



Kumba Iron Ore Sustainable development report 2008



Sustainable development report 2008



January

February

March

April

May

June

July

August

September

October

November

December

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We see what *could* be

Context map

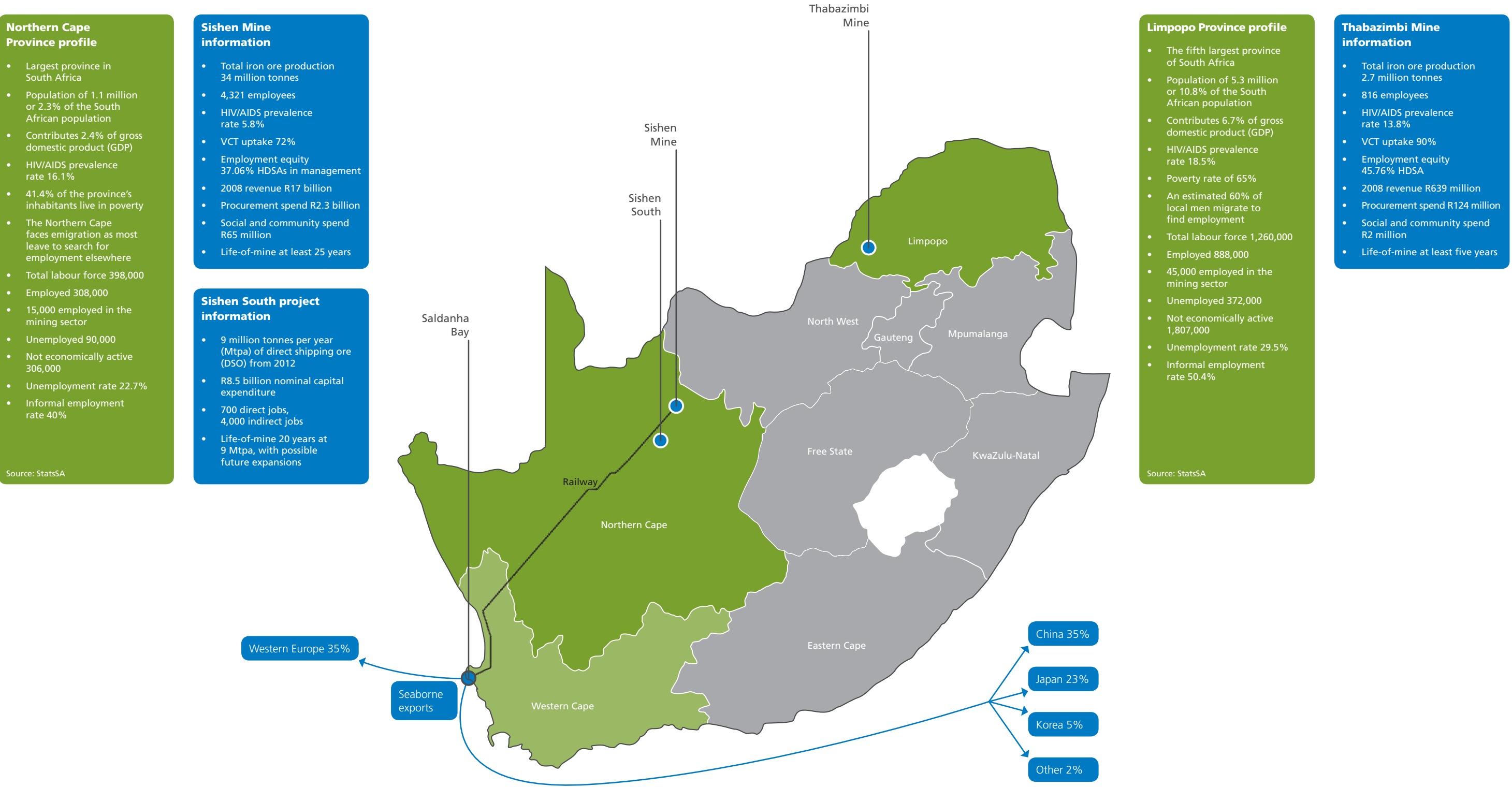


Figure 1: Locality map of Kumba's operations and projects

Kumba Iron Ore

Kumba Iron Ore Limited, a member of the global Anglo American plc group, is a leading supplier of seaborne iron ore. In 2008 Kumba exported over 24 million tonnes of superior iron ore to customers in a range of geographical locations around the globe; from China, Japan and Korea to a number of countries in Europe and the Middle East.

At present, Kumba's iron ore comes from its Sishen and Thabazimbi mines, located in South Africa's Northern Cape and Limpopo provinces respectively. A major new mine is being developed at Postmasburg in the Northern Cape that will start producing in 2012, ramping up to full production of 9Mtpa in 2013.

Since listing on the Johannesburg Securities Exchange (JSE) in 2006, Kumba has proven itself a unique pure-play iron ore investment, known for its product quality, extensive base of mineral resources and reserves and progressive approach.

The group is well positioned not only to weather the current downturn in the demand for commodities, but to make the most of the inevitable upswing when it follows.

About this report

This is Kumba's third Sustainable Development Report. It mirrors the increasing effort we are putting into the management and disclosure of those important non-financial aspects which affect our business, and upon which our business has an impact. Looking back over the past three years, the reader familiar with our earlier reports will notice in this report a significant increase in the depth of discussion on these material issues, especially from an environmental perspective where we comprehensively deal with energy and water issues.

Over the past three years we have spent much time examining and refining our strategies and systems which are reflected in this report. Additionally, the electricity supply crisis forced us not only to face energy efficiency but was also a useful springboard to questioning how we deal with other important non-financial issues relevant to our business.

Occupational health and safety

LTIFR of 0.12 (50% improvement on 2007)

Fatalities 1

Thabazimbi Mine operated without a fatality for 6 years and no LTI for 14 months

Voluntary counselling and testing uptake 77%

Environment

Water consumption reduced by 10.8% off an adjusted baseline

Integrated Water Use Licences granted to Sishen Mine and the Sishen South project

Energy consumption reduced by 9.14% off an adjusted baseline

CO₂ emissions increased by 0.6% off an adjusted baseline

Seven Level 2 environmental incidents

Employees

41% HDSAs in management

12.42% women in mining

Economic

Conversion of old order mining rights into new order mining rights for Sishen and Thabazimbi mines

New mining rights for the Sishen South project

R79 million spent on community and social development

Awards

Financial Mail's Top Empowerment Companies Award for Best Skills Development

Department of Labour's National Good Practice Award for Skills Development

Deloitte Best Company to Work For in the Mining Industry Category

Summary of performance

Our 2008 performance is summarised in the following tables. The targets and performance figures are accompanied by page numbers where the detail of specific performance can be found.

Indicator	Target	Performance	Page
Safety			
Fatalities	Zero	1	24
LTIFR	0.17	0.12	24
Occupational health			
Silicosis	Zero new cases	Zero new cases reported	27
Hearing conservation programmes	Fully implemented by end 2008	Fully implemented at Thabazimbi Mine. In process of being rolled out at Sishen Mine	27
Elimination of equipment exceeding 110dB	50% elimination by end of 2008	Noise surveys completed at both mines and Hearing Conservation Committee appointed	27
VCT	75% uptake	77% uptake	30
Environment			
Water	4% reduction in water consumption off a 2004 baseline	18.8% reduction off an adjusted 2004 baseline	59
Energy consumption	6% reduction in energy consumption off a 2004 baseline	9.14% reduction off an adjusted 2004 baseline	51
CO ₂ emissions	4% reduction in emissions off a 2004 baseline	0.6% increase off an adjusted 2004 baseline	55
Waste management	Examine waste streams at operations and set appropriate reduction targets	Waste stream identification completed at Thabazimbi Mine; in process at Sishen Mine	61
Biodiversity Action Plans (BAPs)	BAPs to be peer reviewed and actions implemented	BAPs reviewed, action plans in process of being implemented	60
Closure plans	Conduct socio-economic study for closure and update mine closure plan and closure cost estimates by end December 2008	Mine closure plans and cost estimates updated; socio-economic studies outstanding	60
Level 2 and 3 incidents	Zero incidents	Seven Level 2 incidents reported	63
Hydrocarbon pollution	All areas polluted by hydrocarbons to be rehabilitated according to plan	Rehabilitation of polluted areas in progress	61
Air quality	Air quality management plans (AQMP) in place by end December 2008	Sishen Mine's AQMP completed; Thabazimbi Mine's outstanding	63
Management systems			
OHSAS 18001	Retain certification	Certification retained	26
ISO 14001	Retain certification	Certification retained	50
Anglo Safety Way	Conduct gap analysis	Gap analysis conducted	26
Anglo Health Way	Conduct gap analysis	Gap analysis conducted	27
Legal compliance			
Integrated Water Use Licence (IWUL)	IWUL awarded at all operations	Sishen Mine and Sishen South project received their licences. Thabazimbi Mine IWUL application in progress	59
Mining rights applications	All operations to be awarded new order mining rights	All mines, including the Sishen South project, were granted new order mining rights	5
Fines and prosecutions	Zero	No fines or prosecutions were received	–
Social and community development			
Social & Labour Plan (SLP) compliance	All mines to have complied with the 2008 SLP commitments	Five year SLP commitments on track	46
Socio-economic Assessment Toolbox (SEAT) 2 Reports	All mines to have produced a SEAT 2 Report	Sishen Mine published a SEAT 2 Report; Thabazimbi Mine and Sishen South project to publish in 2009	45

Mining Charter Scorecard

Indicator	Target	Performance	Page
Human resource development			
Adult basic education and training (ABET)	60 learners	54 learners enrolled	36
Learnerships	462 learners	727 learners in the system	36
Contractor training	1,588 contractors to be trained	5,707 trained (cumulative number achieved since contractor training was introduced)	36
Portable skills training	540 individuals trained	481 trained	38
Career progression	296 employees on career progression plans	267 employees in the programme	36
Employment equity			
HDSAs in management	40% (by April 2009)	41%	34
Women in mining	10% (by April 2009)	12.42%	34
Housing and living conditions			
Employees in hostels	300 employees to inhabit hostels	1,260 employees reside in hostels	36
Employees in family units	2,908 employees to inhabit family units	3,133 employees reside in family units	36
Mine community and rural development			
Local economic development (LED) programmes	Comply with SLP commitments	Five-year LED programme on track	45
Development forums in major labour sending areas	Participate at all forums	Sishen and Thabazimbi mines, including Sishen South project, participated in local development forums and engaged with municipalities in major labour sending areas	45
Preferential procurement			
Percentage of procurement spend allocated to black owned or empowered companies	35%	36%	19
HDSA ownership			
Employee share scheme (ESS)	3%	3% allocated to Envision Share Scheme (ESS)	18
Community owned	3%	3% owned by the Sishen Iron Ore Company (SIOC) Community Development Trust	18
HDSA owned	20%	20% owned by Exxaro	18
Reporting			
Produce public report on performance against Mining Charter	Report to the public	Annual Report published in 2007; separate Sustainable Development Report for 2008 produced	–

Beneficiation

The implementation of jig beneficiation technology has doubled the mineable reserves at Sishen Mine. All further expansions in the Northern Cape after the Sishen South project will be based on the utilisation of the beneficiation facilities, which will result in fixed capital investment, job creation and efficient resource utilisation.

Migrant labour

The company has a non-discriminatory recruitment policy vis-à-vis migrant labour and applies all its policies to all employees equally. No disputes were reported during 2008.

CEO review



Chris Griffith, CEO.

Since the unbundling of Kumba Resources in November 2006, and the listing of Kumba Iron Ore on the JSE Limited, sustainable development performance criteria have formed part of our Annual Report. It gives me great pleasure this year to introduce our first separate Sustainable Development Report.

This past year has seen challenges for global business, the likes of which have not been seen for decades. For South Africa, the global economic crisis has seen retrenchments in the mining industry; unprecedented power outages challenged our perceptions of "cheap, available" electricity; and meeting the social expectations characterised in the Mining Charter, including corporate social investment and social equity, has resulted in refreshing perspectives on human development within and external to Kumba.

This is what sustainable development is about for us: making economic, social and environmental decisions in the face of global challenges to "business as usual". More specifically, sustainable development encompasses issues such as safety, occupational health, environmental management, profitability, socio-economic development, corporate social investment, empowerment and human resource development, along with all the other Mining Charter requirements.

Sustainable development is integrated into our business by its designation as one of our strategic thrusts.

Good performance is our first priority across each of these areas: reporting on them is our commitment to management transparency and accountability to all our stakeholders.

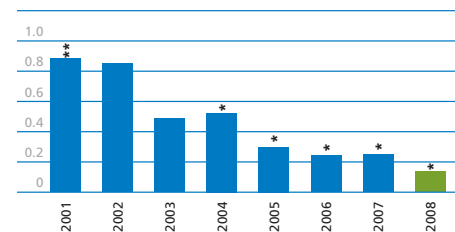
Just as our sustainability performance for 2008 and related 2009 targets are reflected in this report, we aim to improve on our "good performer" rating by Ernst & Young with respect to our last report.

Whatever our business successes last year, they are overshadowed by a fatality at Sishen Mine. In April 2008, Mr Kagiso Peace Leboa, a 42 year old truck operator, was fatally injured. This loss of life is tragic; and we again extend our sincere condolences to his family.

It is difficult to reflect successes when a life has been lost in their attainment: however, in trying to present a balanced picture of our performance, the reflection below on positive aspects of the business in 2008 in no way minimises this loss, or the seriousness with which we take the wellbeing of our employees and contractors.

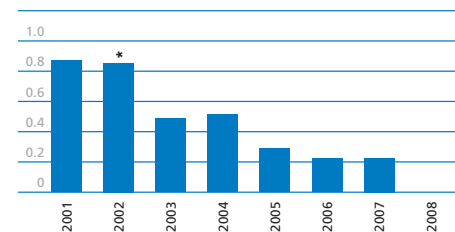
Performance highlights

I'm proud to announce that we were able to achieve a number of key sustainability targets which we have set for ourselves, or that were required of us. Kumba is committed to responsible mining practices: creating a safe and healthy working environment, training and developing employees, conserving the environment and natural resources, and maximising our potential to contribute socially and economically. The detail of the financial results can be found in our Annual Financial Statements and Annual Review for 2008, while other aspects of sustainable development are reflected in the body of this report. Below are a few of the issues most pertinent to the picture of sustainability performance in Kumba.



LTIFR: Sishen Mine (%)

(* fatality)



LTIFR: Thabazimbi Mine (%)

(* fatality)

CEO review

Occupational health and safety

Lost time injuries (LTI) were reduced by over 50% compared to 2007 (14 lost time injuries compared to 29 the year before). This included our best ever safety performance at Thabazimbi Mine, which has achieved six years without a fatality and 458 days without a lost time injury. Our operations were audited against the Anglo Safety Way, and the Anglo Occupational Health Way, with shortcomings identified and action plans put in place to address these.

People

We were rated the Deloitte Best Company to Work For in the Mining Industry Category and retained our listing on the JSE Socially Responsible Investment (SRI) Index. We have achieved our targets for women in mining, a year ahead of schedule.

We received the National Good Practice Award through the Department of Labour for Skills Development, and the Financial Mail's Top Empowerment Companies Award for Best Skills Development.

Environment

Integrated water usage licences have been approved for Sishen Mine and the Sishen South project. We also performed reasonably well on our target on energy and water consumption by achieving more than 9% savings on both indicators. Electricity savings in response to the urgent need to reduce consumption, as requested by Eskom during the electricity crisis, was successfully achieved at our operations.

New order mining rights

We are pleased to announce that all of our operations, including the Sishen South project, were granted new order mining rights. This ensures that we are free to carry on with business as usual.

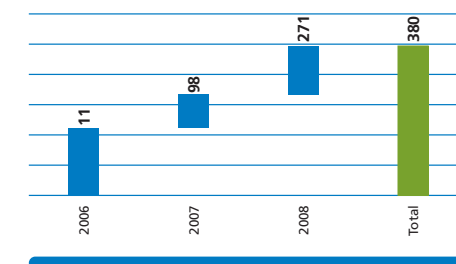
Financials and socio-economic development

Kumba delivered strong financial results for the year ended 31 December 2008, with an operating profit of R13.5 billion – a 126% increase year on year. Our contribution to broader society through value distribution was significant; 10% to the employees (including employees' tax), 24% to the shareholders of Kumba, 27% was reinvested in the group, 24% to government in the form of direct taxes, 12% to minority interests by way of dividends paid by Sishen Iron Ore Company (Pty) Limited, and 4% to the providers of loan capital.

Kumba paid dividends to the community and employees through the SIOC Community Development Trust and Envision scheme respectively. The SIOC Community Development Trust fulfils an undertaking we made ahead of listing to include community members as shareholders.

Through its 3% stake in Kumba's mining activities, the trust has earned R16.5 million as trickle dividends for community development projects in the Northern Cape and Limpopo with another R4 million accruing in March 2009 from the final dividend declared for the 2008 financial year.

Since its inception in November 2006, the participants of Envision have earned R380 million in dividends. The dividend accrued per participant in 2008 amounted to more than R12,500.



Dividends (R millions)

Governance

With respect to governance, Ras Myburgh handed over the role of chief executive officer of Kumba to me on 1 July 2008. Building on his formidable sustainability leadership, the Executive Committee now considers monthly safety reports, quarterly sustainable development reports, which include safety, occupational health, environmental, transformation, HIV/AIDS, socio-economic development, Corporate Social Investment (CSI) spend and Mining Charter compliance issues.

We are yet to feel the full force of the downturn, but are prepared to counter the potential impacts it may have on our business.

Future challenges

While buoyant about our successes, Kumba, like other mining companies and indeed, like many other sectors, faces some significant challenges to maintaining a sustainable future for our company, our people and our communities. The following highlights the issues that we are addressing at strategic and operational levels.

We are yet to feel the full force of the economic downturn, but are prepared to counter the potential impacts it may have on our business.

The key issues that we will have to grapple with are:

- the extent to which demand for our product will decrease;
- the extent of expected price decreases; and
- the impact that this will have on our business, particularly in terms of our capital expenditure, projects and retrenchment.

We believe that demand for iron ore will continue to decrease until such time as the economy recovers. The company is well placed to weather current market volatility by keeping a watchful eye on costs and improving asset optimisation. In addition our products are produced at relatively low cost. In the present environment, Sishen Mine will look to secure export volumes in the short term by focusing on increasing the quality of products to its customers, even though this may marginally reduce volumes.

Currently, retrenchments seem unlikely. However, we may be required to reduce our complement of contractors as a result of needing to streamline our capital expenditure and the resultant impact this will have. At this stage, it is difficult to predict the impact of the downturn and as such we are reviewing and assessing the situation on a monthly basis.

It is critical for our overall success that we maintain the wellbeing of our workforce. For this, our operations must be fatality and injury free. To address HIV/AIDS requires, as a first line of defence, that we encourage our employees, and our communities, to undertake voluntary counselling and testing (VCT) so that we can assist those affected through HIV management disease programmes, treatment, and through the newly established and accredited HIV/AIDS clinic for the community at Kathu.

