Kumba's mining activities create dust. To manage the effects and to fulfil its legal obligations related to dust emissions, Kumba has implemented a monitoring programme that measures suspended particulate ('nuisance dust') and PM10 (particulate matter not exceeding 10µg/m³ of inhalable dust). Air quality management plans are in place at all mines. Sishen mine installed three new PM10 monitoring stations in Kathu, Sesheng and Dingleton respectively, with additional monitors installed within the mine area itself as well.

Kumba's mines have implemented dust suppression measures, which include spraying unpaved roads using water trucks, and the use of a biodegradable dust suppression chemical agent. At Kolomela mine, investigations are under way on the use of mist canons for the buffer stockpiles. Two water trucks have also recently been purchased by the mine for the municipality to water dusty roads in the area, and the new tarred access road has also eliminated a lot of dust complaints. Kumba engages with internal and external stakeholders on its impacts and control measures.

Kolomela has procured a new air-quality monitoring device and two existing monitoring stations are being refurbished to improve data reliability. Thabazimbi mine has acquired dust monitoring equipment and monitoring has begun.

CASE STUDY

BIODIVERSITY CUSTODIANSHIP AND DEWATERING AT SISHEN MINE



The *acacia eriobola*, or camel thorn tree, is a protected species and is one of the main subjects of Kumba's biodiversity action plan at Sishen mine.

Sishen mine owns some 30,100 hectares in the semi-arid landscape of low shrub land and grass of the Northern Cape, 6,193 hectares of which is used for mining. The mine is in the process of preparing a biodiversity strategy for the area.

A preliminary BAP was compiled in 2009, assessing the ecology of the area and aspects of significant value. The BAP framework will help minimise the environmental impact of Sishen mine's operations.

Letladi Maisela, environmental manager: Sishen mine says: "A review of the BAP was conducted by our Anglo support team and Flora and Fauna International and we are putting a lot of effort into refining it now and into 2012."

One of the main biodiversity issues highlighted in the BAP was the prolific nature of camel thorn trees on mine land. This tree is a protected species in South Africa and the Kathu forest was declared the only protected woodland in South Africa in 2009. For this reason in the area around the Sishen South Western Expansion project (SWEPE), permits had to be obtained before camel thorns could be removed. Sishen mine, in conjunction with the Department of Forestry, is currently in the process of appointing a specialist company to identify a suitable offset area (an area of analogous ecological value to the area affected by mining, which can then be managed and conserved) for the species. Specialists have identified a deterioration in the condition of the camel thorn and Sishen mine has appointed the CSIR to investigate this problem, using satellite imaging. The CSIR will work in conjunction with the Department of Forestry and the Centre for Tree Health Biotechnology at the University of Pretoria.

Another key biodiversity issue is that of alien and invasive species: Sishen mine has appointed a company that continually removes alien species on its land. In future, Sishen mine will place increasing focus on removing invasive species from its non-mining land to ensure that veld conditions drastically improve. This will ensure that land will be in an optimal state for game farming post closure.

In a further important initiative affecting the biodiversity of the mine area, Sishen mine sold all cattle kept on mine land in 2010, in the first of several moves towards re-stocking with game and creating a nature reserve. Fencing has been erected and the area divided into two zones, the western one encompassing a railway line and water pipeline and the eastern reserved for game. In early October, however, fire destroyed some 80% of the veld earmarked for game and the land will take a year to recover. The mine hopes to start introducing small numbers of low-risk animals, such as zebra and springbok, around mid-2012.

A biodiversity working group has been established consisting of representatives from Sishen mine, the departments of Forestry, Water Affairs and Mineral Resources, the universities of Pretoria and the Free State, the CSIR, the Wildlife and Environment Society of South Africa, the Gamagara municipality and local farmers.

Dewatering at Sishen mine

KPI Dewatering is a prerequisite for mining at Sishen mine and the mine's environmental management plan and integrated water use licence allow for this. Dewatering activities result in a cone of depression around dewatering wells and, by extension, a lowering of water tables in the area. This creates problems for farmers as water levels in boreholes drop.

In 2000 Sishen mine started receiving landowners' complaints about falling water levels. An environmental forum was established that comprises affected farmers, Sishen mine representatives, Tshiping Water Users' Association, consultants and provincial government representatives. In 2002, water level studies were undertaken with the aim of delineating the affected area. Further studies continued until 2008, when it was concluded that dewatering had indeed affected water levels.

Following the findings, Sishen mine has put in place a comprehensive compensation system. Affected farmers are awarded grazing subsidies with which they purchase livestock feed. Water is also provided to those affected in one of three ways: by offering access to the Vaal Gamagara pipeline, by drilling deeper boreholes or, for those with no productive boreholes, by delivering supplies using water trucks.

Sishen mine has appointed a full-time liaison officer to deal with farmers' issues and quarterly ad hoc meetings are held. A technical subcommittee has also been established, as a means of communication between farmers and the mine before issues are tabled at the environmental forum. Three people work on the ground to manage the water delivery system, while another staff member works internally to log complaints.

Letladi comments, "We have made sustained efforts to understand the needs of our local communities and develop a sound relationship with all affected parties, particularly our local farmers, and I believe our efforts are now bearing fruit."



www.angloamericankumba.com/reports/kumba_ar2011/sustainability/environ_overview.php

CASE STUDY

HYDROCARBON MANAGEMENT AND BIOREMEDIATION AT SISHEN MINE



The bioremediation facility at Sishen mine.