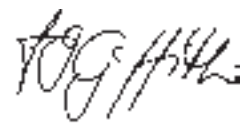
Our hearing conservation programmes and demarcated high risk zones have been put in place to minimise noise induced hearing loss.

We have developed strategies to find, attract and retain the people with the skills to implement our growth and sustainability plans. This is a challenge in the current skills marketplace, especially in light of the location of our operations. We will continue to invest in the development of local communities through educational programmes and artisan training in order to improve the level of skills and thereby source talent locally.

Our main challenge and focus for 2009 is to finalise Thabazimbi Mine's Integrated Water Use Licence. Although the mine has been permitted by the Department of Water Affairs and Forestry (DWAF) to operate under its old water permit, it is still within Kumba's best interest to ensure compliance with the requirement of the current legislation, namely the National Water Act. We are engaging with DWAF on a regular basis and intend to obtain the licence at the end of 2009. Our other core environmental requirement is to continue with – and conclude – the studies on the effects of dewatering in the Sishen Mine region to help us understand the cause, extent, impact and boundaries of the affected water table. In all our operations we will continue to pursue reductions in energy and water consumption, while tackling our growth targets.

Sustainable growth, strong financial performance, reducing our ecological footprint, enhancing the capacity of communities to benefit from our operations, and increasingly encouraging and empowering our employees to contribute to our business efforts, creates a scenario for me of leading a group of dedicated and talented people that are passionate about our company, our country, and the future.

I welcome your feedback on how you think we are facilitating this process, as reflected in both the content and presentation of this Sustainable Development Report and the Annual Review as a whole.



Chris Griffith
Chief executive officer

Guide to the report

Objective

This is one of three annual publications produced by Kumba that represents its Annual Report for 2008 namely: Annual Review, Annual Financial Statements and this Sustainable Development Report. This report deals explicitly with safety, health, environment, social and community development and employee-related issues – the issues that we have determined define sustainable development for Kumba. The primary objective of this report is to inform the reader of, and solicit feedback on, our performance and progress with regards to our economic contributions, the governance, strategy and management of sustainable development, and detailed accounts of safety, health, the environment and socio-economic development.

Why a separate report?

This year we are emphasising the prominence of and our significant investment in sustainable development at Kumba by producing a separate report. We are also aware that the target audiences for our Annual Financial Statements and Annual Review are not necessarily the same as those that read this report; thus we have the option of distributing this document to those stakeholders more focussed on our sustainable development practices.

Determining materiality

As a South African mining company, the material non-financial issues that we have to deal with on a year-in, year-out basis are fairly constant. However, where we place emphasis may vary from year to year, such as for 2008 where energy supply and efficiency was clearly a priority.

In order to fine-tune how we decide on what to report, we use two different approaches. Firstly, we apply our company-wide integrated risk management model, which addresses risks across the organisation. Depending on the risk classification, certain sustainable development issues such as employee recruitment, safety, health, environment and some social development aspects are incorporated.

Secondly, we have adapted the approach to materiality as described in the Global Reporting Initiative's (GRI) Third Generation Guidelines (G3) by categorising issues into whether they are of external or internal importance i.e. of importance to our stakeholders or to the group, or both. External factors include the legislative environment, those issues agreed to be important for the sector and the country, and those factors acknowledged as being of importance whether at a local, regional, national or global level. Internal factors encompass those aspects circumscribed by Kumba's values, the risks the organisation faces, employee concerns and aspects vital to the success of the organisation as a whole. In other words, the issues we report on are those which can affect our growth, value creation opportunities, our reputation and our licence to operate.



Top: HIV and AIDS awareness-raising at the Ulysses Gogi Modise Wellness Clinic. Middle: Learners at the Itireleng Training Centre in Thabazimbi. Bottom: Thabazimbi Mine presents Kumba with challenges for rehabilitation.

Scope and data

Using the materiality methodology outlined previously, this report focuses on:

- our employees, including safety, health, wellness and HIV and AIDS;
- our Mining Charter commitments;
- our social management and community development activities; and
- our approach to environmental management.

This report deals with sustainable development management practices at Sishen and Thabazimbi mines, and, where applicable the Sishen South project, and our corporate offices which includes exploration, the Value in Use Unit, and the Saldanha operation (which is under the management of Transnet) for the period 1 January to 31 December 2008. This report covers the operations at which Kumba has direct influence. Our supply chain activities are influenced by our internal practices governed by our standards, policies and applicable legislative requirements. These requirements are imposed on our business partners and suppliers through our contractual agreements.

This report does not discuss corporate governance in detail other than for sustainable development; for a more complete discussion on governance, the reader is referred to the Kumba Annual Review and Annual Financial Statements for 2008.

This report is published using the GRI's G3 Guidelines as a basis and includes aspects of the GRI Mining and Metals Sector Supplement. Our GRI Index Table is on page 70. Since all our operations are based in South Africa, we also use the criteria contained in the JSE SRI Index as a guideline.

All monetary amounts reflected in the report are in rand unless otherwise stated.

Note that the terms *sustainable development* and *sustainability* are used interchangeably throughout the document.

Assurance and review

As for last year, we have had some of the processes and data assured by PricewaterhouseCoopers (PwC) (refer page 69), as well as the level of compliance this report has with the GRI. Kumba believes that this report has achieved a C+ reporting level in compliance with the GRI G3 guidelines. We acknowledge that not all of our systems, processes and resultant data are subject to this assurance process, but we intend on expanding the scope of the assurance process gradually.

All recommendations provided through the assurance audit are reviewed and remedied according to defined action plans.

We also had this report externally reviewed and discussed at a half-day workshop. Much of the feedback received has been incorporated into the report. We will also use the advice of the reviewers when planning next year's report. Please visit www.kumba.co.za for more information on the views of our external stakeholders.

Feedback

We welcome any feedback that you may have on this report. Please complete the feedback form included at the back of this report and post it to the address provided or send your comments via email to 2008kumbasdreport@kioltd.com.

Management of sustainable development

Governance

Responsibility for the governance of sustainability rests with the Safety & Sustainable Development (S&SD) Committee of the Kumba Board. This committee, chaired by an independent non-executive director, meets at least four times per year, and comprises three members of the board, with the CEO attending as an invitee.

The committee's role is to:

- oversee the development of policies and guidelines for safety and sustainable development issues;
- review the policies and performance of the group;
- monitor key indicators ;
- consider whether or not to adopt or apply international regulatory and technical developments; and
- facilitate participation, cooperation and consultation on key issues.

For a detailed discussion on corporate governance at Kumba, please refer to page 34 of the Annual Financial Statements of the Annual Report. In particular, our codes of conduct and approach to ethics, corruption and bribery, and stance on donations to political parties, are discussed.

Policies

The trajectory of sustainable development at Kumba is determined by the Safety, Health and Environment (SHE) Policy (see page 68), as well as Stakeholder Engagement and Socio-economic Development policies. Policies governing human resources, employment equity, human rights, ethics and HIV/AIDS are also in place.

Structure of sustainable development management at Kumba

Sustainable development is managed by various departments across Kumba. Strategic direction for aspects of sustainable development covered in this report is managed at corporate office by the human resources department, the safety and occupational health department, and the sustainable development and environment department. At mine level, similar units manage the operational dimensions of these aspects, each reporting directly to the general manager and functionally to corporate office departments.

The role of the corporate office with regards to sustainable development is to guide and inform management at mine level but also to serve as a link between the mines, shareholders, and stakeholders outside of the provinces where the mines are located. Furthermore, the corporate office is concerned with sharing best practice across the group, establishing common systems and reporting criteria, and for the auditing of performance at the mine level.

Of consequence during 2008 was the splitting of the safety and sustainable development department into the safety and occupational health department and the sustainable development and environment department. Key to this was the recognition that safety and occupational health, which are internally focused, require different strategies and management approaches from socio-economic development and the environment, which have, in part, an external focus.

Management systems and external audits

Kumba uses the ISO 14001 and OHSAS 18001 management systems in respect of environmental, and health and safety management, respectively. Kumba ensures that certification to these systems is retained on an annual basis via external appraisal conducted by independent third parties. Any corrective actions stemming from these reviews are implemented by the mines to ensure continual improvement.

Kumba also has its sustainable development data collection and management systems verified on an annual basis by PwC.

On an annual basis, Kumba provides Anglo American plc (Anglo) with a letter of assurance concerning its performance on a range of sustainable development indicators. Anglo conducts its own audits on Kumba's performance as regards to sustainable development. Areas requiring improvement are addressed as part of the corrective action system.

Kumba Board

Safety & Sustainable Development Committee; Audit and Risk Committee; Human Resources, Remuneration and Nominations Committee

Accountable: Strategic direction; risk identification and management
Consult: Set policies, strategies and standards
Inform: Benchmark best practice; assure and report; alignment with Anglo; strategy and policy implementation

Executive Committee

Responsible: Strategic direction
Accountable: Set policies, strategies and standards; assure and report; risk identification and management; alignment with Anglo
Inform: Benchmark best practice; strategy and policy implementation

Internal forums (operational and strategic focus areas)

Sustainable Development Steering Committee; Environmental Steering Committee; Transformation Steering Committee; Safety and Health Steering Committee; Water and Energy Steering Committee; Gamagara Steering Committee; Dingleton Resettlement Steering Committee

Responsible: Strategic direction; set policies, strategies and standards; assure and report; risk identification and management; alignment with Anglo; strategy and policy implementation
Accountable: Benchmark best practice

Mine operational forums

Responsible: Assure and report; risk identification and management; alignment with Anglo
Accountable: Strategy and policy implementation
Consult: Set policies, strategies and standards
Inform: Strategic direction; benchmark best practice

The responsibilities of the various sustainable development oversight and management structures

Self-assessment

A vital component in ensuring that sustainable development is properly managed within Kumba is the range of reviews and internal audits conducted by head office and the mines. These internal audits use Kumba's policies and standards, as well as Anglo's guiding documents as benchmarks on the environment, health and safety, to determine the degree to which these requirements have been implemented and the level of performance achieved.

Data and impact management

Kumba is focusing on improving the capture, measurement and monitoring of its data applicable to all key performance indicators developed in line with GRI's G3 Guidelines. Currently, all data related to sustainable development are captured on Anglo's sustainable development database on a monthly basis. In addition, the mines use the Pivot system as an incident and complaint management tool.

Audit findings are also registered on the system as corrective actions, and management plans are developed and managed as part of the ISO 14001 and OHSAS 18001 systems. Project REDUCE has also been developed in conjunction with Anglo for the reporting of energy and water data (refer to pages 51 and 58).

All Level 2 and 3 environmental incidents, as well as all safety incidents such as fatalities, high potential incidents, medical treatments and lost time injuries, are reported to the Kumba executive and to Anglo. We also maintain an anonymous whistle-blowing facility – Tip-Offs Anonymous – where unethical behaviour on the part of Kumba's employees can be reported.

Risk management

Kumba maintains an integrated risk management (IRM) programme which applies a logical, systematic and repetitive methodology to identify, analyse, assess, treat and monitor all risks, whether insurable or not. For a detailed discussion on risk management within Kumba, please refer to pages 38 – 40 of the Annual Financial Statements of the 2008 Annual Report.

Key sustainable development risks are discussed in the review sections of this report.

Our approach to sustainable development

Strategy and focus

During 2008, Kumba embarked on the development of a revised strategy for sustainable development. At the outset, this revision required that Kumba understands what is meant by sustainable development and thereafter developed strategies in accordance with that understanding. The process occurred in tandem with Kumba adopting Anglo's ambition to be the leading global mining company, and also assimilated Kumba's mission to deliver outstanding sustainable value to its stakeholders.

After debating various interpretations, the Executive Committee decided that sustainable development for Kumba would focus on the following:

- Employee safety
- Occupational health
- Environmental management
- Social and community development.

From a **safety and health perspective**, the Executive Committee decided that Kumba should be a leader in this field, be seen as the yardstick, and have influence on the direction mine safety and health takes in South Africa. In respect of environmental management and social and community development, it was decided that Kumba should be seen as a proactive corporate citizen and act beyond legislative compliance, exceed stakeholder expectations and exert influence on social and environmental matters in the mining sector and beyond.

The sustainable development team set about gauging Kumba's level of management from a social and community development and an environmental perspective.

The analysis revealed that from an environmental perspective Kumba manages **environmental issues** within the requirements of the law, at all its operations. However, areas of improvement were highlighted.

From a **social and community development perspective** the analysis revealed that Kumba's management of these issues often exceeds legal requirements.



Safety signage at Sishen Mine.

Bomme Itsoseng – rural empowerment initiative

Kumba is empowering women to increase their level of social and economic participation. In June 2008, Sishen Mine hosted a Community Indaba. As the event was limited to the surrounding communities, which excluded major labour sending areas, Kumba saw a need to extend its engagement through the Bomme Itsoseng initiative.

Launched in October 2008, Bomme Itsoseng, Setswana for “women rise” or “women do it yourselves”, is designed to encourage and motivate women to make effective use of opportunities presented to them; and, in conjunction with the Kgalagadi District Municipality and companies like Kumba, address local social challenges.

Marking the launch of the initiative was an inaugural exhibition and discussion series attended by more than 500 women from 17 rural villages in the Kgalagadi District. Covered was a wide range of social issues including poverty alleviation, enterprise development and funding opportunities by Anglo Zimele Business hub, learnership and bursary programmes offered by Kumba, HIV/AIDS awareness and management through an industrial theatre performed by Sishen Mine peer educators, and domestic violence and abuse. These engagement sessions were aimed at understanding some of the local needs and discussing possible solutions to the most critical social challenges of the community.

The community, along with Kumba, has since identified three priority projects for further investigation in 2009 – renewable energy, enterprise development and food security. Intended to help Kumba build healthy relationships with the communities around its operations, the initiative is to be extended to Thabazimbi in 2009 and to the Tsantsabane municipal area in 2010/11.

In light of this assessment, Kumba identified the areas where more is required in terms of management and performance to reach its aspirations. Of these, the following are key focus areas for environmental management in 2009:

- Water management, covering usage, quality and the effect of dewatering activities on the environment
- Air quality, particularly dust emissions
- Land management, specifically waste rock dump rehabilitation and the management of Kumba's farms
- Legislative requirements, covering authorisations, Environmental Management Programme Reports (EMPR) and various permits/licences of which the mines are in possession or which they require
- Waste management including hydrocarbon pollution and the holistic management of non-mineral waste
- Energy management and CO₂ emissions.

For all of the above, objectives, targets and initiatives were determined for action during 2009.

Kumba's proactive social and community development status was determined using a similar analytical process to that used for determining environmental management priorities. Looking ahead, Kumba defined what proactive will mean in five years' time (2013) and what will be required of the company in order to remain proactive during that period. By deliberating various scenarios, Kumba identified where the key community focus will lie in the years ahead. Focus areas include: education, stakeholder engagement, enterprise development, health and welfare, mine closure, community safety and security, and agricultural development.

For 2009, Kumba has set aside R10 million for contribution to the Anglo Chairman's Fund, in addition to the sums allocated to local economic development (LED) projects committed to in the Social and Labour Plans (SLPs) and other Corporate Social Investment (CSI) initiatives.

Overview of stakeholder engagement

Our comprehensive engagement during the year not only covered regular interaction with our stakeholders, but also saw the production of Sishen Mine's Socio-economic Assessment Toolbox (SEAT) report and the development of community engagement plans. Our 2008 engagement activities are described throughout the report and include the issues raised during these consultations.

We also developed a stakeholder engagement policy which will be fully implemented in 2009. An aspect of implementing the strategy is a stakeholder management tool in the form of a database system implemented in 2008.

Engagement takes place across the group, and the database allows us to track the type and level of engagement and manage associated actions and outcomes. Relationship owners within Kumba have been assigned to different key stakeholders. For each key stakeholder, an engagement plan was developed and the plan adopted by its owner. Approximately 89% of owners were trained to use the stakeholder database system and progress will be reported in this regard. It is intended that the database will be fully operational during 2009.

With certain stakeholders, we will be increasing our efforts on the engagement front. These stakeholders include neighbouring communities affected by the mines' activities, specifically the people of Dingleton, set to be relocated as a result of the westward expansion of Sishen Mine; provincial, district and local government for discussions regarding partnership and collaboration with respect to Social and Labour Plan commitments and the implementation thereof; and ongoing consultation with regulators with regards to compliance issues.

Our performance review sections further discuss engagements held with various stakeholders during 2008.

Human rights

Respect for human rights permeates the overall management of social and environmental matters. We are aware of the environmental impacts of our activities and how these affect certain stakeholders – dust on the residents of Dingleton and dewatering on some farmers near Sishen Mine. As demonstrated in the report, we make every effort to eliminate or mitigate these impacts, and, where necessary, call on the authorities to mediate between ourselves and the affected parties. From a social and community perspective, our development initiatives attempt to redress historical inequalities via the provision of accommodation, healthcare facilitates and improved education. We also contribute to the creation of small enterprises and have a preferential procurement programme in place. Safety is of course a key focus and within that we consider a single fatality to be one too many. Our safety interventions are designed to realise our vision of being a Zero Harm mining concern.

Our multi-pronged approach is designed to ensure that both employees and other stakeholders are not disadvantaged by our activities.

Challenges

We realise that achieving our mission will not be accomplished overnight. This report provides detail on the achievements, progress and challenges we face in realising our ambitions. In general, these challenges are as follows:

- Operating Zero Harm working environments
- Ensuring that we have the right people and the ability to retain them
- Maintaining sound relationships with all our stakeholders
- Limiting and mitigating our environmental impacts
- Constantly reviewing our performance to ensure that we are always improving
- Addressing key community needs
- Addressing capacity issues within local government to ensure the successful delivery and sustainability of our SLP commitments.



Kumba is a provider of infrastructure and services such as water reticulation for the community of Sesheng.

Economic review



Iron ore from Sishen Mine being loaded at Saldanha Bay for export.

Economic review

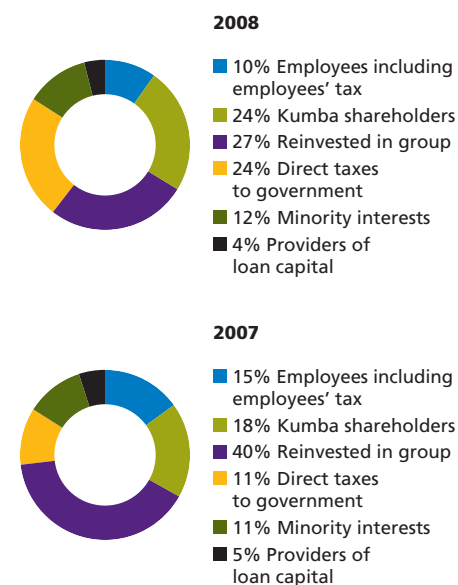
Our robust financial performance together with continued progress in our capital projects and a sustained focus on operational efficiencies should ensure future growth is sustained for all our stakeholders.

Kumba is a key employer, trainer, generator of revenue, profit and taxes and contributor to socio-economic development especially in the Northern Cape Province, but also in the Limpopo Province and South Africa as a whole.

In this section, the socio-economic reach of Kumba is described, from the group's value add, black economic empowerment, including preferential procurement and HDSA ownership.

Value

Some R15.6 billion (2007: R7.6 billion) of value has been created for stakeholders during this year. Our robust financial performance together with continued progress in our capital projects and a sustained focus on operational efficiencies should ensure future growth is sustained for all our stakeholders.



Value distribution

Of the R15.6 billion value created in the 2008 year, Kumba paid R4.3 billion in taxes, an increase of 207% over 2007. South African normal tax accounted for R3,775 billion, foreign tax for R34 million and secondary taxation on companies for R502 million.

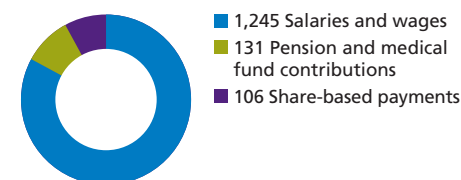
The cost of goods, materials and services purchased amounted to R4,117 billion, a 54% increase over 2007.

During 2008, we paid R1.5 billion in salaries and other benefits.

	2008 Rm	2007 Rm	% change
Sishen Mine	889	745	19
Thabazimbi Mine	202	176	15
Corporate and offshore	391	219	79
Total	1,482	1,140	30

Salaries and other benefits

The above is made up of the following (presented in R millions):



Salaries and other benefits

As part of the unbundling, Kumba implemented various transactions in which 26% ownership in the Sishen Iron Ore Company was transferred to Exxaro Resources (20%), SIOC Community Development Special Purpose Vehicle (SPV) (3%) and Envision (3%). These parties, along with Kumba, participate in the dividend declared by Sishen Iron Ore Company. The following dividends were declared during the year:

Rands	Total dividend 2008	Total dividend 2007
Dividend declared by SIOC	9,040	3,266
Kumba	6,690	2,417
Exxaro	1,808	653
SIOC Community Development SPV	271	98
Envision	271	98

Dividends declared

Community ownership

Kumba's operating subsidiary, Sishen Iron Ore Company (SIOC), is co-owned by certain community groups (3%) through the SIOC Community Development Trust. The trust is set to generate funds for community development in the Northern Cape and Limpopo provinces in the coming years. Since its establishment just over two years ago the trust has earned R211 million from its shareholding in SIOC for redemption of the preference shares and a trickle dividend for projects.

The trust, through its investments, was officially launched by Ms Dipuo Peters, Premier of the Northern Cape, at a function on 4 December 2008. It was established when the former Kumba Resources was unbundled in November 2006 to form Exxaro and Kumba Iron Ore.

The trust is the sole beneficiary of a 3% shareholding in SIOC held by a Special Purpose Vehicle on its behalf.

Five independent community organisations operating in these areas were identified as beneficiaries for channelling funds and resources. The Gamagara Development Forum was the beneficiary for the communities around Sishen Mine, including Olifantshoek, Dingleton, Sishen, Mapoteng and Deben.

The Tsantsabane Development Forum would service Postmasburg and its surrounding areas; while the Kgalagadi Poverty Node Charitable Trust would service Kuruman and the surrounding rural areas; and the Thabazimbi Development Forum the communities around the Thabazimbi Mine. The Maphalane Trust for the Disabled People was the fifth beneficiary trust.

Gamagara and Kgalagadi beneficiary trusts were allocated 30% each of the available funds, while the Tsantsabane and Thabazimbi beneficiary trusts were allocated 15% each, and the Maphalane beneficiary trust the remaining 10%.

Governance is obviously a crucial aspect in terms of dividend allocation and as such the trust has a board of trustees headed by an independent chairman.

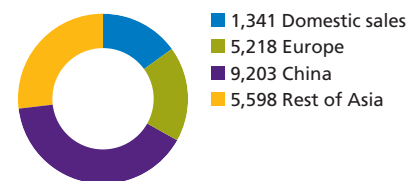


Through the SIOC Community Development Trust, designated communities derive benefit from their investment into Kumba (top: Sishen Mine; middle: Thabazimbi Mine; bottom: loading iron ore at Saldanha Bay).



During 2008, R32 million was paid to employees of the SIOC through the dividend received by Envision. In addition, R8 million was paid to the SIOC Community Development Trust through its interest in the SIOC Community Development SPV. The remaining dividend received by Envision and the SIOC Community Development SPV is used to reduce the funding put in place to acquire the underlying interest in SIOC.

Kumba generated its revenue through the sale and transportation of iron ore to customers in the following geographical regions (in R millions):



Total revenue

Total revenue grew by 87% to R21.4 billion from 2007. Domestic sales dropped by 1%, while export earnings nearly doubled, at 97%. Our highest growth rate was experienced in the Chinese market (115%), followed by the rest of Asia (95%) and Europe (74%).

Economic empowerment

We are focused on extending the economic benefits of our operations through two avenues: ownership of the group by designated groups and preferential procurement.

Ownership

Key risks

Failure to transform, and meet the Mining Charter's requirements will invite unwanted criticism from the South African government and the media, and will also create unnecessary tensions within Kumba. Our transformation agenda is a top priority within the group. It forms part of our five strategic thrusts and will continue to receive the attention it deserves. We recognise that real transformation occurs on the shop floor and we encourage employees to interact and engage. Our employment equity agenda is designed to find and keep the best people from the designated groups.



Kumba relies on the export of iron ore for its revenue and is thus dependent on transportation infrastructure to deliver ore to customers.

Lack of engagement with neighbouring stakeholders will lead to isolation and limit Kumba's ability to operate. Failure to plough back resources into neighbouring communities and labour-sending areas will also demonstrate to employees an uncaring attitude, and also reduce Kumba's ability to attract skills. Our mines are active in engaging with stakeholders at the local and provincial level, continually informing them of relevant developments at the operations and seeking their buy-in where applicable.

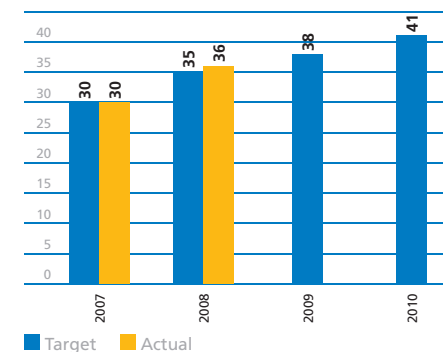
Preferential procurement

We aim to maximise purchases from Historically Disadvantaged South African (HDSA) suppliers and are committed to supporting transformation initiatives. We are guided by our principles of preferential procurement which stipulate that the company must use a preferential procurement methodology designed to assist HDSA suppliers in participating in Kumba's supply chain.

Performance review

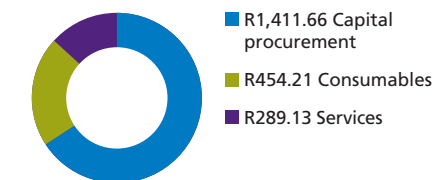
From a preferential procurement perspective, Kumba marginally exceeded the target of 35% of discretionary spend with black owned and black empowered companies, spending 36% with these suppliers.

The graph shows past spend and future targets (%) for Kumba.



Past procurement spend (%) and future targets

The R2,154 million preferential procurement spend was allocated as follows:



Preferential procurement

Initiatives

We face two challenges which may hinder us meeting our preferential procurement targets. The first concerns the accreditation of our suppliers, and the second, the availability of HDSA suppliers at a local level in the regions where we operate.

In order to remain compliant with the Mining Charter, Kumba must ensure that the systems it uses to track spend and the compliance of its own suppliers are constantly checked and updated.

To maintain the necessary levels of accuracy and administration, Kumba:

- gathers scorecard-related information from all its suppliers;
- classifies suppliers;
- monitors scorecard expiry management;
- manages its preferential procurement strategy; and
- maintains a centralised information collation system.

A significant aspect of supplier accreditation is verifying that the data provided is a true reflection of the supplier's empowerment status. Many suppliers have indicated that they are unable to have the data externally verified by an independent empowerment ratings agency. To ameliorate the situation, Kumba has compiled a list of verification agencies which it provides to its suppliers.

Looking forward, we intend to reach our preferential procurement target of 38% for 2009 and ensure that our commitments in terms of local and regional spend, and spend by category, are met.

In terms of the geography of procurement spend, we endeavour to purchase from local HDSA suppliers wherever possible. However, at the local level, the availability of HDSA suppliers is limited. As a result, when we issue tenders, we look elsewhere in the province, or nationally, for suitable HDSA suppliers should the services we require not be available locally.

We are also constantly educating our existing and potential suppliers about our procurement policies. What we have found is that many potential HDSA suppliers do not know where to access relevant information about Kumba's procurement practices. Part of our educational programme involves supplier days and expositions, held at Thabazimbi Mine and Sishen South during 2008, and planned for Sishen Mine in 2009. We also enlist the services of empowerment consultants to explain to our suppliers the various codes of practice regarding empowerment.

Internally, our procurement forums meet to discuss the commitments we have made in our Social and Labour Plans (SLPs). The forums sit on a monthly basis.

Looking forward, we intend to:

- reach our preferential procurement target of 38% for 2009 and ensure that our commitments in terms of local and regional spend, and spend by category, are met;
- create a process that facilitates the achievement of our targets in a sustainable manner. The process incorporates educating our suppliers and maintaining our database; and
- ensure our supplier database is current and accessible to our operations.

Engagement

As mentioned, the supplier days and expositions held during 2008, and those to be held during 2009 are part of our engagement strategy with preferential procurement as a focus.

We also engaged with the Department of Minerals and Energy (DME), the Northern Cape Department of Economic Affairs and the Tsantsabane Local Municipality, all in relation to the supplier exposition held at Sishen South. In addition, we have discussed with the DME the reporting requirements in terms of our SLPs and have developed an action plan as a result of these interactions.

As part of our ongoing supplier relationship programme, we met with our top 20 suppliers during the course of the year.

Sustainable development in the supply chain

Kumba recently adopted the Anglo American Sustainable Development in Supply Chain vision, principles and policy.

The basic premise of the initiative is for Kumba to encourage its supply chain – including preferential procurement suppliers – to embrace and commit to sustainable development.

This has three legs:

- The policy has universal application
- It is a journey of continuous improvement
- It requires the adoption of consistent and simple standards.

Kumba is required to actively promote and implement the policy, which implies that we:

- must comply with the law and subscribe to generally accepted norms that promote and enhance good practices across our supply chain;
- develop, implement and maintain globally accepted standards and procedures that are embedded in the supply chain;
- allocate resources and provide adequate internal training;
- apply a risk-based approach to segmenting and engaging with our supply base incorporating communication, assessments, audits, corrective action plans and to build capacity where appropriate;
- communicate openly and transparently;
- work with suppliers to identify opportunities for mutual benefit; and
- report internally and externally on a regular basis.

In terms of our suppliers, we will show preference to those suppliers who:

- have more than 26% black ownership;
- effectively manage safety with a vision of Zero Harm;
- effectively manage occupational health risks;
- uphold fundamental human rights and fair labour practices;
- ensure that their operations, products and services comply with the law;
- maintain and promote ethical standards, sound business practices and good governance;
- contribute to economic and social wellbeing;
- demonstrate responsible environmental management;
- provide clear, accurate and appropriate reporting on agreed indicators; and
- promote these principles in their own supply chains.

The net result will be the reduction of risk to Kumba, and its suppliers, and the raising of sustainable development awareness and performance throughout the value chain.

Kumba has sent out questionnaires to its suppliers to ascertain their level of understanding of sustainability and the degree to which management systems have been implemented.



A worker at the waste-to-compost enterprise in Kathu, supported by Kumba.

Occupational health and safety review

Kumba's employees
understand the need for
personal protective equipment.

Occupational health and safety review

Thabazimbi Mine has had no fatality for 6 years and no LTI for 14 months.

The priority we place on the health and wellbeing of our employees and contractors is reflected in our Zero Harm vision. Our ongoing challenges and successes in eliminating fatalities, injuries and occupational health risks are discussed in this section.

Safety

Our key safety risks are as follows:

Issue	Risk	Mitigation measures
Employee health and safety	Injury or fatality	Implementation of health and safety improvement plans
Shift system, ergonomics and personal factors	Fatigue	Fatigue management programmes
Construction activities associated with greenfields project	Injury or fatality	Safety management and improvement plans for construction activities
Employee empowerment and awareness	Lack of understanding of risk identification and management	Risk management training
Fleet utilisation	Collision and other vehicle related accidents	Vehicle management plans

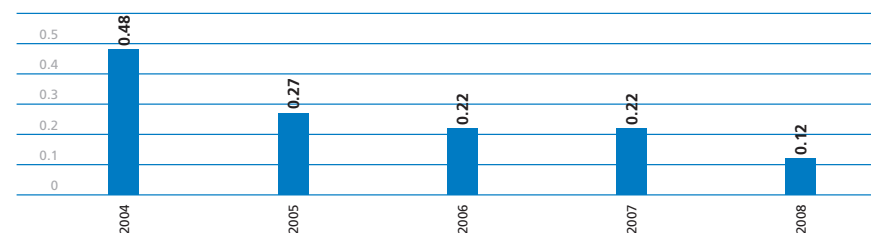
Key safety risks

Management plans related to our key risks are discussed in the sections below.

Performance review

Fatalities

Despite our increased effort and focus on the implementation of the Anglo Fatal Risk Standards (AFRS) and the Safety Improvement Plan, we report with deep regret a fatality at Sishen Mine in 2008. In April, Mr Kagiso Peace Leboa, a 42 year old truck operator, who had five years' service, was fatally injured, when the truck that he was driving reversed over a berm.



LTIFR

The investigation that followed – which included an independent review – identified a number of contributory factors that led to this event, including issues related to the risk assessment, operating standards, night audits, Transport Management Plan and assurance. Remedial measures have been fully implemented. In line with our zero repeat principle, lessons learnt were shared with Thabazimbi Mine and Anglo, and, where appropriate, actions were developed and implemented to prevent the reoccurrence of similar incidents.

No fatalities were recorded at any of our other operations.

Lost time injuries (LTI)

We report a dramatic improvement in our lost time injury frequency rate (LTIFR), of 0.12 in 2008 (from 0.22 in 2007), below our target of 0.17 (see graph below). While we celebrate this improvement, it nonetheless means that 14 people experienced lost time injuries (against 29 in 2007). Any injury remains unacceptable to us, and we have therefore set an even more stringent LTIFR target of 0.08 for 2009, en route to Zero Harm.

A number of **key milestones** were also achieved during 2008 including *Thabazimbi Mine not having had a fatality for 6 consecutive years and 15 consecutive months without an LTI*, the last LTI having been reported in September 2007. All other Kumba operations, except Sishen Mine and the Sishen South project, including corporate office, Saldanha and exploration recorded zero LTIs during 2008.

Our excellent performance in bringing down LTIFR is attributed to our commitment to Zero Harm, the quality of people we have, the range of initiatives we have implemented, and on our increased focus on safety risk management.

In summary, our key safety initiatives include:

- Fatal Risk Standards Implementation
 - Surface Mobile Equipment – (Collision Avoidance Systems)
 - Vehicle Safety – (roll-over protection devices)
 - Other Fatal Risk Standards
- Risk Management
 - Revision of Baseline Hazard Identification and Risk Assessment
 - Safety Risk Management Programme

- Transport Management Plan
 - Fatigue Management
 - Complete Vehicle Management Plan
- Leadership and Culture
 - Focus on Visible Felt Leadership (VFL)
 - Safety first always
 - Safety Through the Empowerment of People (STEP).

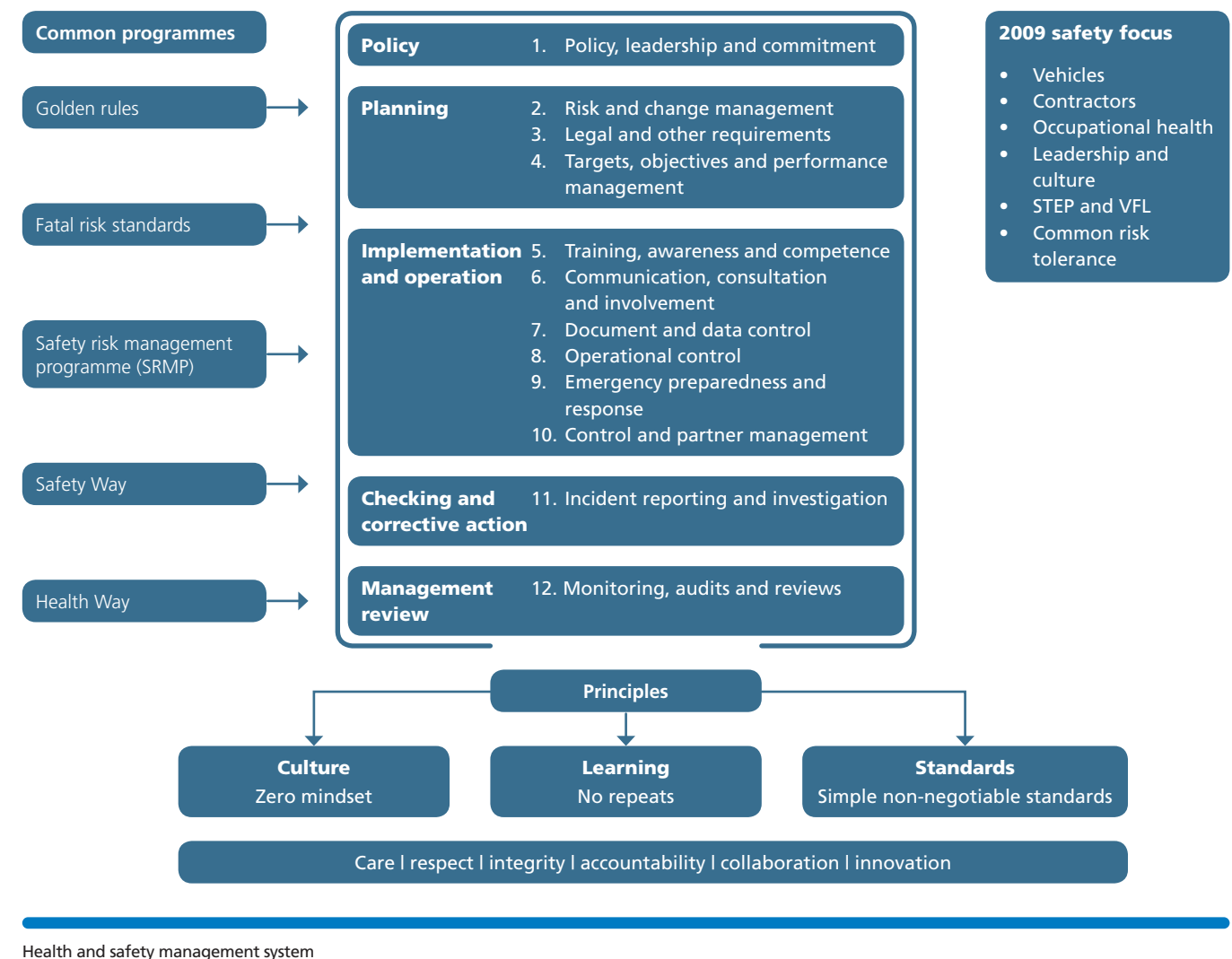
High-level challenges

A number of challenges exist that may prevent us realising our goal of becoming a resilient, Zero Harm mining company, with respect to employee safety. The most important risks associated with safety issues will always be the risk of injury or death, and preventing these remains for us the core safety factor.