KPI A state-of-the-art bioremediation facility has recently been commissioned at Sishen mine. Built at a cost of some R23 million, the facility uses bacteria to 'eat' soil contaminated by diesel (hydrocarbons). All sludge produced at Sishen mine now goes through this new bioremediation facility.

Soil and groundwater at Sishen mine may be contaminated in one of two ways. First, minor soil contamination takes place when vehicles and moving equipment are cleaned and serviced. This soil is removed and treated using bioremediation technology. The department or contractor responsible for the contamination pays for removal and treatment.

Major contamination of soil and groundwater took place at Sishen mine as a result of a fuel pipeline bursting and spilling diesel in the 1990s (see page 78). Again, the soil is removed and treated using bioremediation. Any residual soil contamination is treated *in situ* using naturally occurring bacteria in the soil to break down and feed on residues. The contaminated water of the shallow contained aquifer, which lies between 5m and 30m below the surface, is collected in subterranean drains, pumped out, treated and reused in the plant. There is no contamination of the deeper aquifer, lying some 120m below surface, since the two aquifers are separated by a thick clay layer which acts as a barrier. The fuel pipeline has now been placed above ground, allowing for easier maintenance.

The bioremediation process begins when contaminated soil is taken from separating pits where the soil settles and the water and

oil separate. The oil is recycled and the water reused in the plant. The sludge that remains has been in contact with the diesel and has to be remediated. It is dried and then taken to the bioremediation facility to be treated. Bacteria in a mix are added to the dried sludge and feed on the remnants of diesel, breaking down the hydrocarbon chain and turning it into harmless product. The process is carefully monitored and moisture and temperature levels regulated. Samples of the sludge are then sent to an independent laboratory in Pretoria for analysis to check that it is free of contaminants. The soil is stockpiled and only when fully bioremediated is it recycled.

Sishen mine monitors groundwater quality every quarter and surface water every month, a requirement in terms of its water use licence, last issued by the Department of Water Affairs in 2008. Monitoring includes testing selected boreholes on neighbouring farms. The mine, although not required to do so, also conducts random sampling of the water at residential areas to test its microbiological quality. Quarterly reports on water quality are submitted to the Department of Water Affairs and results shared with the local environmental forum consisting of farmers, the Tshiping Water Users' Association and provincial government representatives.

To date, some R78 million has been spent by Sishen mine on the remediation of contaminated soils.



www.angloamericankumba.com/reports/kumba_ar2011/sustainability/enviroverview.php

BUILDING PARTNERSHIPS



Night operations at Sishen mine.



Feedback, compliance and administration

- 84** Assurance
- 86** Statement from the Global Reporting Initiative
- 87** Global Reporting Initiative content index
- 99** Glossary of terms and acronyms
- IBC** Administration

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF KUMBA IRON ORE LIMITED

INTRODUCTION

We have been engaged by the directors of Kumba Iron Ore Limited (Kumba) to conduct an assurance engagement in accordance with the International Standards for Assurance Engagements 3000 'Assurance Engagements other than audits or reviews of historical financial information' [ISAE 3000], issued by the International Auditing and Assurance Standards Board, on selected Identified Sustainable Development Information reported in Kumba's Sustainable Development Report 2011 (the Report), for the purposes of expressing a statement of independent assurance for the year ended 31 December 2011.

SCOPE AND SUBJECT MATTER

The subject matter of our engagement and related levels of assurance we are required to provide is as follows:

Reasonable assurance

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

- Total CO₂ emissions from processes and fossil fuels in tonnes (page 76)
- Total CO₂ emissions from electricity purchased in tonnes (page 76)
- Total energy use in GJ (page 75)
- Total number of Level 3, 4 & 5 environmental incidents reported (page 72)
- Fatality injury frequency rate (FIFR) (page 48)
- Lost time injury frequency rate (LTIFR) (page 48)
- Lost time injury severity rate (LTISR) (page 48)
- Total recordable case frequency rate (TRCFR) (page 48)
- Total number of new cases of occupational diseases (page 51)
- Total number of new cases of noise induced hearing loss (page 51)

Limited assurance

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

- Total amount of water used for primary activities in m³ (page 77)
- Total amount of water used for non-primary activities in m³ (page 77)
- Number of employees participating in anti-retroviral treatment (ART) (page 52)
- Percentage enrolment of estimated HIV cases in disease management programmes (DMPs) (page 52)

- Total amount spent on social and community development projects (page 65)
- Selected Mining Charter Scorecard indicators:
 - employment equity (page 59)
 - procurement (page 38)
 - social spend as a percentage of NOPAT (page 65)
- The self declaration of the Global Reporting Initiative (GRI) application level (page 1).

Our responsibilities do not extend to any other information.

RESPONSIBILITIES OF THE DIRECTORS

Kumba's directors are responsible for the preparation and presentation of the Identified Sustainable Development Information, as incorporated in the Report, in accordance with their internally defined procedures, and for maintaining adequate records and internal controls that are designed to support the reporting process.

RESPONSIBILITY OF THE INDEPENDENT ASSURANCE PROVIDER

Our responsibility is to express a conclusion to the directors on the selected Identified Sustainable Development Information contained in the Report for the year ended 31 December 2011, based on our assurance engagement.