Fatalities have a significant psychological impact on the workforce. Through our STEP and VFL programmes, we encourage debate and discussion on safety matters and believe that this open approach enhances employee confidence and attitude towards better safety practices.

Any safety incident, whether due to the hazardous nature of mining operations or failure to adopt high levels of safety management practices, can result in harm to or death of employees and community members, fines and penalties, and financial liability. While the Group Personal Accident insurance covers the results of any incident, Kumba aims to move towards measurement against leading indicators and total recordable incidents, in addition to LTI, in 2009.

LTIFR dropped to 0.12, close to a 50% improvement on 2007.



2009 safety focus

- Vehicles
- Contractors
- Occupational health
- Leadership and culture
- STEP and VFL
- Common risk tolerance

A question asked of employees as part of the cultural surveys conducted at Kumba during 2008 enquired as to their opinion of safety standards in the group. The answers provided by employees placed Kumba's approach to safety as exceptional; the safety category was rated highest of all.

We developed a three-year safety improvement plan which aims to improve current performance and drive to Zero Harm. This plan forms the basis of the road to Zero Harm and has been adopted as Kumba's safety strategy. The following areas are addressed to achieve the desired outcome:

- Risk and change management
- Culture and leadership
- Training awareness and competency
- First line management.

Finally, significant reputational damage can result from poor safety performance. Our safety measures are designed to eliminate or mitigate all risks, and consequently should address any risk to our reputation. Our safety drive is a collaboration with the Department of Minerals and Energy (DME) and with the unions representing our workforce.

Our safety journey, framework and initiatives to mitigate risks

This section presents our approach to safety and describes various initiatives in place to ensure that we realise our goal of becoming a leader in South Africa as far as safety is concerned. A question asked of employees as part of the cultural surveys conducted at Kumba during 2008 enquired as to their opinion of safety standards in the group. The answers provided by employees placed Kumba's approach to safety as exceptional; the safety category was rated highest of all.

Our journey

In terms of our safety journey, we have determined that at present we are compliant. In order to become a South African leader in safety we are busy with the roll-out of a number of programmes to give effect to our vision of Zero Harm. Please refer to the SHE policy on page 68 of the report where our commitments to safety are enshrined.

Our safety framework

Our integrated safety framework, illustrated on page 25, combines all the elements of our safety management system, and our values and principles, into a coherent framework which guides management.

Our initiatives

We classify our safety interventions into common practices and improvement plans (see pages 28 to 29).

Common practices encompass:

- Safety management system
- Safety risk management
- Golden Rules application
- Fatal Risk Standards application.

Our **safety improvement plans** encompass:

- Vehicle safety, including collision avoidance
- Fatigue management
- Construction safety
- Safety Through the Empowerment of People (STEP)
- Kumba Safety Improvement Plan.

Compliance

During 2008, all of Kumba's mines retained certification to OHSAS 18001. Management plans outlining corrective actions to address all major findings issued during audits were compiled and implemented. Corrective actions for minor findings are monitored by the mines on a monthly basis.

The DME conducted audits at Sishen and Thabazimbi mines during 2008. No fines were issued during 2008 although the following directives were issued by the DME:

- Sishen Mine – the DME requested that the Code of Practice (COP) on Trackless Mobile Machines should be revised to include fatigue management, vehicle visibility and road signs. The COP was revised and submitted to the DME in January 2009.
- Thabazimbi Mine – a section 54 directive was issued as a result of non-compliance with Regulations 14.1(1)(b) and 14.1(3) of the Mine Health and Safety Act. This was due to the DME being of the opinion that there were insufficient records kept by a shift supervisor such that handover to the supervisor of the next shift could be successfully completed. The non-compliance was addressed with the principal inspector and the instruction was lifted the following day. The necessary mitigation measures were taken and progress reports were submitted on a monthly basis to the DME's principal inspector of mines.

Engagement

Safety featured prominently in the national media and at individual mine level throughout 2008. Guided by the Anglo Safety Way, Kumba participated with Anglo American in the tripartite safety summits with the National Union of Mineworkers and the DME on several occasions.

Key issues that arose out of these focused discussions have been fed back into our safety implementation plans.

Occupational health

Kumba's key focus for 2008 was to align its occupational health management systems with the same standards it applies to safety. Our occupational health systems require substantial attention, and we are therefore going to address this progressively, as discussed in this section.

Performance review

Three cases of suspected noise induced hearing loss (NIHL) were reported to the DME in 2008. This is against a target of no new cases of any occupational disease [silicosis, noise induced hearing loss, pneumoconiosis, chronic obstructive airways disease (COAD), occupational tuberculosis (TB), occupational asthma and hand-arm vibration syndrome (HAV)]. This target of zero cases will be maintained for 2009.

Initiatives

The Kumba Occupational Health Way

As part of the process of aligning its systems with that of Anglo's, all of Kumba's operations completed a gap analysis against the Anglo Occupational Health Way. Action plans are in the process of being drawn up to address all identified gaps and will be implemented during 2009. The gap analysis indicated that we need to restructure our occupational health activities and we have responded accordingly (see Health Improvement Plans below).

Our Health Improvement Plans

A key development during 2008 was the appointment of a group medical adviser and an occupational hygiene coordinator. Occupational health programmes were also rolled out to the exploration and projects departments. Sishen South, Kumba's new mine which is still under construction, will employ 3,000 contractors on site, which poses significant risks to the company.

As such, Kumba also enlisted the services of the Anglo Technical Department to assist in the development of a leading health risk assessment approach and methodology aligned with the approach which governs the Safety Risk Management Process. A health improvement strategy and plan is now centrally controlled and will be updated early in 2009.

Occupational health is included in mine-wide baseline Hazard Identification and Risk Assessment (HIRA) review projects which are to be completed by January 2010.

Noise

Noise is our most prominent occupational health risk. Implementation of our hearing conservation programmes made good progress as did our drive to eliminate all equipment exceeding 110dB.

Silicosis

Our objective is the elimination of silicosis. By December 2008, our goal was to ensure that all exposure measurement results were below the occupational exposure limit for respirable crystalline silica of 0.1mg/m³. This is in line with the DME's milestone targets.

During 2008, a silicosis audit was conducted at Sishen and Thabazimbi mines to assess the effectiveness of dust risk management practices. Action plans and follow up audits have been developed and scheduled for 2009, against which progress will be monitored on a monthly basis by the mine and relevant internal forums.

Compliance

No fines were received during 2008. However, the following directives were issued by the DME during the Presidential Safety Audit:

- Sishen Mine – a section 54 directive was issued in relation to the management of hazardous substances. The issue was resolved to the satisfaction of the DME
- Thabazimbi Mine – a section 55 directive was issued when the DME observed that the spirometry operator was not in possession of the necessary qualifications required to operate the spirometer, despite being under supervision of a qualified occupational health nurse practitioner. An internal audit was subsequently conducted and work is in progress to address the findings.

Our target for VCT uptake for 2008 was 75%; by the end of 2008, we had achieved 77% uptake. For 2009, we aim to achieve 85% uptake of VCT. We are also expanding our targets to include a 65% uptake of employees with HIV and AIDS on our programmes.

Common practices



The Safety Management System

The Safety Way defines the roles and responsibilities of Kumba on its path to Zero Harm. The Safety Way comprises 12 standards as the basis for the development, enhancement and application of a comprehensive and integrated safety management system. The standards are derived from international best practice including OHSAS 18001. The standards support the realisation of Kumba's safety vision – Zero Harm – and enable a risk-based approach to safety management. The standards also facilitate the auditing of safety performance.



The Golden Rules apply to lifting and working correctly with equipment.

During 2008, Thabazimbi and Sishen mines completed gap analyses using the Anglo Safety Way as a yardstick. The process led to a review of the manner in which objectives are set as well as to a review of the Kumba emergency preparedness plan; the latter was consequently aligned with Anglo's Crisis Communication Plan. As a result of the gap analysis, an internal audit protocol was compiled at Sishen Mine, against which the mine's safety management systems are audited on a monthly basis. All identified gaps at Thabazimbi Mine have been addressed. Plans are in place to conduct gap analyses at other operations such as Saldanha, Sishen South project and our explorations.

Safety risk management

Safety risk management entails the understanding and application of modern risk management practices. This was identified as a key knowledge area to be addressed in an effort to improve safety performance. The University of Queensland, Australia was contracted by Anglo American to develop an executive and senior management programme designed to help us understand the complexities of safety management and the roll-out of effective safety practices.

During 2008, the majority of Kumba's executive and senior management attended the programme with the rest to complete it in 2009. In addition, a formal process to deal with major and catastrophic events was developed with a focus on effectiveness and controls integrity. This will be implemented in 2009 to assist in the prevention of safety incidents.

Golden Rules

The rules are really Kumba's Ten Commandments. In excess of 80% of all our previously reported fatalities occurred in the areas covered by the rules. All employees, contractors, visitors and suppliers are expected to abide by them.

The first, fundamental, and unspoken rule requires that no task be carried out unless the person has the appropriate training for the task, is authorised to carry it out and wears the correct protective equipment while doing so.

The rules cover the following:

- Surface mining
- Mobile equipment and light vehicles
- Confined spaces
- Working at heights
- Energy and machinery isolation
- Lifting and mechanical handling
- Water bodies and liquid storage, and
- Chemicals and hazardous substances.

Fatal risk standards

These standards are the legs of the Golden Rules and explain the performance requirements for working in areas covered by the rules. The standards are designed to eliminate or reduce the risk of fatalities and injuries and have been developed by learning from best practice and from our own experience.

Safety improvement plans

Vehicle safety

Given that collisions and other vehicle-related accidents are a major risk at Kumba, the company developed Vehicle Management Plans (VMP) for its operations. Each operation completed a self-assessment to highlight specific areas for improvement. Implementation of the plans, including collision avoidance systems, is progressing well.

Vehicle safety refers to the use of technical systems designed to mitigate the risk of collisions and associated injuries and fatalities. Across the Anglo group, 33% of all fatalities are caused by collisions, which accounted for the only fatality in Kumba in 2008.

The key initiatives designed to mitigate the risk of collisions include the installation of lowered mechanical bumpers to prevent light vehicles being driven over by large haul trucks. Furthermore, the FLARM collision avoidance system was successfully tested at Sishen Mine. The system is GPS based and is used to calculate whether or not two vehicles pose a threat to one another based on their respective speed, position and heading.

Fatigue management

In order to manage fatigue, Kumba has developed an Employee Fatigue Management Guideline. Given the shifts worked at our mines, fatigue is a key risk. The risk factors which cause fatigue can be attributed to the shift system, ergonomics and to personal factors such as lack of sleep, poor health, poor nutrition and lifestyle. In order to address fatigue, Kumba followed an approach designed to understand the risk factors, manage them and thereafter evaluate their effectiveness after implementation of its programme of action.

Our approach is multifaceted in that dealing with fatigue requires us to ensure that employees have good accommodation, have access to nutritional food, can get help should they be experiencing psychological problems and so forth. These are being addressed by our housing schemes, including the elimination of hostel accommodation, food and beverage supplements and compulsory rest periods during shift work.

Over and above these contributing factors, we are also examining how we schedule shifts, the ergonomics of our equipment and the nature of the tasks our employees are required to do. The latter also includes whether the employee has the right training and experience to carry out the task.

Construction safety

The Sishen South project was identified as a risk area given its greenfields status and lack of organisational experience in the construction of large-scale projects. A safety and health manager was appointed in order to tackle the main risks associated with the construction of such a big mine. The manager's role is to ensure that best practice related to construction remains a priority.

Safety Through the Empowerment of People (STEP)

The importance of employee empowerment as a means to address safety (and health) matters is undisputed. Since the implementation of the STEP programme, we have noticed a significant improvement in safety performance at our mines. We plan to roll out STEP at Saldanha, Sishen South project and other corporate offices in 2009. STEP works parallel with our Visible Felt Leadership (VFL) initiative, which is a management programme that requires management to engage on safety matters with employees and demonstrate leadership in regards to safety practices.

Kumba safety improvement plan

The implementation of the Safety Action Plan is monitored by the Executive Committee on a monthly basis. All milestones were achieved with the exception of the roll out of the A2 risk assessment training and the further development of the VFL structure at Thabazimbi and Sishen mines. Existing safety improvement plans have been revised to take cognisance of the recently approved Anglo safety strategy and Kumba's internal safety strategy.



Top: Safety Through the Empowerment of People (STEP).
Middle: Kumba acknowledges the importance of bold signage to remind employees of their duties.
Bottom: This truck, at Sishen Mine, is fitted with a safety bumper and collision avoidance system.



The soup kitchen provides a vital service to the sick and destitute in the vicinity of Dingleton.

	Unit	Frequency of measurement
Number of employees on whom VCT was conducted	3,800	Annual assessment
Number of employees on HIV wellness programme	383	Monthly assessment
Number of employees on ART	123	Monthly assessment
Number of new HIV cases	99	Annual assessment
Prevalence rate (%)	6.70%	Annual assessment

HIV and AIDS data

HIV and AIDS

We deal with HIV and AIDS via a range of channels and actively promote HIV and AIDS prevention and VCT through various awareness campaigns. Our target for VCT uptake for 2008 was 75%; by the end of 2008, we had achieved 77% uptake. For 2009, we aim to achieve 85% uptake of VCT. We are also expanding our targets to include a 65% uptake of employees with HIV and AIDS on our programmes.

We work in partnership with Calibre Clinical Consultants, a wellness management company, that offers uniquely designed wellness and disease management programmes. Calibre provides the necessary infrastructure to Kumba for the purposes of implementing employee wellness programmes.

The HIV prevalence rate amongst our workforce is estimated at 6.7% for Kumba (5.8% and 13.8% for Sishen and Thabazimbi mines, respectively). The prevalence rate for the two provinces in which Kumba operates is 16.1% for the Northern Cape, where Sishen Mine and the Sishen South project are located and 18.5% for Limpopo, where Thabazimbi Mine is located.

HIV/AIDS data for 2008 is summarised below:

Key risks

People with HIV or AIDS have a higher risk of contracting other illnesses, such as tuberculosis or pneumonia, or having secondary infections set in should they injure themselves. Thus HIV/AIDS pose significant risks not only to the individual's wellbeing, but to the company and society as well. In mitigation of these risks, Kumba provides opportunities for VCT, access to anti-retroviral therapy (ART) and to immune boosters to deal with HIV/AIDS.

Kumba has also implemented a series of initiatives to further assist in the prevention and management of HIV and AIDS, as discussed below.

Initiatives

Kumba regularly discusses HIV and AIDS with union representatives, local, provincial and national health authorities, its employees, contractors, local communities and healthcare service providers.

One of the main challenges Kumba faces is getting employees to know their HIV status. The company has employed a number of innovative ideas to encourage employees to know their status.

Mine supervisors provide HIV and AIDS awareness training to employees during daily medical fitness sessions. Supervisors, safety representatives and SHE representatives receive advice on their roles and responsibilities as part of the support structure to employees. This advice also covers, amongst others, how to manage and protect employees who disclose their HIV and AIDS status.

Addressing HIV and AIDS in local communities

Sishen Mine financed a new community healthcare facility, the Ulysses Gogi Modise Wellness Clinic, in Kathu (see case study, page 31). The clinic facilitates access to VCT and treatment for the families of employees and contractors. Sishen Mine assists in raising awareness of HIV and AIDS by supporting peer group educators and industrial theatre groups in its major labour-sending areas. It also helped establish a gumboot dance group that performs at schools in the Kgalagadi District Municipality. The group, through its dance routines, provides information to learners on the risks of HIV and AIDS.

Thabazimbi Mine provides office space to a local HIV and AIDS organisation from which it manages its day-to-day administrative responsibilities. Transport is also provided by the mine on a regular basis for the delivery of food parcels to the community as well as transporting caregivers for awareness campaigns and other functions. The mine also spearheaded the launching of the HIV and AIDS council for the Thabazimbi municipal area. This council is responsible for coordinating all HIV and AIDS initiatives in the municipal area.

Ulysses Gogi Modise

In the belief that healthy employees, living in safe and cohesive communities improve productivity, Sishen Mine together with the Northern Cape's Department of Health invested in a community healthcare facility – the Ulysses Gogi Modise Wellness Clinic.

Since December 2007, this new facility has provided much needed health services to Kumba's employees, contractors and the surrounding people of Gamagara, conducting regular outreach sessions on wellness issues including voluntary counselling, testing and treatment of HIV/AIDS as well as diabetes, tuberculosis and high blood pressure in various communities and local schools around the mine.

The community's warm reception of the clinic has encouraged further active engagement by the mine on social concerns related to alcohol abuse, sexually transmitted diseases, social violence and child abuse. The clinic obtained its full accreditation in June 2008 and has to date trained all primary and pre-schools on the dangers of blood and germs. Other outreach education programmes provided by the clinic cover HIV/AIDS, Sexually Transmitted Infection (STI) and the importance of HIV testing to local high schools and Kathu College. Ongoing counselling is provided by the clinic pre- and post testing.

Key data from the clinic's programmes are shown below:

	Trained	Tested	HIV+ (number)
Clinic	6,156	1,003	114
Outreach programme	6,065	893	
	12,221	1,896	114

Clinic data



Staff at the Ulysses Gogi Modise Wellness Clinic.

Employee review

Dialogue is an important component of company morale.

Employee review

This section deals with our workforce – staff complement and employment equity, why we were voted the best mining company to work for in 2008, and the investments we make in our people. The national context within which Kumba operates has two broad dimensions: firstly, the need to transform our workforce in line with, and beyond, the Mining Charter's specifications; and secondly, to attract and retain employees given the shortage of suitably skilled and experienced people in South Africa.

Transformation is a vital part of Kumba's sustainability. Over and above the requirements of the Mining Charter, Kumba is committed to ensuring that its workforce represents South Africa's demographic profile and that its entire workforce is cared for and afforded every opportunity for growth and development.

Performance review

Our workforce

We are conscious of the need to ensure that our workforce is skilled, content and representative. Dealing with the latter is the subject of this section.