We consent to the inclusion of this report in the Report to assist Kumba's members in assessing whether the directors have discharged their responsibilities by commissioning an independent assurance report from an appropriately qualified organisation, in connection with the selected subject matter.

SUMMARY OF WORK PERFORMED

We conducted our engagement in accordance with the ISAE 3000, issued by the International Auditing and Assurance Standards Board.

This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either *reasonable* or *limited* assurance on the selected Identified Sustainable Development Information as per our terms of engagement. Kumba's internal corporate reporting policies and procedures and the Global Reporting Initiative's (GRI) G3.0 guidelines were applied as criteria for evaluating the Identified Sustainable Development Information. Definitions for the Identified Sustainable Development Information applied are those determined by Kumba and provided in the glossary on page 99.

Our procedures included examination, on a test basis, of evidence relevant to the selected Identified Sustainable Development Information. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material non-compliance of the selected Identified Sustainable Development Information with the defined reporting criteria.

Our work consisted of:

- a) reviewing the processes that Kumba has in place for determining material Identified Sustainable Development Information to be included in the Report;
- b) obtaining an understanding of the systems used to generate, aggregate and report data at the sampled operations;
- c) conducting interviews with management at the sampled operations and at head office;
- d) applying the assurance criteria in evaluating the data generation and reporting processes;
- e) performing a controls walk-through;
- f) testing the accuracy of data reported on a sample basis for *limited* and *reasonable* assurance;
- g) reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends;
- h) reviewing the consistency between the Identified Sustainable Development Information and related statements in Kumba's Report; and
- i) *reviewing* the accuracy of Kumba's self-declaration of the GRI (G3.0) Application Level in the Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

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

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

INHERENT LIMITATIONS

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

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

CONCLUSION

Reasonable assurance

Based on our work performed, the Identified Sustainable Development Information selected for *reasonable* assurance, for the year ended 31 December 2011, is free from material misstatement.

Limited assurance

Based on our work performed, nothing has come to our attention causing us to believe that the Identified Sustainable Development Information selected for *limited* assurance, for the year ended 31 December 2011, is materially misstated.



PricewaterhouseCoopers Inc.

Director: Wessie van der Westhuizen
Johannesburg

20 March 2012



Statement GRI Application Level Check

GRI hereby states that **Kumba Iron Ore Limited** has presented its report "Kumba Iron Ore Sustainable Development Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 12th 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Kumba Iron Ore Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.


The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org


































Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 27th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

REPORTING IN LINE WITH THE GLOBAL REPORTING INITIATIVE

Kumba has adopted the Global Reporting Initiative's (GRI) 3.0 guidelines, including GRI's Mining and Metals Supplement, as the basis for its reporting and has declared an A+ level of reporting. The report has been externally assured by PwC (see page 84) and checked by GRI (see page 86).

Look out for important references in this section

-  Fully reported
-  Partially reported
-  Not reported
-  See the corresponding pages in the Sustainable Development Report 2011
-  See the corresponding pages in the Integrated Report 2011
-  See the website www.angloamericankumba.com

	Commentary	Level of reporting	Location (page)
PROFILE			
1. Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organisation.		 Pages 8 to 9
1.2	Description of key impacts, risks and opportunities.		 Page 10  Pages 11 to 15
2. Organisational profile			
2.1	Name of the organisation.		 Page iii
2.2	Primary brands, products, and/or services.		 Page iii
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.		 Page ii
2.4	Location of organisation's headquarters.		 Page iii
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		 Pages ii to iii
2.6	Nature of ownership and legal form.		 Page iii
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		 Pages ii to iii and 69
2.8	Scale of organisation.		 Pages iii and 8
2.9	Significant changes during the reporting period regarding size, structure or ownership.		 Page iii
2.10	Awards received in the reporting period.		 Page 20
3. Report parameters			
<i>Report profile</i>			
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.		 Page 1
3.2	Date of most recent previous report (if any).		 Page 1
3.3	Reporting cycle (annual, biennial, etc.).		 Page 1
3.4	Contact point for questions regarding the report or its contents.		 Page 1

GLOBAL REPORTING INITIATIVE CONTENT INDEX

	Commentary	Level of reporting	Location (page)
<i>Report scope and boundary</i>			
3.5	Process for defining report content, including: <ul style="list-style-type: none"> • determining materiality; • prioritising topics within the report; and • identifying the organisation's stakeholders. 	✓	SD Pages 1, 10 and 20
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	✓	SD Pages ii to iii and 1
3.7	State any specific limitations on the scope or boundary of the report.	None.	✓ SD Page 1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	✓	SD Page 1
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	✓	SD Page 1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	There were no material re-statements.	✓
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	✓	SD Page 1
<i>GRI content index</i>			
3.12	Table identifying the location of the disclosures in the report.	✓	SD Pages 87 to 98
<i>Assurance</i>			
3.13	Policy and practice for seeking independent assurance for report.	✓	SD Pages 1, 84 to 85
4. Governance, commitments and engagement			
<i>Governance</i>			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	✓	SD Pages 28 to 29 IR Pages 84 to 89, 93
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	✓	SD Page 28
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	✓	SD Page 28
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	✓	SD Pages 20 and 33
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	✓	SD Page 29 IR Page 19 to 26
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	✓	SD Page 30
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	✓	SD Page 29

	Commentary	Level of reporting	Location (page)
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental, and social performance and the status of their implementation.	✓	SD Page 11
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance.	✓	SD Pages 8 to 10, 28 to 29
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	✓	SD Page 29
<i>Commitments to external initiatives</i>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	✓	SD Page 31
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organisation subscribes or endorses.	✓	SD Pages 20, 30 and 63
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations.	✓	SD Pages 20 and 30
<i>Stakeholder engagement</i>			
4.14	List of stakeholder groups engaged by the organisation.	✓	SD Pages 21 to 23
4.15	Basis for identification and selection of stakeholders with whom to engage.	✓	SD Page 20
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	✓	SD Pages 20 to 23
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	✓	SD Pages 20 to 23

DISCLOSURES ON MANAGEMENT APPROACH

<i>Economic performance aspects</i>			
	Economic performance	✓	SD Pages 6 to 11
	Market presence	✓	SD Pages iii and 69
	Indirect economic impact	✓	SD Pages 9 to 11, 36 to 39, 40 to 42, 59 to 61, 67
<i>Environmental performance aspects</i>			
	Materials	✓	SD Pages 72 to 74
	Energy	✓	SD Pages 74 to 75
	Water	✓	SD Pages 72 to 73, 77 to 78
	Biodiversity	✓	SD Pages 72 and 78
	Emissions, effluent and waste	✓	SD Pages 74 and 76
	Products and services	✓	SD Page 69
	Compliance	✓	SD Page 72
	Transport	✓	SD Pages 74 to 76
	Overall	✓	SD Page 72

GLOBAL REPORTING INITIATIVE CONTENT INDEX

	Commentary	Level of reporting	Location (page)
<i>Labour practices and decent work performance aspects</i>			
Employment		✓	SD Pages 6 to 7, 57 to 59, 63
Labour/management relations		✓	SD Pages 58 to 59, 63
Occupational health and safety		✓	SD Pages 12 to 13, 47 to 52
Training and education		✓	SD Pages 42 and 60
Diversity and equal opportunity		✓	SD Pages 57 and 59
<i>Human rights aspects</i>			
Investment and procurement practices		✓	SD Pages 38 to 39, 40-41
Non-discrimination		✓	SD Pages 59 and 63
Freedom of association and collective bargaining		✓	SD Pages 58 and 63
Child labour		✓	SD Page 63
Forced and compulsory labour		✓	SD Page 63
Security practices		✓	SD Page 63
Indigenous rights	Not applicable to Kumba. No community in South Africa is classified as an indigenous people's community.	✗	
<i>Society aspects</i>			
Community		✓	SD Pages 65 and 67
Artisanal and small-scale mining	Not applicable to Kumba. No artisanal or small-scale mining takes place on or adjacent to any of its properties.	✗	
Resettlement		✓	SD Pages 24 to 25
Closure planning		✓	SD Page 67
Grievance mechanisms and procedures		✓	SD Pages 20, 30 and 63
Emergency preparedness		✓	SD Page 52
Corruption		✓	SD Pages 28, 30 and 32 to 33
Public policy		✓	SD Page 30
Anti-competitive behaviour		✓	SD Page 30
Compliance		✓	SD Pages 28 to 31
<i>Product responsibility aspects</i>			
Materials stewardship		✓	SD Page 69
Customer health and safety		✓	SD Page 69
Product and service labelling		✓	SD Page 69
Marketing communications		✓	SD Page 94
Customer privacy		✓	SD Page 69
Compliance		✓	SD Page 69

	Commentary	Level of reporting	Location (page)
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ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. Payments to local communities as part of land use agreements, not including land purchases. Report countries of operation that are either candidates for or compliant with the Extractive Industries Transparency Initiative (EITI).	South Africa is not a candidate for or compliant with the EITI.	✓ SD	Pages 36 to 38
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.		✓ SD	Page 76
EC3	Coverage of the organisation's defined benefit plan obligations.	Not applicable to Kumba as the company has no defined benefit plan obligations, only defined contribution plans. All pension liabilities are fully covered and all pension plan participation is mandatory.	✓ SD	Page 58
EC4	Significant financial assistance received from government.	None. Apart from reimbursement of its payment to the skills development levy, Kumba has not received grants, tax relief or other types of benefits from government.	✓	

Aspect: Market presence

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	There is no minimum wage specified for the South African mining sector. Kumba has an agreed minimum wage (as per collective bargaining agreement) of R4,790 per month at the lowest grade level.	✓	
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.		✓ SD	Pages 38, 40 to 41
EC7	Procedures for local hiring and proportion of senior management and workforce hired from the local community at significant locations of operation. In significant locations of operation, report proportion of the facility's total workforce from the local community.		✓ SD	Pages 57 to 59

Aspect: Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or <i>pro bono</i> engagement.		✓ SD	Pages 16 to 17, 40 to 41, 65 to 67
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		✓ SD	Pages 16 to 17, 36 to 41, 65 to 67

ENVIRONMENTAL PERFORMANCE INDICATORS

Aspect: Materials

EN1	Materials used by weight or volume.		✓ SD	Page 73
EN2	Percentage of recycled input materials used.		✓ SD	Page 73