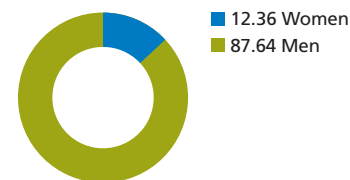
Our total workforce as at end December 2008 was 10,260 of which 5,363 were contractors. The following tables and charts illustrate the composition of our permanent workforce:

	Females (including the disabled)	HDSA males	White males	Disabled males (all races)
Top management	–	3	4	–
Senior management	16	12	64	–
Middle and junior management	304	720	968	19
Semi- and unskilled employees	289	2,444	75	8

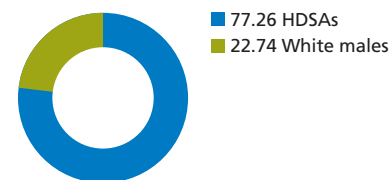
Permanent workforce

	HDSAs in management	Women employees
2008 targets	40%	10%
2008 performance	41.58%	12.42%

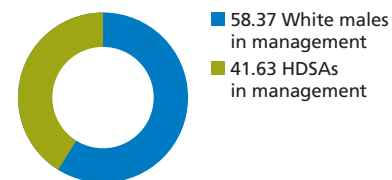
HDSA representation



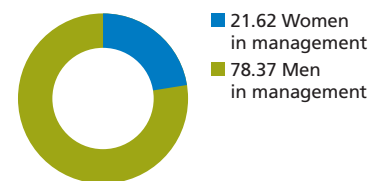
Female and male employees %



HDSAs and white males %



HDSAs and white males in management %



Females and males in management %

Kumba follows an affirmative action strategy which ensures that the overall Mining Charter employment equity target of 40% will be maintained by April 2009. We have various routes to achieve this, including an improved space-creating policy for targeted individuals and positions for equity candidates. The head of human resources is required to approve all external non-Historically Disadvantaged South African (HDSA) appointments, and also ensures that all employees earn market-related salaries.

Our focus on bursary schemes and Professionals in Training (PIT) programme for HDSAs is a longer term strategy, which is paired with the completion of an HDSA retention study to identify the areas which encourage HDSA employees to remain with the company. We monitor the turnover rate of HDSAs and others; all employment equity indicators are monitored on a monthly basis to ensure that actions are implemented to maintain and exceed our targets. We also streamlined our Transformation Steering Committee to discuss issues related to transformation with emphasis on compliance with the Mining Charter.

In 2007, we recruited 609 people, whilst 253 left the company. In 2008, 724 people joined the company, and 258 left. Our staff turnover of 6% compares favourably with the national average of approximately 10%. This is attributed to the increasing attention we are placing on retaining our employees, and keeping them content.

The Mining Charter stipulates that by 2009, at least 40% of management must consist of HDSAs. Through our employment equity policy and other initiatives, Kumba ensures that the recruiting and training of HDSAs and female candidates is prioritised and their career paths developed and fast-tracked.



Kumba's employees from Sishen Mine, Thabazimbi Mine, corporate office and Saldanha Bay.

Hostels

A visitor to Kathu will notice much construction work in the town. Part of this is the upgrading of Sishen Mine’s hostels in order to convert them from single-sex hostel dwellings into decent accommodation for Kumba’s employees. To date, one hostel has been refurbished, the rest will be completed over the next four years, 2009 – 2012.

The hostel conversion process forms part of Kumba’s broader housing strategy and committed to in the mine’s Social and Labour Plan. The aim of the strategy is to promote home ownership amongst employees. Home ownership, along with hostel conversion, has a multitude of positive benefits including improved living conditions, more stable family relationships and better performance on the part of Kumba’s employees. These initiatives begin to address the legacy of apartheid and how this played out in the mining sector.

Employee review

The best mining company to work for

We are very proud to have won the 2008 Deloitte Best Company to Work For in the Mining Industry Category (and coming seventh overall). As competition for skills increase, we recognise that in order to attract and retain our people, we need to ensure that the entire work package is attractive, not only financially rewarding, but inclusive of a range of other factors – the entire employee value proposition. Kumba fine-tunes its value proposition using a range of surveys geared towards finding out what employees like and don’t like about the company. Over the past 12 months, employees participated to a high degree in several culture and climate surveys. Insights gathered from the surveys are used to inform the various initiatives designed to enhance the employee value proposition, improve safety practices and make Kumba an attractive company to work for.

Our relatively low staff turnover rate is testimony to the effort we expended in recruiting and retaining people.

Our initiatives

Cultural surveys

Through the surveys, the following aspects have been found to drive the attraction and commitment of employees:

- Leadership reputation, organisational culture and working environment
- Remuneration
- Medical benefits
- Retirement fund contributions
- Travel and subsistence
- Recognition
- Flexible working hours
- Location of work.

	HDSAs in ABET	HDSA career planning	Scholarships and learnerships
2008 targets	60	296	462
2008 performance	54	267	727

Basic skills and learnerships

In essence, we strive to create the right working culture and ethos in order to get the most out of our employees and ensure that they get the most out of the company. In support of these aspects, we have rolled out a number of initiatives designed to make Kumba a great company to work for.

Our values

The first priority in terms of creating an enabling environment is the culture of the organisation. Aside from the cultural surveys conducted, we have also driven programmes designed to educate staff about our values – safety, care, respect, integrity, accountability, collaboration and innovation. Following from this, we have instituted a range of leadership and mentorship programmes developed to assist managers to walk the talk.

Improving living conditions

We are also aware that the modern working paradigm is changing and as a consequence we are beginning to look at how to respond to employees’ requests for flexibility in terms of working hours and place of work. Furthermore, we are investing approximately R300 million in the conversion of hostel units, buildings and low cost housing into accommodation suitable for families and individuals (see case study elsewhere on this page).

Investing in our people

Performance review

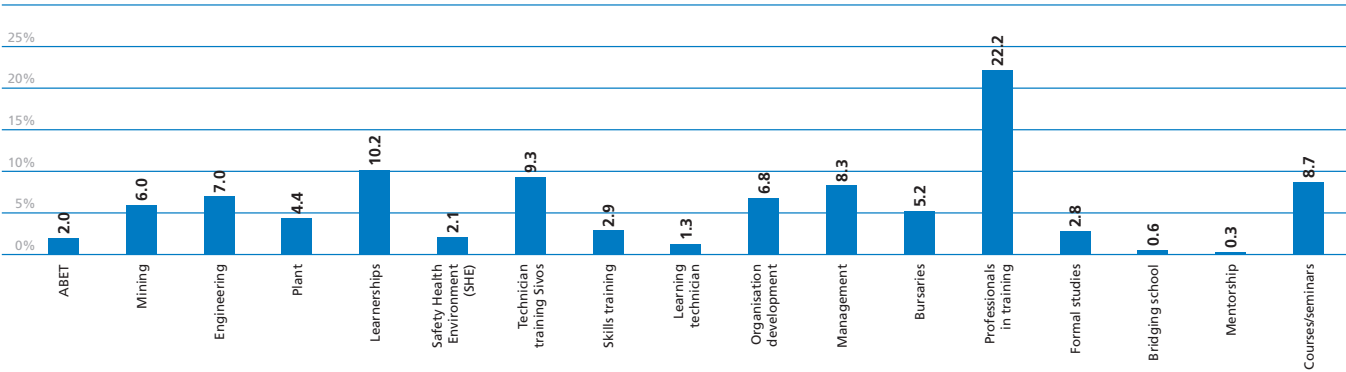
Kumba has a range of employee training and development programmes. We also offer learnerships and bursaries on a number of various technical fields. These form part of our commitment to our employees and go some way to fulfilling our retention strategy.

Our training and development encompasses a diverse number of subjects from emotional intelligence through to basic skills and leadership training.

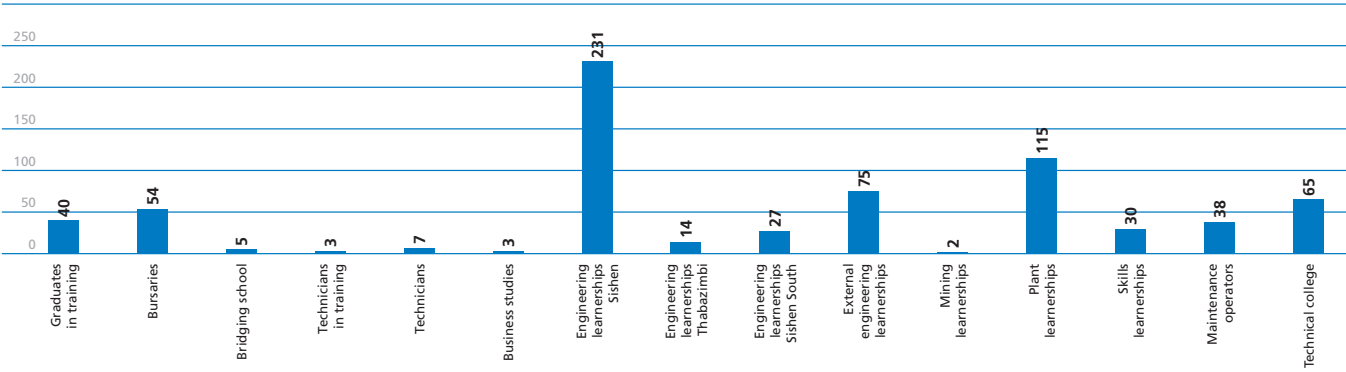
Employee review

A total of 4,094 Kumba employees have at least a National Qualifications Framework 1 qualification or higher. Approximately 1,000 employees do not have such a qualification and these are the target of our Adult Basic Education Training (ABET) programme. Of these, 581 are interested in enrolling on our ABET programmes. A follow-up audit began in 2008 and will extend into 2009. The audit focuses on those employees not interested in ABET and seeks to convince them of the benefits of enrolling on an ABET programme.

Kumba invests in the training and development of its women employees.



Allocation of 2008 training budget



Number of learnerships 2008

Best place to work

The Deloitte Best Company to Work For survey provides companies with an understanding of their employees’ experience of work and their perceptions of the company. What the survey says to us is that our employees think highly of us and that their positive perceptions translate into sound company performance overall. This award recognises companies for their efforts at making the workplace fulfilling and satisfying for their employees. At the same time, the companies benefit since satisfied employees tend to be productive ones.

The key to our success is our values, not merely as a framed piece of paper hanging on the wall, but through living these values. Now that we have received this accolade, we will not rest on our laurels. We will continue to strengthen the employee value proposition and ensure that we address our weaknesses to ensure that we retain our prize.

The various employee surveys we conduct help us keep our finger on the pulse and aid us in what we need to focus on.

Receiving this award enhances Kumba’s ability to attract and retain talented people, a critical factor in an age of skills shortages.



Employees at the corporate office.

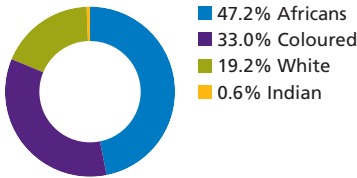
Employee review

In 2008, we spent R85 million towards training and development. This is geared towards meeting our needs as the employer, and the requirements of our employees for growth and development. Our financial commitment is significant – the R85 million that we spent on training is up from the R56 million in 2007. This also reflects increased spend per employee – R15,553 versus R11,854 in 2007. Our total training spend is 6.0% of the total payroll (up from 5.4% in 2007; national average of 3%). Altogether 30% was spent on the engineering and technical disciplines. All our offerings are in alignment with the National Qualifications Framework (NQF) and Mining Qualifications Authority (MQA).

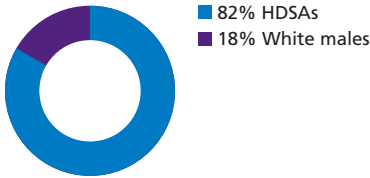
During 2008 the average training intervention per employee is estimated at 5.2 days.

Our learnership programme

The development of people begins even before they commence formal work with us. Our learnership programme includes training in specific disciplines; namely plant, mining, and engineering. The total number of learners at Kumba as at December 2008 was 709; 85% of these were men and 15% women. Our focus for 2009 is to increase the number of learnerships with our long-term goal being the equal distribution of male and female learners.



Equity ratio of learners



HDSA and white male learners

A total of 203 (140 artisans and 63 Plant and Mining) learners qualified during 2008 of which 150 were appointed by Kumba.

We have doubled the legally required percentage of learners at Kumba (10%, as opposed to the 5% stipulated by the Employment Equity Act).

Empowering local communities

Not only do we train our own employees but also invest in training in local communities. This investment takes several forms. Firstly, our training centres in Kathu (Tshipi) and Thabazimbi (Itereleng) provide basic technical skills to unemployed people living in the area. During 2008, 316 learners attended courses at Tshipi and 473 attended at Itereleng.

Furthermore, we offer bursaries and scholarships focusing on HDSAs. The bursars who graduate are then placed on our Professionals in Training (PIT) programme. As at December 2008, we had 64 bursars on our books, of which 47 are HDSAs.

Portable skills

Portable skills training is also offered to our employees through a diverse range of training and development programmes. Our training centre in Kathu offers Kumba employees the opportunity to acquire additional skills to enhance their existing capabilities. The training centre is fully accredited with the MQA and is recognised as one of the top facilities in South Africa. During 2009 we will be focusing on obtaining accreditation for the Itereleng training centre at Thabazimbi Mine.

For those employees identified as future leaders of Kumba, we offered emotional intelligence training during 2008. This includes stress management techniques, self-awareness and self-image training.

Key risks

The mining industry faces a global shortage of skilled employees across a range of disciplines. The inability to attract and retain people with appropriate skills may adversely impact Kumba’s ability to operate. This risk is exacerbated by increased mining activities in Sishen Mine and the surrounding areas with increased competition for skills. We are facing this risk by developing an appropriate suite of reward and benefit structures, retention allowances for key skills and a revised housing strategy.

Employee review

Industrial relations

Kumba recognises the right of its employees to freedom of association and participation in collective bargaining.

During 2008, Thabazimbi Mine was affected by a worker stay-away, which lasted one day, in support of the National Union of Mineworkers’ (NUM) call for solidarity with those miners killed in various incidents in the gold mining sector. Other than this, there were no other significant industrial relations incidents. There was also some support for national protest actions in support of the NUM stay-away call on safety, but the impact was limited to Thabazimbi Mine where a loss of 255 person days was recorded. Union grievances resulted in a total loss of 275 person days at Thabazimbi Mine during 2008. Sishen Mine did not encounter any industrial action and no person days were lost.

Relations with representative trade unions are very good and a well established engagement process ensures that all issues are addressed promptly. Kumba is fully committed to fair labour practices and freedom of association and more than 70% of our employees are covered by collective bargaining agreements.

In December 2008, we signed a multi-year agreement with the NUM, Solidarity and Black Allied Mining and Construction Workers’ Union. The agreement covers wages and conditions of employment.

During the year, two cases were heard at the Council for Conciliation, Mediation and Arbitration (CCMA) and both were referred for arbitration. Three cases also went to arbitration and all were settled.

Skills development award

In 2008, we won top honours in the employee development category of the Financial Mail’s Top 300 Companies Award. A key reason for this is that Kumba spends 6% of its wage bill on training and development compared to the national average of 3%.

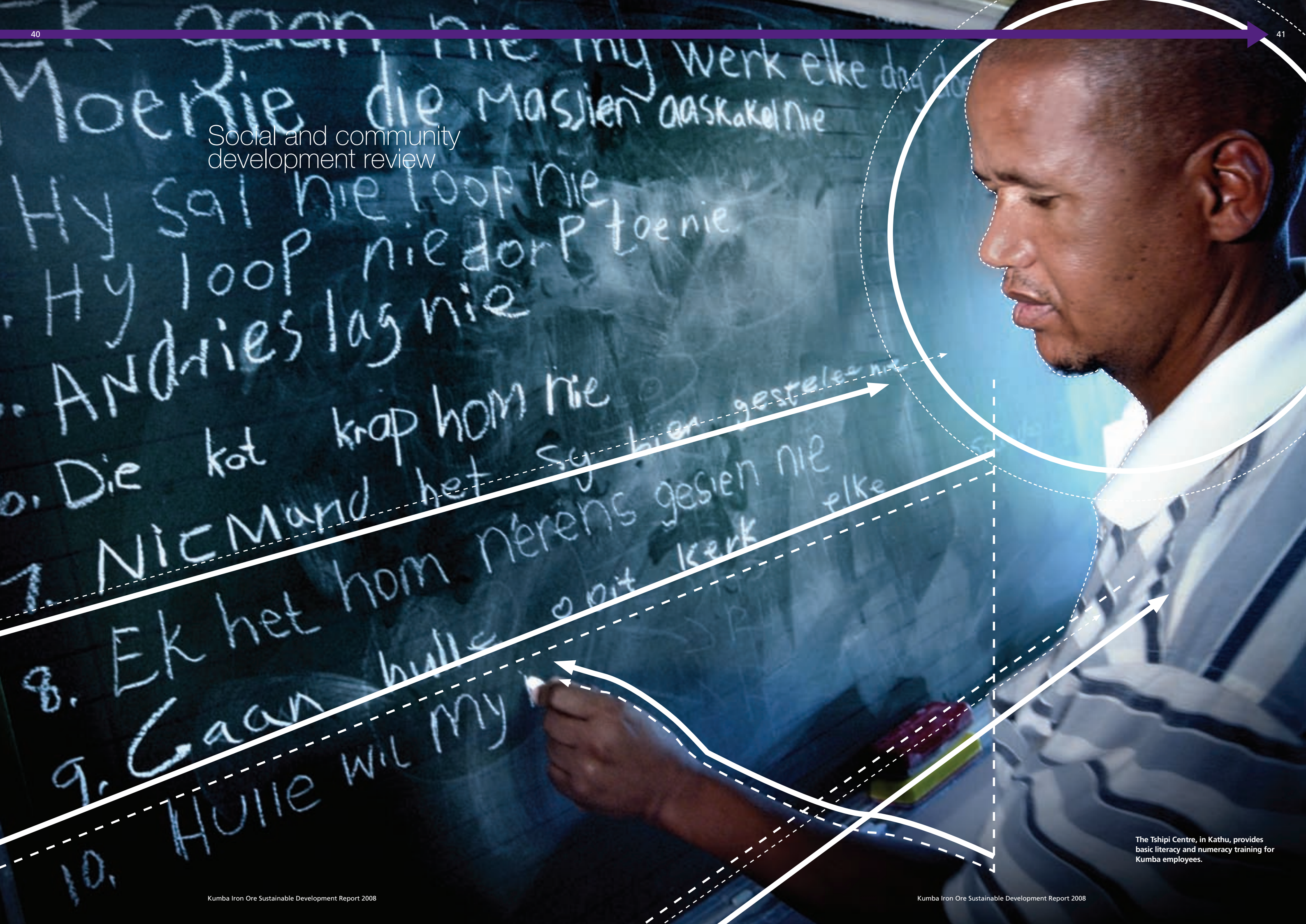
Kumba’s training strategy is well thought through and carefully planned. The 1% skills development levy is not enough to address the challenges of the future. In order for Kumba to meet its skills requirements in the future, it needs to invest heavily in employee training and development. The return on this investment is quite simple to measure – improved business is the answer. Kumba regards its business performance indicators as a reflection of the quality of its staff and development processes.

Kumba’s Skills Training Centre in Kathu is regarded as one of the best in the country. It is accredited both with the MQA and the Construction SETA. The centre puts about 250 artisans through their paces at any given time. Graduates from the centre are quickly snapped up by other companies, or appointed by Kumba. The centre has hundreds of people waiting to enrol.



An ABET learner at the Tshipi Centre in Kathu.

Social and community development review



The Tshipi Centre, in Kathu, provides basic literacy and numeracy training for Kumba employees.

Social and community development review



Top: Learner at Itereleng.
Bottom: Learner at Tshipi.

During 2008, we reviewed our social and community development strategy and defined our journey in respect thereof. We reviewed our overall social and community performance and concluded that Kumba is at present compliant, with pockets of excellence in certain areas. Our aspiration is to act beyond legislative requirements and be regarded as a responsible corporate citizen. Our social and community development road map is a strategy which provides direction as to how we will measure our progress on our journey and further defines where we are and where we would like to be.

We are cognisant of the economic downturn and its potential impact on our social and community practices, and we continue to use this challenge as an opportunity to identify innovative means to enable our continuous support for community investment programmes. We have secured the finances required to implement our 2009 LED projects as a means to honour our obligations contained in the group's Social and Labour Plans (SLP).

Key social and community development risks

Our key risks are as follows:

Issue	Risk	Mitigation measures
SLP compliance	Lack of capacity at local government level to deliver projects	Establishment of LED units and support at municipal level to deliver on projects
Stakeholder expectations	Failure to implement projects in support of community needs	Five-year LED programme detailed in Kumba's SLPs, SEAT 2 Report and community engagement plans
	Failure to meet stakeholder expectations	Stakeholder engagement policy and plans in place
Dingleton resettlement	Potential violation of human rights during the proposed relocation	Ongoing consultation and engagement with the Dingleton community and provincial government to understand and manage concerns
Poverty, illiteracy and poor infrastructure within rural communities	Inability to implement and/or realise the benefit of Kumba's community development programmes	Research programme initiated to examine past and future projects against major community needs and capabilities required in the long run

Key social and community development risks

Business case

We developed a common understanding of what we regard as responsible corporate citizenship.

We also acknowledged that our bottom line is highly influenced by our social licence to operate as is our access to new mineral resources. Key to success is our ability to:

- stay in business through securing and maintaining our licence to operate and grow;
- procure locally by supporting and developing small and medium businesses;
- demonstrate social responsibility by supporting and giving back to the community;
- address skills shortages through educational programmes;
- grow competencies amongst our workforce;
- attract and retain skills required for growth; and
- create and implement sustainable community and social upliftment projects.



Key external stakeholders identified for engagement

Engaging with stakeholders

Kumba engages with a number of external stakeholders who are either interested or affected by Kumba's activities. Towards reaching our goal of becoming a pro-active and responsible corporate citizen, we developed a stakeholder engagement policy and implemented a stakeholder engagement database to guide our engagement processes and actions. Improving relations with local communities, authorities and other governmental bodies is key to the success of our business. Our stakeholder engagement process allows us to understand the concerns, needs and priorities of the communities associated with the operations as well as regulators' expectations. Our engagement process further outlines concrete steps that should be taken to build and improve new and existing relationships, establish key partnerships and gain ongoing support from the regulators for Kumba's licence to operate and future growth and expansion plans.

We also use the opportunity to keep our stakeholders informed of any new developments or activities which may be impactful.

The Sishen South project is in the construction phase. The project has dedicated personnel involved in stakeholder engagement and community development. During 2008, comprehensive engagement sessions were conducted with communities and sector engagement sessions were also conducted with all key public and private stakeholders. The potential impacts of the project need to be pre-emptively managed hence the need for regular engagement. The project established a relationship with the Tsantsabane Local Municipality largely due to an intensive focus on the part of Kumba on building strategic relationships with key stakeholders during the course of 2008.

The table below lists key engagements which took place during 2008:

Stakeholder	Frequency of engaging	Issues or concerns	Actions or outcomes
Thabazimbi Local Municipality	Monthly meetings	Roll-out of SLP commitments	The mine's LED projects accepted and incorporated into the local municipality's IDP
Local community	Kumba Day (Annual event)	Construction of fire breaks between the mine and the farms surrounding the mine The mine's assistance with sewage problems in town The need for the proposed recycling site to be made available to the public	Addressed by the environmental section as part of the EMP The mine is continually providing technical assistance to the municipality Currently under investigation, the location of the site has not been finalised yet. A possibility of establishing a HDSA company via Anglo Zimele Business Hub will be investigated
Waterberg District Mayor	Ad hoc meetings	Local procurement spend on BEE businesses	Fast tracking development of local entrepreneurs
Local municipality's LED unit	Monthly meetings	Implementation plan for LED initiatives	Need to establish and implement a proper governance structure
Department of Environmental Affairs and Tourism	Ad hoc meetings	Need for more interventions by the local government to improve community awareness and celebrate National Environment Days	Plans developed to implement awareness programmes aligned to National Environment Days
Maths Centre (NGO)	Ad hoc meetings	Understand the role of the Maths Centre and identify possible partnerships	Partnerships discussed with Anglo Chairman's Fund for implementation in Kumba communities during 2009
Provincial Government (Premier and MEC)	Ad hoc meetings	Proposed relocation of the Dingleton community	Ongoing engagement with the Relocation Committee and Dingleton community
Gamagara Local Municipality	Monthly meetings	Clarifying Kumba and municipality's roles and partnerships	Memorandum of understanding drafted
Municipality and Sishen Management Team	Monthly meetings	Discussion regarding infrastructure, services and development backlogs	Sishen Mine will assist the municipality with the skills to finalise bulk service planning
Northern Cape LED Forum	Quarterly	Alignment of LED projects which will specifically focus on the manufacturing sector	Sishen Mine is currently busy with two feasibility studies in partnership with provincial government regarding projects that could have a major economic impact on the economy and job creation
Environmental Management Forum	Quarterly	Impacts of Sishen Mine's activities on neighbouring communities and farmers, e.g. dust, dewatering	Dust suppression through application of dust-a-side, maintenance of roads, water provision to the affected farmers, joint studies with the farmers and Department of Water Affairs and Forestry (DWAF) to address the dewatering issue
Tsantsabane Local Municipality	Annually	Establishment, support and training of local BEE companies to participate in Sishen South's supply chain	Sishen South held a Business and Supplier Expo in partnership with the Northern Cape Department of Economic Affairs and the local municipality

Understanding community needs

We use the Socio-economic Assessment Toolbox (SEAT) as a means to engage with our local communities. SEAT was developed by Anglo to enable its operations to identify and manage the socio-economic impact of their activities on local communities, and to provide guidance on how to improve management performance of key social issues.

Sishen Mine was the first in the Anglo group to launch its SEAT 2 report. Sishen Mine's report identified priority issues to be considered by the mine when implementing its community development initiatives. These include infrastructure and services, employment opportunities, security, immigration, environmental issues and housing. Sishen Mine developed management responses to address the priority issues. Sishen Mine's SEAT report provides a comprehensive overview of the mine's engagement and development activities and can be downloaded from www.kumba.co.za.

Other SEAT assessments are being conducted by the Sishen South project and Thabazimbi Mine. Their SEAT 2 reports will be completed and published during 2009.

Investing in communities

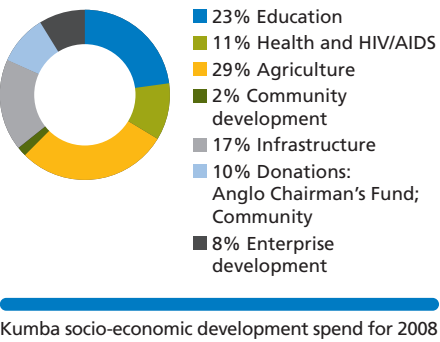
Kumba continues to invest in communities where its operations are hosted and within major labour sending areas. Testimony to this is the launch of the SIOC Community Development Trust and the approval by DME of the SLPs for Sishen and Thabazimbi mines and the Sishen South project.

Our approach towards community and social development is guided by the following:

- Our Stakeholder Engagement Policy
- Our Socio-economic Development Policy
- Five-year LED programmes committed to in our operations' SLPs
- The SEAT process and other community engagement activities and key needs identified for Kumba's support
- The Anglo American Chairman's Fund guidelines for community investments.

In 2008 Kumba spent approximately R79 million on community and social development, which included implementation of LED projects and other social investment programmes.

We are aware of the need for us to evaluate the impact of our social and community development spend and want to make every rand that we spend count. We will begin consolidating and furthering our analyses in order to ascertain what our financial contributions are doing. In saying that, we are confident in the abilities of our development teams and know that their role extends beyond the transfer of funds. Our hub in Kathu offers advice and mentoring and casts an objective eye over the recipients of our support.



Kumba socio-economic development spend for 2008

Our main challenge is to implement sustainable projects that will deliver long-term value pre- and post-mine closure. Considering the socio-economic conditions of the areas where our mining operations are located, our most significant community challenges are poverty, access to basic needs, infrastructure, education and health. We continue to support government and local communities and have developed a five-year LED programme in consultation with local municipalities which aims to address social challenges in our host communities and major labour sending areas.

Our key community and social development focus areas within the next five years are as follows:

- Educational programmes
- Enterprise development
- Health and welfare
- Stakeholder management
- Community safety and security
- Mine closure
- Agricultural development.

Drain Surgeon

With the support of the Anglo Zimele hub and a loan from Anglo Zimele Small Business Start-up Fund, experienced plumber and qualified senior building inspector Gerrit Willemse, became a successful Drain Surgeon franchisee in 2008.

Gerrit approached the Anglo Zimele hub upon hearing that a national franchise, Drain Surgeon, wanted to open a branch in Kathu in the Northern Cape. The hub conducted detailed studies of all aspects of the project, assisting Gerrit in preparing his business plan before granting him a loan of R430,000 in January 2008 to buy the franchise.

The Kathu branch of Drain Surgeon opened for trade in March 2008 and has achieved remarkable growth. Currently employing nine full-time staff members, Gerrit plans to expand his business to keep up with development in the region. Together with Sishen Mine through the opportunities created by the Anglo Zimele hub, Gerrit is succeeding in creating employment and contributing to creating sustainable livelihoods in Kathu.



Gerrit and a member of his staff.

Vukani Musa Construction
Specialising in building and civil works, Vukani Musa Construction is a recently established black economic empowerment (BEE) company in the rapidly growing Kathu region.

Co-founder Joseph Kente was previously a general worker at Sishen Mine. A trained carpenter, Kente continued through with assistance from the mine to qualify as a building inspector, following completion of courses in first-line and project management. In his subsequent experience as a project manager at the mine, Joseph noticed how few local contractors were capacitated to deliver the quality of building services demanded by the market.

With this he approached Sishen Mine for assistance and was awarded a R680,000 loan from the Anglo Zimele Small Business Start-up Fund which enabled him to establish his business in April 2008. Vukani Musa currently employs 18 people and is intending to grow to 60 people by the beginning of 2009.

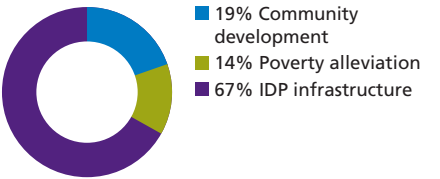


Joseph Kente, owner of Vukani Musa, photographed at a school he built in Kathu.

Social and Labour Plans

Thabazimbi and Sishen mines, and the Sishen South project developed SLPs which are a prerequisite for the conversion of old order mining rights into new order mining rights, as required by the Mineral and Petroleum Resources Development Act (MPRDA). During 2008, the DME granted Sishen and Thabazimbi mines with new order mining rights; and granted Sishen South project new mining rights, which included the approval of the SLPs. Our SLPs include five-year LED programmes for each operation. Our programmes outline community projects identified for implementation in the Kgalagadi District, which is Sishen Mine's major labour sending area and the Gamagara, Tsantsabane and Thabazimbi municipal areas where our mines and the Sishen South project operate.

Our LED programmes were identified through an extensive consultative process with local authorities and the DME to ensure alignment with the municipalities' Integrated Development Plans (IDP). Kumba has committed to spend R159 million on LED programmes, which started in 2007, and is distributed as follows:



Kumba's five-year LED projects

Our LED programme is progressing according to plan at Sishen Mine. Both Thabazimbi Mine and the Sishen South project experienced some challenges related to capacity at the local municipality to deliver on LED projects. Further delays were experienced during the process of negotiating and finalising the service level agreements with the municipalities. In addressing these challenges, Thabazimbi Mine assisted the municipality in establishing an LED unit, whose mandate is to focus on the delivery of LED projects. Through ongoing consultations with the Mayor of Thabazimbi and other municipal officials, a special purpose vehicle will be established during 2009 to oversee the implementation of SLPs at all the mines located in the Thabazimbi municipal area.

The Sishen South project also managed to finalise all service level agreements with the Tsantsabane Local Municipality and other key sponsors through ongoing engagement. All the 2008 infrastructure related LED projects are scheduled to commence in early 2009.

Tackling poverty

In 2008, Sishen Mine launched the Anglo Zimele Small Business Start-up Fund. The fund is used to establish and support small and medium enterprises within communities where Kumba operates by means of loan finance of up to R1 million per project. To facilitate community access to the funding, Sishen Mine relocated its Sustainable Development Department's offices to a central location in Kathu. The offices are used as a hub where community support, training and mentorship are provided. Assistance with the development of business plans and access to administrative facilities are also provided.

Since the launch of the fund at Sishen Mine, 15 entrepreneurs were established. By the end of 2008, the entrepreneurs were already paying back the money loaned to start their businesses and have successfully secured contracts within and outside the mine properties. A total of 169 community members have been employed.

Improving education

Through a range of interventions, Kumba is heavily involved in improving the quality of education in the areas where it operates. Interventions cover the physical infrastructure where learning takes place as well as supporting the development of superior education programmes for learners from pre-primary to tertiary level.

Addressing community health and HIV and AIDS

Kumba recognises that HIV and AIDS is a matter that needs to be dealt with on a number of fronts. Over and above mine-wide efforts, Kumba is actively involved in dealing with HIV and AIDS in the areas where it operates. Its activities are exemplified by its investment into the Ulysses Gogi Modise Wellness Clinic in Kathu.

Ulysses Gogi Modise Wellness Clinic

The mine invested in a community healthcare facility, the Ulysses Gogi Modise Wellness Clinic, in Kathu. This public-private partnership with the Northern Cape Department of Health renders a much-needed service to the community, employees and large number of contractors. The primary focus of the clinic is to provide counselling, testing and treatment of HIV and AIDS, as well as regular testing and counselling of community members suffering from high blood pressure, diabetes and tuberculosis.

Dingleton relocation

The expansion of Sishen Mine in a southwesterly direction means that the buffer zone between the existing mine and the town of Dingleton will be mined. Kumba announced the start of an investigation to relocate Dingleton on 15 December 2007.

Resettlement and EIA consultants were appointed through a tender process. This process was approved by the Northern Cape Government (NCG) and the Dingleton community. The NCG also appointed StatsSA to survey the town in order to establish a socio-economic baseline and to gauge the community's view on the proposed resettlement.

A resettlement working group consisting of members from the Dingleton community, the NCG, the local and district municipalities, Kumba and the resettlement consultant was established. The working group has agreed on the following:

- Terms of reference for the working group
- Draft survey form to gather socio-economic data
- Requirements for fieldworkers to conduct the survey.

The fieldworkers are in the process of being appointed. As soon as this is done the pre-feasibility study will start with the collection of information necessary to enable Kumba and the Dingleton community to make an informed decision on whether to relocate the community or not by the end of 2009 or in early 2010.

Preparing for closure

Aside from the financial contribution that Kumba makes towards physical rehabilitation, the group has initiated studies at its operations to assess the socio-economic impacts of mine closure on the areas where the mines are located. The studies are planned for completion during 2009/10.

Thabazimbi Mine is not as significant a force in the local economy as is Sishen Mine. Although there are several other mining operations in the vicinity of Kathu, none are as important economically as the Sishen Mine (refer to the context map).

Sishen Mine's key challenge is to remain a vital roleplayer in the Northern Cape's economy whilst simultaneously reducing the province's dependency on the mine, by encouraging and facilitating the development of other economic activities. This will require conventional approaches to economic development but also unconventional ones. The Northern Cape is South Africa's largest, driest and most sparsely populated province; fostering its sustainability will be a challenge. Sishen Mine has initiated a research programme with the aim of understanding this challenge in a broader sense, as a means to identify long-term sustainable community initiatives which will bring a change to the socio-economic challenges experienced in the Northern Cape.

Thabang – place of safety

This organisation serves to help children as well as care givers affected by poverty, HIV/ AIDS and domestic abuse. Since August 2004, the Thabang Children's Project has served the communities of Thabazimbi, the Smash Block informal settlement and Northam, and through its commendable work has become an established and trusted name in the area.

The initiative has over the years been able to simultaneously sustain a variety of projects aimed at supporting and empowering the embattled communities of the Limpopo Province. Thabang Children's Project delivers home-based care for those living with HIV/AIDS and other chronic ailments, making monthly food supplies available to those in need with the support of local retailers. It runs an essential community vegetable garden and encourages the continuity of the community's HIV/AIDS support group Bambanani. These activities serve to complement its primary focus, the rehabilitative Youth Centre for boys and the Thabang Children's Place of Safety for abandoned babies and abused girls.



Children from Thabang enjoy the soccer facilities sponsored by Kumba.

Environmental review

Kumba sponsored these waste bins placed throughout Kathu to encourage people not to litter.

Environmental review

Kumba’s environmental management practices span a range of issues that address the direct and indirect impacts of our activities.

This review focuses on energy and greenhouse gases, water, and land management, in that order. We also discuss non-mineral waste management, air quality with specific focus on dust emissions, and our environmental legal aspects.

Our commitment to environmental management is outlined in our SHE Policy shown on page 68 of this report.

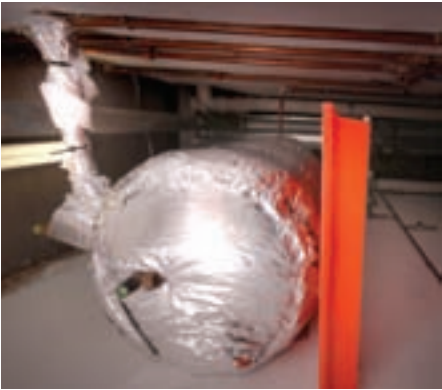
Environmental Management Programme

Sishen and Thabazimbi mines have approved Environmental Management Programme Reports (EMPRs) issued by the Department of Minerals and Energy (DME). In order to satisfy the requirements of Regulation 55 of the Mineral and Petroleum Resources Development Act (MPDRA, 2002) and Regulation GN 704, the mines undertake annual performance assessments of the commitments made in the EMPRs for submission to DME. As part of mine closure plans, an extensive physical and financial assessment is also done to address the requirements of the MPRDA in relation to financial provisioning for mine closure.

Environmental Management Systems

In addition to the EMPRs, Sishen and Thabazimbi mines have well established Environmental Management Systems (EMS) developed in line with the requirements of the ISO 14001 standard. Certification was awarded to Thabazimbi and Sishen mines during 2004 and 2003 respectively. On an annual basis, the mines confirm their certification status through independent external auditors. The mines have since retained their certification and are continually improving their systems by addressing areas of concern raised by the auditors.