GLOBAL REPORTING INITIATIVE CONTENT INDEX

	Commentary	Level of reporting	Location (page)	
<i>Aspect: Energy</i>				
EN3	Direct energy consumption by primary energy source.	✓	SD Page 75	
EN4	Indirect energy consumption by primary source.	✓	SD Page 75	
EN5	Energy saved due to conservation and efficiency improvements.	Actual energy reduction figures not available. These have not yet been accurately measured. Data collation measures are being put in place and this will be fully reported by 2014.	✓	SD Page 75
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Actual energy requirement reduction figures not available. While Kumba supplies its customers with iron ore in forms specific to their needs, thereby reducing their downstream energy requirements, the extent of these reductions is unknown. This will be fully reported in 2014.	✓	SD Pages 69 and 75
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Actual energy reduction figures not available. These have not yet been accurately measured. Only estimates are available for reporting at this time. Data collation measures are being put in place and this will be fully reported by 2014.	✓	SD Pages 74 to 75
<i>Aspect: Water</i>				
EN8	Total water withdrawal by source.	✓	SD Page 77	
EN9	Water sources significantly affected by withdrawal of water.	✓	SD Pages 77 to 78	
EN10	Percentage and total volume of water recycled and reused.	✓	SD Page 77	
<i>Aspect: Biodiversity</i>				
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	✓	SD Pages 78 to 80	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	✓	SD Pages 78 to 80	
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	✓	SD Page 78	
EN13	Habitats protected or restored. Report whether and how biodiversity offsets have been used as part of the overall policy and approach to habitat protection and restoration.	✓	SD Pages 79 to 80	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	✓	SD Pages 79 to 80	
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	✓	SD Pages 78 to 79	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	✓	SD Page 79	

		Commentary	Level of reporting	Location (page)
<i>Aspect: Emissions, effluent and waste</i>				
EN16	Total direct and indirect green-house gas emissions by weight.		✓	SD Page 76
EN17	Other relevant indirect green-house gas emissions by weight.		✓	SD Page 76
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Reductions achieved not available. These have not yet been accurately measured. Data collation measures are being put in place and this will be fully reported by 2014.	✓	SD Pages 74 to 75
EN19	Emissions of ozone-depleting substances by weight.	Not material. Ozone-depleting substances are not given off by the mining or processing of iron ore.	X	SD Page 76
EN20	NOx, SOx, and other significant air emissions by type and weight.	NOx and SOx emissions not available. These have not yet been accurately measured as the group's focus so far has been on the management and measurement of CO ₂ equivalents. Data collation measures for these are being put in place and this will be fully reported by 2014.	✓	SD Page 76
EN21	Total water discharge by quality and destination.		✓	SD Pages 77 to 78
EN22	Total weight of waste by type and disposal method.	Total waste by weight not available. The necessary data collation infrastructure is not yet in place. This is being addressed and will be fully reported by 2014.	✓	SD Pages 72 to 74
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	Total amounts of tailings and sludge not available. The necessary data collation infrastructure is not yet in place. This is being addressed and will be fully reported by 2014.	✓	SD Pages 74 to 75
EN23	Total number and volume of significant spills.		✓	SD Page 72
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		✓	SD Page 74
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.		✓	SD Pages 77 to 78
<i>Aspect: Products and services</i>				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not applicable to Kumba. While Kumba strives to mitigate the environmental impacts of the mining and production processes it employs to produce iron ore, this can only be controlled from cradle to gate. After delivery to customers, its iron ore is consumed in the production of steel, which is a fundamentally different product, with different uses, markets and potential impacts.	✓	SD Pages 69, 73 to 79

GLOBAL REPORTING INITIATIVE CONTENT INDEX

		Commentary	Level of reporting	Location (page)
EN27	Percentage of products sold with packaging materials that are reclaimed, by category.	None. Iron ore is a bulk commodity that is not packaged. It is railed to port, secured between fixed corrugated dividers in the cargo holds of ships, and then unloaded onto trains and railed directly to customers.	✓	
<i>Aspect: Compliance</i>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None.	✓	
<i>Aspect: Transport</i>				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.		✓	SD Page 76
<i>Aspect: Overall</i>				
EN30	Total environmental protection expenditures and investments by type.	Expenditure and investments by type not available. This information is not currently broken down by type. Data collation measures are in place to address this and it will be fully reported by 2014.	✓	SD Page 79

SOCIAL PERFORMANCE INDICATORS

Labour practices and decent work performance indicators

<i>Aspect: Employment</i>				
LA1	Total workforce by employment type, employment contract and region.		✓	SD Page 57
LA2	Total number and rate of employee turnover by age group, gender and region.		✓	SD Page 57
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		✓	SD Page 58
<i>Aspect: Labour/management relations</i>				
LA4	Percentage of employees covered by collective bargaining agreements.		✓	SD Page 58
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		✓	SD Page 58
MM4	Number of strikes and lockouts exceeding one week's duration, by country.	None.	✓	SD Page 58
<i>Aspect: Occupational health and safety</i>				
LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Safety and health committees direct safety management and include union representation. Approximately 86% of the Kumba workforce is unionised or covered by collective bargaining agreements and hence participates in these committees through their representatives. It is however, Kumba's view that all members (100%) of its workforce are represented through some form of health and safety committee and/or tripartite agreement with unions and authorities.	✓	SD Pages 48 and 58