The EMS forms the basis of implementing the SHE Policy. Key to the success of the implementation, effectiveness and continual improvement of the systems, are the management reviews conducted on an annual basis. Areas requiring improvement are addressed in the form of corrective actions included in the mines environmental management plans.



Top: Geysers at the Kumba corporate office are wrapped to ensure efficient use of energy.
Middle: A klipspringer at Thabazimbi Mine – Kumba values the biodiversity on its properties.
Bottom: Application of dust-a-side to mitigate dust pollution which is caused by traffic on mine haul roads.

Key environmental risks

The following are Kumba’s top environmental risks:

Issue	Potential impact/risk	Management action
Electricity consumption	Electricity and security of its supply for current and future operations (a business risk rather than an environmental risk but which does have an impact on greenhouse gas emissions)	Ongoing monitoring of electricity usage; research on and implementation of electricity saving initiatives; ongoing awareness
CO ₂ emissions	Climate change and global warming	Ongoing identification and implementation of energy saving and efficiency initiatives; research into viable renewable sources
Water quantity and quality	Security of water supply; water quality exceeding legislated limits	Ongoing monitoring of surface and groundwater quality; research on water saving initiatives; continual awareness
Dewatering	Underground water depletion; loss of water; formation of swallets	Studies to understand the cause and extent of the impact are under way. An option may be to purchase affected farms in close proximity to the mine. Assistance to farmers will continue to be provided
Biodiversity	Land disturbances; impact on protected species	Action plans developed to address and manage biodiversity
Waste rock dumps	Visual impact, source of dust, erosion	Approved rehabilitation programmes
Non-mineral waste	Unauthorised disposal of waste; reduced land availability due to increasing amounts of waste disposed	Waste reduction targets; ongoing identification and implementation of waste reduction initiatives
Hydrocarbon spillages	Increased soil and water contamination due to spillages	Spillage containment; ongoing awareness and rehabilitation of affected areas
Dust emissions	Visual impact; effect on neighbouring communities	Air quality management plans initiated to manage major sources of dust; monitoring programmes extended

Energy

A key development over the past year was the implementation of Project REDUCE. Its goal is to create a reporting system and management tool for energy usage and greenhouse gas emissions for use by all Anglo operations.

Incorporated within Project REDUCE is the Footprint model. Footprint is the name given to the computer-based platform used to model energy, water and greenhouse gas data by allowing for baseline adjustment for production (primary variable) and adjustment due to uncontrollable factors (secondary variables). Kumba’s key variables in terms of energy usage modelling are tonnes mined and run of mine (ROM) processed (primary variables) whilst secondary variables include average waste stripping ratio, haul distance and plant yield.

A baseline adjustment is necessary to account for ongoing changes in activities and Kumba can now determine the effectiveness of saving initiatives implemented during the year.

In line with the Energy Efficiency Accord, Kumba’s energy and CO₂ targets are reductions of 1.5% and 1% per annum respectively over a 10-year period based on 2004 energy consumption.

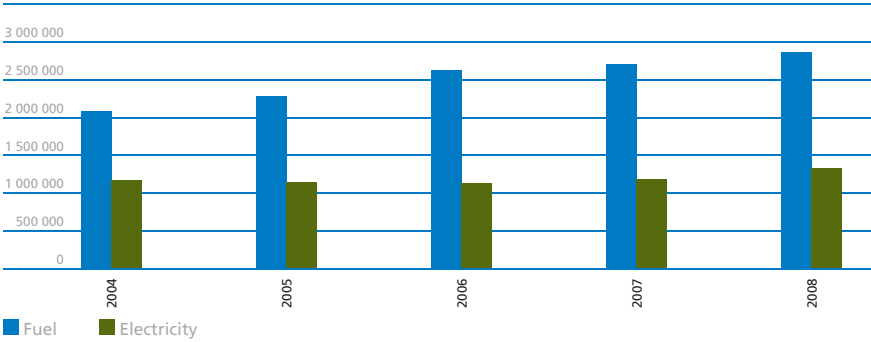
Performance review

Kumba’s sources of energy are electricity, diesel and petrol. In this section energy consumption and efficiency are examined and the key initiatives employed to reduce consumption and maximise efficiency are discussed.

Data and information summary

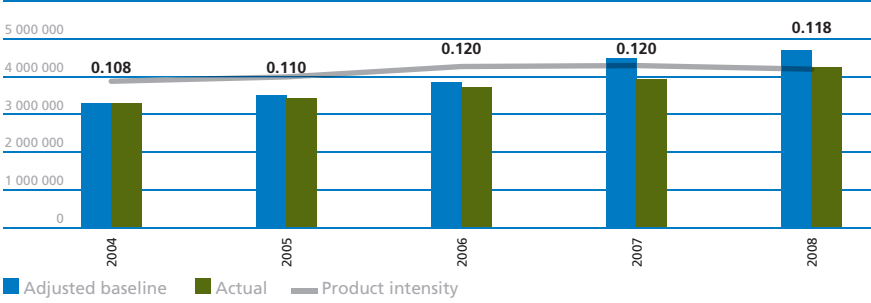
	Energy consumption
2008 targets	6% reduction in consumption from 2004 baseline
2008 performance	9.14% reduction in consumption on Footprint adjusted baseline
Key internal drivers	Project REDUCE
Key external drivers	National Energy Accord, ICMM Principle 6
Relevant G3 indicators	EN3, EN4, EN17
Data assured	Yes
2009 targets	7.5% reduction in consumption

The graph below shows Kumba's energy make-up and consumption from 2004 to 2008.



Energy make-up and consumption 2004 to 2008 (GJ; fuel = direct source, electricity = indirect source)

The graph below shows Kumba's energy intensity (GJ per tonnes product) as well as consumption performance against the Footprint adjusted baseline.



Energy intensity (GJ per tonne) and consumption performance versus Footprint adjusted baseline

The increase in overall consumption of all energy for 2008 (to 4,265,218 GJ, from 2007's 3,889,610 GJ) is as a result of increased production of iron ore and greater activity on the mines, including increased electricity consumption due to the ramp-up of the Jig Plant (SEP at Sishen Mine). An additional consideration in the increased fuel consumption is the switching off of the pantograph at Sishen Mine. This resulted in a fuel switch from electricity to diesel during the electricity supply crisis. This is not a sustainable option however, given the cost of diesel and resulting lower productivity of the haul trucks.

Against a target of 6% reduction in energy consumption (off the 2004 baseline), Kumba achieved a 9.14% reduction in consumption against an adjusted baseline.

Kumba's product intensity reduced slightly from 2007 to 2008. The increasing trend evident since 2004 has reached a plateau. The programmes to achieve ongoing reductions in intensity will continue.

The reduction in product intensity from 2007 to 2008 can be attributed to a number of factors. The variation in the location of the ore body being mined influences the energy intensity in that more, or less, energy may be expended to access the ore body, transport the ore and so forth. This factor alone makes it difficult to accurately predict the energy required to mine a tonne of product. Another factor that played a role in Kumba's reduced intensity was the ramp up of the Jig Plant as mentioned above, which resulted in more product being produced. Finally, the various energy efficiency initiatives that were implemented during the year had a positive effect on energy management.

Initiatives

During 2008, Kumba embarked on a number of energy saving initiatives which were either implemented or identified for further investigation:

- Installation of kinetic screens to replace brute force screens is still being tested; this approach can result in a 56% energy saving on the installed screen. The capital cost for these screens is however very high – R95 million – to replace all existing screens for a potential demand saving of 800kW. Should the screens prove to be successful, then installation will be phased in due to the high cost
- Installation of energy efficient lighting through a change from incandescent lighting to compact fluorescent lighting.
- Retrofitting three solar water heaters at Sishen Mine. The retrofit was done for test purposes. If tests prove successful 250 geysers in the plant will be retrofitted with solar heating
- Heat pumps at the change houses are also being investigated. These could deliver a 60% electricity saving on the water heating in the change houses
- Replacement of the dust extraction system with a mist system, which could save up to 6,500MWh per annum
- Replacement of electromechanical feeders with brute force feeders has already achieved a demand saving of 700kW. Forty-six feeders have been installed since 2006, and a further 32 are required
- Ongoing awareness of on-job and off-job energy efficiency and saving mechanisms.

In addition to the above, an energy management structure (refer to page 54) was established to ensure sustainable energy use and efficiency. This includes:

- The appointment of an Energy Champion at Executive Committee level
- The development of a governance structure for energy projects. Each project has a project sponsor, to whom the project Steering Committee reports. The project facilitator and project strategy team manage the implementation of the work
- Formalising measurements, performance improvement and reporting systems

- Roadshows at operations to explain the workings of the new governance structure.

Key risks

Electricity supply

A reliable supply of energy is crucial for Kumba's ability to operate efficiently and effectively. South Africa experienced an electricity supply crisis which began in early 2008. As a result of the crisis, electricity conservation has become an even greater priority in ensuring the ongoing success of Kumba's operations and the realisation of its expansion programme. During 2008, the focus was largely on examining electricity usage in order to understand where it is possible to save and what programmes will be needed in order to mitigate possible future supply constraints.

The South African government is in the process of implementing punitive tariffs for electricity in a bid to manage electricity consumption in the country. In order to mitigate this significant financial risk, Kumba will continue to investigate and explore alternative sources of energy where practicable and economically feasible. One step in addressing this risk is the investigation of viable alternative power sources, especially solar. Solar water heaters and heat pumps to reduce the amount of electricity used to heat water are being considered.

In ongoing efforts to minimise electricity usage, Kumba, in conjunction with Anglo, launched an online system for the remote monitoring of electricity consumption – the Central Electricity Measurement (CEM) System. The CEM system allows Kumba to make adjustments to electricity use in the face of power cuts and outages. It is also advantageous in that it allows Anglo's South African operations to redirect power from one operation to another where one has a surplus and the other is in need of electricity, thereby achieving innovative demand side management.

Improving haul truck fuel efficiency at Sishen Mine

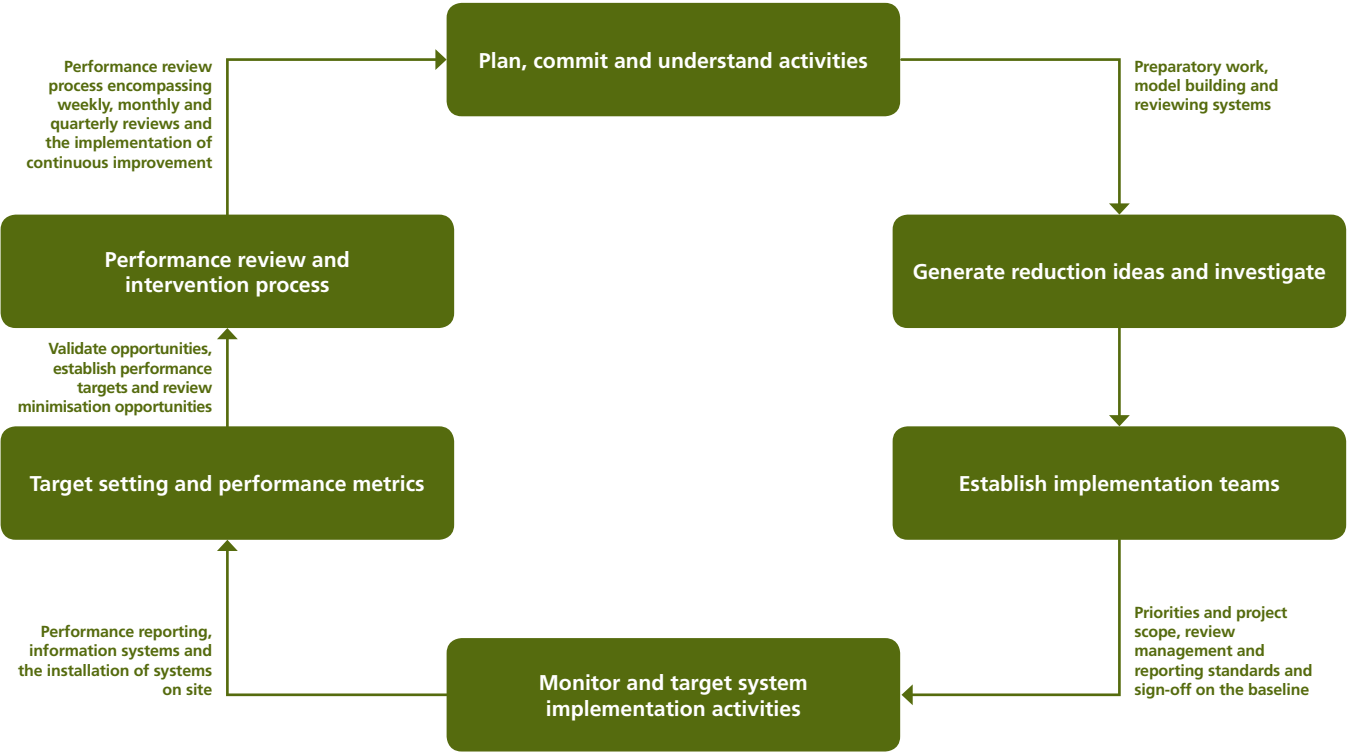
Sishen Mine has embarked on a project aimed at improving its fuel efficiency.

Upon considering observations made of the actual versus normal fuel consumption of Sishen Mine's activities, it became obvious that the mine is able to improve its haul truck fuel efficiency by normalising specified variables of mining production. Idle time, loading and travel factors have been identified as areas for improvement.

The five-step approach intends to understand, act upon and keep a meticulous record of interventions made and the results. The project will be informed by multiple sources on the mine and from this greater understanding of the primary drivers of fuel consumption, the mine will be empowered to improve its fuel economy. Although results from all ensuing interventions, in the form of CO₂ reductions and financial savings, are set to be realised in 2011 running through to 2013, Kumba will continue to show full commitment and support to such initiatives.



Fuel-efficient haul trucks reduce Kumba's carbon footprint.



Energy management process

Kumba also participated in several key forums such as the Demand Side Management (DSM) Forum and the Energy Intensive Users Group (EIUG) both convened to address South Africa’s electricity supply crisis. Ongoing negotiations with Eskom are in progress to determine a viable and sustainable electricity supply solution for greenfields and brownfields projects. This includes project design incorporating the best energy efficiency technologies as a trade-off to further electricity reduction targets. Kumba also negotiated with Eskom that any electricity savings achieved on municipal connections will be recognised by Eskom. This gives the Sishen South project the incentive to install solar water heating systems in all of the houses that will be built to accommodate employees.

The requirement to reduce electricity consumption to meet Eskom’s target of 10% necessitated switching off the pantograph lines used by haul trucks at Sishen Mine. This results in the replacement of electrical energy with diesel energy, which is less efficient, more costly and not sustainable. A trade-off exists between the energy source (electricity or diesel) and its associated carbon emissions (see section on greenhouse gas emissions). To address this, Kumba embarked on a project in partnership with BP and Energy and Combustion Services to identify savings opportunities related to haul trucks.

The process for energy management (and emissions) is designed to achieve reductions in consumption and optimise intensity.

Engagement

The electricity crisis saw Kumba involved in numerous discussions during much of 2008. These are summarised in the table opposite:

Stakeholder	Issue	Outcome
Eskom	<ul style="list-style-type: none">Baseline electricity consumption at our operationsElectricity Conservation Scheme rulesEmergency planningPower demand and supply for the Sishen South projectGeneral electricity supply requirements for the Northern Cape	<ul style="list-style-type: none">Agreement on baseline electricity demand from operationsAgreement on emergency supply planContract to be signed in 2009 regarding power supply to Sishen South
National Energy Regulator	<ul style="list-style-type: none">Electricity Conservation Scheme rules	
Electricity Intensive Users Group	<ul style="list-style-type: none">Collaboration	

Greenhouse gas emissions

Closely linked to reducing energy consumption, the reduction of greenhouse gas emissions is important. For an energy intensive business such as Kumba’s, this poses a challenge because on the one hand the company requires energy to function and on the other hand seeks to reduce its greenhouse gas emissions.

As for energy consumption and intensity, the reader must take note that as part of the Footprint Model, the carbon emissions and intensity for 2008 are determined by comparison with the adjusted baseline. The adjusted baseline is calculated for each specific section or department of the mine. Total emissions for a particular section are modified by adjusting these according to the primary and secondary variables. The difference is incorporated into the calculation and this information is used to formulate the adjusted baseline.

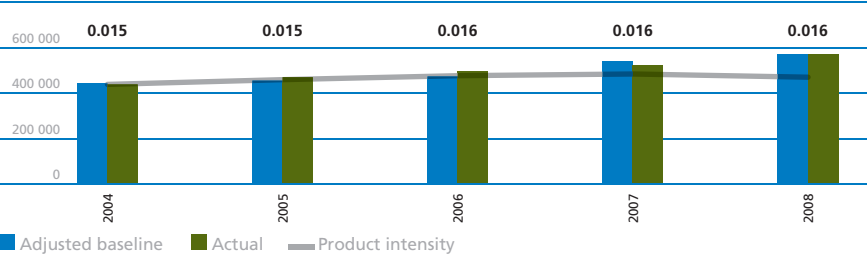
Kumba’s main greenhouse gas emission is CO₂ derived from the use of electricity and diesel. Balancing the relative environmental benefits of diesel and electricity swapping, and the costs associated with these energy sources is a challenge. Diesel accounts for 88% of energy costs, with electricity accounting for 12%. South Africa’s electricity is generated from coal, and therefore emits high levels of CO₂, higher than that emitted by diesel.

At the same time, three times less electricity is needed to do the same amount of work when compared to using diesel for energy. Using more diesel results in more energy use; using more electricity (but 30% less energy per unit of work done), more CO₂ is emitted.

Performance overview

	CO ₂ emissions
2008 targets	4% reduction from 2004 baseline
2008 performance	0.6% increase on footprint adjusted baseline
Key internal drivers	Project REDUCE
Key external drivers	National Energy Accord, ICMM Principle 6, Carbon Disclosure Project
Relevant G3 indicators	EN8, EN30
Data assured	Yes
2009 targets	5% reduction from 2004 baseline

Data and information summary



CO₂ emissions (tonnes) and intensity (tonnes per CO₂ product)

Arbor Week

To mark Arbor Week, the Sishen Mine Environmental Management Department decided to focus its efforts on raising community environmental awareness. Schools in and around Kathu, the Kathu Campus and the Tshipi Training Centre were visited and the objectives of Arbor Week and the importance of trees discussed followed by a tree planting ceremony.

To make Arbor Week more memorable children and students were invited to participate in the planting of trees. A festive spirit accompanied the tree planting sessions and the event was made even more special at the Dibeng Primary School, which celebrated spring together with Arbor Week. Kathu Primary School also celebrated spring, Arbor Week and Casual Day together on 5 September by dressing like flowers and trees for a competition. Winners were awarded with cash prizes sponsored by the school.