	Commentary	Level of reporting	Location (page)
LA7	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region.	✓	SD Pages 48, 51 to 52 and 57
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	✓	SD Pages 51 to 52
LA9	Health and safety topics covered in formal agreements with trade unions.	✓	SD Page 48
<i>Aspect: Training and education</i>			
LA10	Average hours of training per year per employee by employee category.	✓	SD Pages 10 and 60
			Hours by employee category not available. Training hours are reported at an operational level and breakdowns per category have not been recorded so far. Data collation measures are being put in place to address this and it will be fully reported in 2014.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	✓	SD Page 60
LA12	Percentage of employees receiving regular performance and career development reviews.	✓	SD Page 59
<i>Aspect: Diversity and opportunity</i>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	✓	SD Pages 28, 59 to 60 IR Pages 84 to 87
			Breakdown of employees per category not available. Employee reporting has been affected by changes in the company's internal reporting framework that occurred during the year, and these numbers are not yet confirmed. This will be fully reported in 2012.
LA14	Ratio of basic salary of men to women by employee category.	✓	
			Kumba's remuneration policy does not distinguish between genders, and in fact, legislation prohibits this. Currently the average ratio of basic salaries of men to women across Kumba's operations is 1.00:0.84, with the following ratios recorded across each employment category: <ul style="list-style-type: none"> • non bargaining units: 1.00:0.93 • administrative: 1.00:1.01 • maintenance: 1.00:0.68 • operations: 1.00:0.87 • support: 1.00:0.64.

Human rights performance indicators

Aspect: Investment and procurement practices

HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	✓	SD Page 63
			Percentage and number of contracts entered into before 2010 not available. Screening was only introduced in 2010. The company has committed to ensuring that all contracts in place have been screened and reported as such by 2014.

GLOBAL REPORTING INITIATIVE CONTENT INDEX














		Commentary	Level of reporting	Location (page)
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Percentage of contractors and partners since 2010 not available. Screening was only introduced in 2010. The company has committed to ensuring that all contracts in place have been screened and reported as such by 2014.	✓	SD Page 63
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		✓	SD Page 63
<i>Aspect: Non-discrimination</i>				
HR4	Total number of incidents of discrimination and actions taken.		✓	SD Page 63
<i>Aspect: Freedom of association and collective bargaining</i>				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	No operations are deemed to be at risk.	✓	SD Page 63
<i>Aspect: Child labour</i>				
HR6	Operations identified as at significant risk for incidence of child labour, and measures taken to contribute to the effective abolition of child labour.	No operations are deemed to be at risk.	✓	SD Page 63
<i>Aspect: Forced and compulsory labour</i>				
HR7	Operations identified as at significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	No operations or significant suppliers are deemed to be at risk.	✓	SD Page 63
<i>Aspect: Security practices</i>				
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.		✓	SD Page 63
<i>Aspect: Indigenous rights</i>				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable to Kumba. No peoples in South Africa are classified as indigenous peoples.	✗	
MM5	Total number of operations taking place in, or adjacent to, indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples.	Not applicable to Kumba. No peoples in South Africa are classified as indigenous peoples.	✗	
Society performance indicators				
<i>Aspect: Local communities</i>				
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	The company has a community engagement policy and SEAT processes in place, which are available on the website.	✓	SD Pages 63 to 64 www.angloamericankumba.com/pdf/reports/seat_report_29022011.pdf
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.	None.	✓	
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and their outcomes.	Not applicable. There were no disputes relating to land use or customary rights during the year.	✗	

		Commentary	Level of reporting	Location (page)
MM8	Number (and percentage) of operating company sites with artisanal and small-scale mining taking place on, or adjacent to the site; describe the associated risks and the actions taken to manage and mitigate these.	None. Associated risks and actions taken therefore not material.	✓	
MM9	List sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process.	Not applicable. No resettlements took place during the year. Details of proposed Dingleton resettlement discussed on pages 24 to 25.	✓	SD Pages 24 to 25
MM10	Number and percentage of operations with closure plans.	100%.	✓	SD Pages 67 and 79
<i>Aspect: Corruption</i>				
SO2	Percentage and total number of business units analysed for risks related to corruption.	100%.	✓	SD Pages 30, 32 to 33
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	Kumba's anti-corruption policies are covered by the Anglo American plc business integrity policy to which Kumba adheres.	✓	SD Page 32
SO4	Actions taken in response to incidents of corruption.		✓	SD Page 33
<i>Aspect: Public policy</i>				
SO5	Public policy positions and participation in public policy development and lobbying.	Please refer to the website of the Chamber of Mines for updates on various lobbying positions.	✓	SD Page 30 www.bullion.org.za
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.		✓	SD Page 30
<i>Aspect: Anti-competitive behaviour</i>				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.	None.	✓	
<i>Aspect: Compliance</i>				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None.	✓	

Product responsibility performance indicators

<i>Aspect: Customer health and safety</i>				
MM11	Programmes and progress relating to materials stewardship.		✓	SD Page 69
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	While 100% of Kumba's product undergoes regular health and safety impact assessments during mining and production, this can only be controlled from cradle to gate. After delivery to customers, its iron ore is consumed in the production of steel, which is a fundamentally different product, with a different life cycle of uses, markets and impacts.	✓	SD Page 69
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	None.	✓	SD Page 69

GLOBAL REPORTING INITIATIVE CONTENT INDEX

		Commentary	Level of reporting	Location (page)
<i>Aspect: Products and service labelling</i>				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Information regarding sourcing of components, safe use and disposal of iron ore not applicable to Kumba. This is not required by the company's labelling procedures, or those of its customers.		 Page 69
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	None.		 Page 69
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Survey results not applicable to Kumba. Kumba has too few customers, each with different relationships and needs, for surveys to be meaningful. The company maintains direct relationships with its customers and seeks feedback through ongoing, individual engagement with them.		 Pages 22 and 69
<i>Aspect: Marketing communications</i>				
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not applicable to Kumba. Kumba does not engage in any advertising, promotion or sponsorship, with the exception of limited brand building initiatives dictated by the branding guidelines of its parent company, Anglo American plc. Laws relating to marketing communication are therefore not relevant to the company.		 Pages 22 and 69
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	None. The company does not undertake mass marketing initiatives or campaigns. This indicator is therefore not material.		
<i>Aspect: Customer privacy</i>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None.		 Page 69
<i>Aspect: Compliance</i>				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None.		 Page 69

GLOSSARY OF TERMS AND ACRONYMS

ABET:	Adult basic education and training	Emotional intelligence (EI):	The ability to assess and control the emotions of oneself, others and groups
AMSA:	ArcelorMittal South Africa	EMP:	Environmental management plan
ART:	Anti-retroviral treatment	Employment equity:	Legislation assisting the elimination of discrimination and encouraging equitable representation of employees from designated groups by means of affirmative action
BAP:	Biodiversity action plan	Envision:	SIOC employee share participation scheme
BAMCO:	Building and Allied Mining & Construction Union	FFI:	Flora and Fauna International
BAU:	Business as usual	Gap analysis:	A comparison between potential performance and actual performance
BEE:	Black economic empowerment	GJ:	Gigajoule
Beneficiation:	A process to increase iron content and reduce gangue content in very low grade iron ore	GJ/t:	Gigajoule per tonne
Bioremediation:	The process in which pollutants and contaminants are removed or neutralised in contaminated soil and water	Grade:	A measure of the metal or mineral content in ore, expressed as a weight or percentage
Blast furnace:	A heating system that is used to smelt iron ore	GRI:	Global Reporting Initiative
CCT:	Counselling and confidential testing	HDSA:	Historically disadvantaged South African. African, 'coloured' and Asian men and women
CDP:	Carbon Disclosure Project	High(er) grade ore:	Iron ore composed of ~60% iron, most commonly haematite rock
CDT:	Community Development Trust	HPI:	High potential incident. An incident which has the potential to result in a fatality but does not
CSI:	Corporate and social investment	ICAS:	Independent Counselling and Advisory Services
CSIR:	Council for Scientific and Industrial Research	ICT:	Imperial Crown Trading
DAF:	Kumba Delegated Authority Framework	ICMM:	International Council on Mining and Metals
dBA:	decibels	IDC:	Industrial Development Corporation
DEEMS:	Diesel energy efficient management system. A system that monitors and analyses fuel efficiency in a complex and dynamic production environment by matching fuel usage to work done in comparison to a chosen baseline period	IDP:	Integrated development plans
Direct reduction shaft:	A shaft in which iron ore pellets or lump iron ore are reduced to metallic iron	IFC:	International Finance Corporation
Direct-shipping ore:	Iron ore typically composed of haematite, which requires little beneficiation due to its high iron content	ILO:	International Labour Organization
DMP:	Disease management programme	ISAE:	International Standards for Assurance Engagements
DMS:	Dense medium separation	ISO:	International Organization for Standardization
DMR:	Department of Mineral Resources	ISO14001:	An environmental management system standard published by the International Organisation for Standardisation
DOL:	Department of Labour	IUCN:	International Union for Conservation of Nature
DTI:	Department of Trade and Industry	IWUL:	Integrated water use licence
ECD:	Early childhood development		
EITI:	Extractive Industries Transparency Initiative		

GLOSSARY OF TERMS AND ACRONYMS

JSE:	JSE Limited, Johannesburg Stock Exchange	R&D:	Research and development
Key performance indicator:	An issue of concern or importance to the company during the reporting period, including material issues and other current and potential challenges	Rio Declaration:	The Rio Declaration on Environment and Development, consisting of 27 Principles for guiding global sustainable development, produced at the 1992 United Nations Earth Summit
King Code (King III):	Code of and Report on Governance Principles for South Africa 2009	Remco:	Human Resources, Remuneration and Nomination Committee
LED:	Local economic development	RWG:	Resettlement Working Group
Low(er) grade ore:	Iron ore consisting of between 25% and 30% iron, most commonly magnetite rock	SSDS&E Committee:	Safety, Sustainable Development, Social and Ethics Committee
LTI:	Lost-time injury. Any occupational injury which renders an individual unable to perform their regular duties for one full shift or more, following the day on which the injury was incurred, whether a scheduled work day or not	SAMREC:	South African Code for the Reporting of Mineral Resources and Mineral Reserves 2007
LTIFR:	Lost-time injury frequency rate. The number of lost-time injuries, including restricted work cases, per 200,000 man hours worked	SCD:	Social and community development
LTISR:	Lost-time injury severity rate	SDP:	Sustainable development plan
Mining Charter:	The broad based socio-economic charter for the South African mining industry, published in April 2004 and revised in 2010	SEAT:	Socio-economic assessment toolkit
MPRDA:	Mineral and Petroleum Resources Development Act	SED:	Socio-economic development
Mt:	Million tonnes	SENS:	Stock exchange news service
Mtpa:	Million tonnes per annum	SETAs:	Sector Education and Training Authorities
NGO:	Non-governmental organisation	SHE:	Safety, health and environment
NIHL:	Noise induced hearing loss, resulting from exposure to high-intensity sound, usually over a prolonged period of time	Sintermaking:	The process of agglomerating fine iron ore particles or powder with coke breeze, limestone and dolomite through combustion
NUM:	National Union of Mineworkers	SIOC:	Sishen Iron Ore Company (Pty) Limited
OHSAS18001:	An occupational health and safety management system standard created by a number of the world's leading standards bodies	SIOC CDT:	Sishen Iron Ore Company Community Development Trust
Ore:	A rock that contains metal(s) or mineral(s) that can be extracted	SLP:	Social and labour plan
ORMP:	Operational Risk Management Programme	SME:	Small and medium enterprise
PIC:	Public Investment Commissioner	Smelting:	The process in which metal is extracted from its ore. The process involves the use of heat and a reducing agent in order to remove oxygen from the ore.
PIT:	Professionals in Training	Stripping ratio:	The number of tonnes of waste material that must be removed in order to recover a single tonne of ore
Pre-feasibility phase:	The period that precedes the feasibility study, in which experts determine whether undertaking a feasibility study would be prudent	SWEP:	Sishen South Western Expansion project
PwC:	PricewaterhouseCoopers	TFR:	Transnet Freight Rail
RAP:	Resettlement action plan	Tonne:	A metric measure, equal to 1,000 kilograms
		UGM:	Ulysses Gogi Modise wellness clinic
		UNDP:	United Nations Development Programme
		VIU:	Value in Use
		WESSA:	Wildlife and Environment Society of South Africa

ADMINISTRATION

COMPANY REGISTRATION NUMBER:

2005/015852/06

JSE share code:
KIO

ISIN code:
ZAE000085346

SECRETARY AND REGISTERED OFFICE

Vusani Malie
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
Republic of South Africa
Tel: +27 (0) 12 683 7000
Fax: +27 (0) 12 683 7009

AUDITORS

Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands Office Park
20 Woodlands Drive, Woodmead, 2146
South Africa

Private Bag X46, Gallo Manor, 2052

ASSURANCE PROVIDERS

PricewaterhouseCoopers SA
Registered Auditors
2 Eglin Road, Sunninghill, 2157
South Africa

Private Bag X36, Sunninghill, 2157
Tel: +27 (0) 11 797 4000
Fax: +27 (0) 11 797 5800

SPONSOR

Rand Merchant Bank
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa

PO Box 786273, Sandton, 2146

CORPORATE LAW ADVISORS

Deneys Reitz Inc
82 Maude Street
Sandton, 2196
South Africa

PO Box 784903, Sandton, 2146

UNITED STATES ADR DEPOSITORY

BNY Mellon
Depository Receipts Division
101 Barclay Street, 22nd Floor
New York, New York 10286
Tel: +1 (0) 212 815 2293
Fax: +1 (0) 212 571 3050/1/2
www.adrbny.com

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001
South Africa

PO Box 61051, Marshalltown, 2107

INVESTOR RELATIONS

Esha Mansingh
Email: esha.mansingh@angloamerican.com
Tel: +27 (0) 12 683 7257
Mobile: +27 (0) 83 488 9427

SUSTAINABLE DEVELOPMENT

Anel Marais
Email: anel.marais@angloamerican.com
Tel: +27 (0) 12 683 7203
Mobile: +27 (0) 83 304 0915

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, e.g. 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 such 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, and will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation.

Real Mining. Real People. Real Difference.



FEEDBACK FORM

FEEDBACK FORM

As we review our sustainable development reporting process, we would greatly appreciate any feedback that you may wish to provide.

1. Personal details (optional)

Name _____
Organisation _____
Telephone _____
Email address _____
Postal address _____

2. What is the nature of your interest/association with Kumba Iron Ore?

Employee
Journalist
Analyst
Shareholder
Registration
Non-governmental or community-based organisation
Student
Supplier or business partner
Other – please specify _____

3. How did you become aware of our report?

Delivered or posted to you (printed copy)
Via the company website
Email link sent to you
Through the media
From the Annual Financial Statements
Other source – please specify _____

4. In what format did you view the report?

The web-based report
The printed version

5. Have you been aware of/had access to our previous report/reports?

Yes No

6. How did you find the Sustainable Development Report?

Too detailed
Not enough detail

7. Do you think that we have clearly identified the sustainable development issues of concern to the company?

Yes No

8. After reading the report, were you able to get a clear/better sense of how Kumba is dealing with these issues?

Yes No

9. Indicate your main areas of interest:

Governance
Economic performance
Safety
Health
Employment and employees
Human rights
Community
Environmental performance
Other – please specify

10. Did you read the chief executive's letter?

Yes No

11. Does the fact that the report is independently assured provide you with confidence with regard to the accuracy and relevance of information?

Yes No

12. Do you have any other comments on the report?

Thank you. Please send this feedback form to:

Anel Marais
Manager: social and community development

E-mail: anel.marais@angloamerican.com

**P.O. Box 9679
Centurion
0046**