Top: Seedlings used for Kumba's tree-planting initiatives.
Bottom: The Camel Thorn, *Acacia erioloba*, is an example of an indigenous tree which Kumba plants as part of its rehabilitation efforts.

Environmental review

Against the 2008 target of a 4% reduction, Kumba increased CO₂ emissions by 0.6% against the Footprint adjusted baseline.

The increase in CO₂ emissions (from 518,008 tonnes in 2007 to 573,833* tonnes in 2008) is directly related to increased energy consumption. Increased ore production, however, helped maintain CO₂ emission intensity (tonnes CO₂ per tonne of product) at 0.016.

Key risks

Carbon tax

A carbon tax is to be implemented in South Africa in the near future, although the exact date of implementation is unknown. Kumba will participate in discussions concerning the tax when these take place to contribute to the direction this and other interventions take and will also ensure that all operations are efficiently run and thus will limit CO₂ emissions where practical and economically feasible.

Reputation

The reputational risks associated with non-disclosure or lack of attention to climate change are significant to Kumba's business. To manage this, Kumba continues to participate in the Carbon Disclosure Project (CDP) and other similar initiatives to ensure that the lessons learnt are shared and to learn from others in terms of managing our carbon footprint.

Climate change

Kumba acknowledges the potential effect of climate change and the considerable threat to the stability of the global economy, society at large and the environment this poses. Our energy efficiency and saving efforts and ongoing research on alternative cleaner and renewable energy sources will help it to manage and reduce its carbon footprint, and determine the optimal energy mix as compared to the CO₂ burden for all Kumba operations.

Kumba is exploring opportunities presented by energy and related CO₂ emissions. One example is the option of integrating the clean development mechanism (CDM) opportunities into projects, with the possibility for future carbon trading benefits brought by this. The CDM was established via the Kyoto Protocol, and allows for investment in emissions reduction projects in developing countries by industrialised countries.

* 362,738 tonnes from indirect sources (electricity); 205,965 tonnes from diesel and petrol (primary sources). Emissions from non-energy sources are not reflected.

The initiatives described earlier will help Kumba to address its CO₂ emission risks, and to determine the optimal energy mix compared to the CO₂ burden for all Kumba operations.

Water quality and quantity

Access to water resources, understanding of water availability and security for current and future growth is fundamental to the sustainability of our business. Kumba produces surplus water from its dewatering operations. However, the surplus water is in all cases exported for use by the adjacent developments. Kumba's operations are located in semi-arid regions, which presents a sustainability challenge on its own. Key to managing water is for Kumba to understand in detail the water consumption patterns at all its operations. There are four categories of water savings initiatives that require attention.

The first category refers to those problems which are easily solvable; for example fixing leaks and rolling out campaigns to increase awareness.

The second category are those problems that can be remedied, but with more effort. Examples include the increased use of treated sewage, more efficient use of water in beneficiation processes and increasing storage capacity to harvest rain water, and changes in the culture of water usage.

The third category refers to those problems which recur despite efforts to the contrary. These encompass the delineation of Sishen Mine's impact on groundwater reserves, the handling of slimes on the mines and the development of proper water reticulation measurement systems for Sishen and Thabazimbi mines and the Sishen South project.

The final category includes the overall understanding of major sources of consumption at all operations. The driver to this is mainly due to old plant designs which are not as water efficient as contemporary designs. These issues also include the social dynamics around water supply and pollution as well as the reliance on local municipalities for service delivery and maintenance of water purification processes.

These are the main issues and opportunities that form the context within which Kumba acts.

Key challenges

Our key objective for 2008, as stated in our 2007 Annual Report, was to review our target of a 1% per annum reduction in water consumption from a 2004 baseline and identify saving initiatives. Although our target was not reviewed in 2008, significant progress was made in this area. Focus shifted towards understanding the overall data management processes applied at the mines. This shift was based on the fact that:

- water consumption measurement and data are not meaningful in that they are not related to process parameters and variables; and
- it is difficult to explain the variation of trend in water consumption and the effect thereof due to the current configuration of the water management system.

Water management received greater attention during 2008. Our achievements include the purchase of the GoldSim suite of software to simulate water balances. The development of models commenced as well as training on the software. The model for water was adapted from the model used for energy reporting. Implementation of the Footprint model started in 2008 and will be enhanced during 2009 to enable water use efficiencies to be quantified.

Our focus for 2009 is to determine the baseline required for target setting. In light of the challenges mentioned above, Kumba's current target of 1% reduction per annum from a 2004 baseline is being reviewed as part of a bigger Anglo drive.

The development of a Water Action Plan commenced, which focuses on the implementation of management actions to improve water management.

Parallel to the above-mentioned processes, we investigated a number of water savings initiatives during 2008, some of which were successfully implemented.

Environmental review



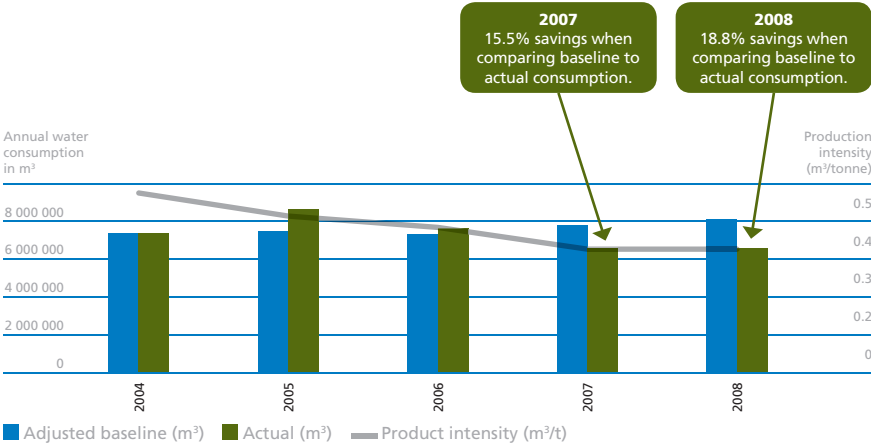
Top: Rehabilitating and vegetating the slopes of our dumps is important in preventing water run-off and soil erosion.
Middle: Kumba provides farmers in the Gamagara area with tanks to store water.
Bottom: Maintaining an efficient haul truck fleet will minimise greenhouse gas emissions.

Performance review

	Water consumption for primary use
2008 targets	4% reduction in consumption from 2004 baseline
2008 performance	10.8% actual usage reduction in consumption based on the Footprint model relative to the 2004 baseline
Key internal drivers	Project REDUCE, GoldSim and Footprint model
Key external drivers	ICMM Principle 6
Relevant G3 indicators	EN5, EN21
Data assured	Yes
2009 targets	A further 1% reduction in consumption relative to the 2004 baseline – currently under review

Data and information summary

The graph below shows Kumba’s water consumption for primary activities for the period 2004 – 2008.



Water consumption for Sishen and Thabazimbi mines – make-up water used for primary activities

Against the baseline water consumption of 2004, a 10.8% decrease in water consumption was recorded in 2008 (8,019,968 m³ vs. 8,324,387 m³ in 2007). Against the 2008 baseline a saving of 18.8% was achieved. When comparing the water consumption against the adjusted baselines for 2007 and 2008 a 3.3% reduction was achieved in 2008. Water savings are also attributed to our ongoing efforts in identifying and implementing water saving initiatives. Included in these is the development of a water awareness programme, a reduction in water used for dust suppression on untreated haul roads, improved operational aspects of slime dams and increased recycling of treated effluent from municipal sewage treatment works.

Effluent water discharges

Kumba applies a zero effluent discharge philosophy at all its operations. We are not aware of any water discharges which occurred outside the boundaries of our operations. We report one incident of contaminated water discharge which was immediately contained. This incident is discussed in detail under the incident reporting section.

Key risks

Water scarcity and availability

Water scarcity and availability remain a key challenge to the sustainability of our business. Future competition for a scarce resource could impact on our ability to justify our water usage. In managing this risk, we will continue to engage with the Department of Water Affairs and Forestry (DWAF) and other water users to ensure that there is adequate supply for all. Our mines are also actively involved in various local forums aimed to address water challenges. These forums include the Water Users Association Forum, the Sedibeng Water Management Forum and the Olifants River Water Forum.

Groundwater loss and formation of swallets

The dewatering activity at Sishen Mine continues to pose a challenge and to some extent a potential liability for Kumba. Dewatering is required to keep the pit dry and safe and the mine is permitted to do so as per the conditions of its EMPR and Integrated Water Use Licence (IWUL). Dewatering has a potential to impact on groundwater levels which is a main source of water for farmers via boreholes. Formation of swallets in the Gamagara River is of equal concern.

We have since undertaken numerous studies in conjunction with the farmers and DWAF to investigate the reason for the formation of the swallets and the potential impact of dewatering on the neighbouring farmers, infrastructure and the environment. Studies being conducted include a regional conceptual geohydrological model and regional dolomite investigation. The model aims to consolidate all information and investigations and provide a basis for negotiations with potentially impacted parties whilst a regional dolomite investigation aims to determine the large scale impact of dewatering on the stability of the dolomite. We are also investigating the possibility of restoring the flow of the Gamagara River by means of a river diversion.

We have extended our studies to farmers located near the Sishen South project. The development of this new mine may also impact negatively on neighbouring farms. The potential impact has been determined through numerical modelling and a monitoring network has been established to enable the compilation of a baseline as well as the early detection of impacts. Regular meeting are being held with all interested and affected parties to discuss the impact in detail and to involve them at an early stage to ensure that reasonable concerns are addressed prior to the operation of the mine.

We continue to assist the farmers on a case by case basis by providing potable water either through water tanks or connection to the Vaal Gamagara pipeline, installation of pumping systems for boreholes and borehole testing. Where applicable, Sishen Mine provides additional grazing or a grazing subsidy to impacted farmers. We continue to engage with the farmers and DWAF through the Gamagara Monitoring Group to keep the farmers abreast of progress and also provide feedback on any assistance requested from the mine.

Achievements

We are proud to announce that after extensive negotiations with DWAF and the community, especially neighbouring farmers, regarding our water needs, Sishen Mine and the Sishen South project were awarded their IWUL. This is a significant achievement for a mining company.

Progress was made on the Thabazimbi Mine’s IWUL application and we continue to work with DWAF’s North West Regional Office to address all the requirements of the application process.

Land management

Kumba owns a total of 73,000 hectares of land. Kumba also owns a number of surface rights within the Northern Cape and Limpopo. This land is reserved for further exploration and is either leased to farmers or under management by the mines. Rehabilitation of all land affected by our mining activities is being undertaken in line with the requirements of the MPRDA and the EMPRs. Our rehabilitation strategy aims to ensure that rehabilitated land is suitable for use post mine closure.

Key risks

If land management is not properly accounted for, the authorities are entitled to withhold mining authorisations. We continue to ensure that all environmental studies are conducted to the required standards and best practices.

Recognising the value of biodiversity, as well as the risk posed to us should this be negatively impacted upon, impels us to protect all biota at our operations. Our biodiversity management plans developed at the mines enable us to manage this risk on an ongoing basis.

Sishen Mine and the Sishen South project were awarded their Integrated Water Use Licences. This is a significant achievement for a mining company.



View over rehabilitation trial plot at Sishen Mine.

Eliminating the Swarthaak

Bush encroachment, whether by indigenous or alien plant species, is a serious problem in South Africa. The Northern Cape is no exception where the Swarthaak or Black Thorn (*Acacia mellifera*) reduces the amount of available grazing land, a problem in the area since livestock farming is an important economic activity. However, problems invariably present opportunities, as shown below.

With initial support from Kumba, Kalahari Verspreiders has grown into a self-sustaining enterprise based on the eradication of the Swarthaak. The success of the business is doubly important in that not only does it employ 18 permanent staff (with contractors recruited as required) and sell its product (firewood) to various customers, but it also clears the veld of a bush encroacher. A key client of the company is the South African National Parks which is a regular and important customer to which the company supplies large amounts of firewood which is sold in shops throughout the Kruger National Park.

The company predicts that by 2010 it will be selling 200 tonnes (2008 = 140) of wood per month equating to an annual revenue of R2.6 million.



Employees of Kalahari Verspreiders with packaged firewood.

Performance review

Biodiversity

A group guideline for the preparation of Biodiversity Action Plans (BAPs) was developed in alignment with the International Council on Mining and Metals (ICMM) Good Practice Guideline for Mining and Biodiversity.

In 2008, we conducted BAP peer reviews at our mines, and are implementing the actions stemming from these. The reviews were undertaken by Anglo with the key objectives being to:

- determine the extent to which the operation satisfies good practice for biodiversity management;
- provide guidance for improvement; and
- strengthen Kumba's biodiversity management.

The main gaps identified include:

- Sishen Mine's environmental policy did not make explicit reference to biodiversity. This was addressed by aligning Kumba's SHE Policy with the Anglo SHE Policy
- Relevant documentation at Thabazimbi Mine needs to be consolidated into a single document. This will be addressed in 2009.

We continually identify opportunities for improving the condition of land in areas not used for mining activities. Major undertakings include the removal of the invasive species, and veld and animal population management.

During 2009, we will investigate how we can leverage eco-tourism and other opportunities off our land. Investigations on biodiversity and other land use opportunities form part of the key initiatives identified for implementation during 2009.

Waste rock dump rehabilitation

A key performance area for 2008 was updating and costing the closure plans for each mine.

The historical and current Sishen Mine rock dumps have been placed at the natural angle of repose of 37°. A closure commitment was made in the EMPR to reshape the dumps to 18° pending the outcome of a five-year investigation with respect to the sustainability of vegetation growth on steeper slopes. Rehabilitation trials have been undertaken over the last five years by the North-West University and their findings are that steeper slopes can be effectively vegetated at angles of between 24° and 30°. The results will be presented to the DME for approval during 2009. We also intend to implement shade net trials to determine the effect of shade netting on the establishment of vegetation on the dumps.

Software was used to evaluate various alternative options for rehabilitation of the existing rock dumps at Sishen Mine. An impact assessment process was followed to assess all options against the guiding principles set out in the MPRDA and National Environmental Management Act. Sishen Mine will also be investigating the feasibility of concurrent rehabilitation on the dumps.

Our rehabilitation programme at Thabazimbi Mine is progressing successfully with a total of 7,993 trees planted at the Buffelshoek pit during 2008. Progress was also made in levelling the Kwaggashoek waste rock dumps; planting of vegetation is planned for 2009.

Closure plans and closure cost estimates

Our mines' closure plans were reviewed to assess their level of compliance with Anglo's Mine Closure Toolbox. The mines completed the physical component of the closure planning process i.e. quantifying the costs required to remove infrastructure and rehabilitate the waste rock dumps. During 2009, the mines will be finalising and quantifying costs related to the socio-economic and biophysical components of mine closure, the results of which will be incorporated into an Integrated Preliminary Mine Closure Plan.

A total of R237 million (as at 31 December 2008) has been invested into the Kumba Iron Ore Rehabilitation Trust for mine closure and rehabilitation, of which R1.2 million has been set aside for rehabilitation of land used for exploration in the Thabazimbi area. Every quarter, each mine contributes to the fund, and conducts annual reviews to ensure that adequate provisions are made.

Waste and pollution

Non-mineral waste

Our mines generate a variety of non-mineral waste. Waste generated is categorised in two broad streams:

- Recycled materials – which generate income for the mines. These consist of obsolete materials, scrap items, used oil, scrapped conveyer belts, paper, used batteries, reclaimed and redundant materials
- Non-reusable material – which is disposed of at authorised landfill sites and includes domestic waste, contaminated waste, medical waste and other hazardous waste.

Our aspiration is to achieve zero waste in all our operations in support of the Polokwane Declaration. The declaration set a national goal of reducing waste generation and disposal by 50% and 25% respectively by 2012 and further aims to develop a plan for South Africa to achieve zero waste by 2022. We investigated various options to reduce the quantity of waste disposed at landfill sites.

Recycling initiatives and disposal are the most common methods in use at the mines. During 2008, we identified various options for reuse and recycling including waste reduction at source, waste treatment and reuse and the establishment of community recycling and reuse centres. These options will be examined further in 2009 to determine their viability.

During 2008, we aimed to implement waste management plans at Sishen and Thabazimbi mines. These plans incorporate waste registers and targets to reduce, reuse and recycle as much waste as possible. During the course of 2008, we revisited our targets and agreed that we needed to establish a better understanding of our waste stream in order to facilitate the setting of accurate targets in line with the Polokwane Declaration.

Thabazimbi Mine made good progress in terms of establishing its baseline; Sishen Mine experienced difficulties in obtaining sufficient data due to the malfunctioning of the newly purchased weighbridge. By the end of December 2008, Sishen Mine made significant progress in finalising its waste register but target setting was postponed for completion in 2009.

Hydrocarbon pollution

The prevention of oil pollution is a key priority at our operations. Ground and surface water are rigorously monitored to minimise the potential risks arising from historical spillages or contamination and specific rehabilitation measures are undertaken. An assessment of four historically oil polluted sites at Sishen Mine was completed in 2008. The pollution plumes at the sites were defined and an appropriate clean-up technology identified to ameliorate the situation. The rehabilitation of these four sites will commence in 2009 in accordance with the rehabilitation plan and approximately R13 million has been set aside for this purpose. The clean-up of these sites will be a progressive process stretching over a number of years. Progress with clean-up will be monitored by means of groundwater analysis to determine the residual pollution.

During 2008, Thabazimbi and Sishen mines treated a large quantity of polluted soil, using bioremediation and micro-encapsulation techniques respectively.

The contaminated soil is mainly generated from pollution control dams, ad hoc oil and diesel spillages, and at washbays. In 2008 about 9,000m³ of soil was treated and certified by an independent toxicologist as suitable for reuse in the rehabilitation of the mine's waste rock dumps. Our focus for 2009 is to obtain a permit from the relevant authorities for the waste treatment facility and the reuse of treated soil for rehabilitation purposes.

Tyre recycling at Sishen Mine

The large number of used tyres at Sishen Mine poses a number of problems. One concerns their disposal – the tyres are very big and are an eyesore; transporting them to a landfill site is costly and does not resolve the aesthetic dilemma. They also pose a major fire risk, and create a breeding ground for mosquitoes. The tyres are also a resource and thus Sishen Mine facilitated the establishment of an SMME called ART Kathu which utilises the rubber and metal from the used tyres.

Loan funding for the company was secured through Anglo Zimele, which owns a 7% stake in the company; the remaining shares are owned by a local entrepreneur and by ART Holdings, resulting in 51% of the business being owned by previously disadvantaged South Africans. ART Holdings provides the intellectual property, business administration and downstream value add. The venture employs three permanent staff and is looking to employ more in 2009.

The recycling process has two elements. The first concerns the rubber – this is peeled from the casing and made into rubber granules which are then sold to Sishen Mine for use in the blasting process. The excess rubber is used in the manufacture of rubber mats, artificial surfaces and moulds, for example. The company intends to set up operations and/or community projects in the area to manufacture these locally, once volumes and a market are secured.

The second element deals with the steel casings. These are cut into various sizes and sold to SCAW Metals for use in the production of steel.

Micro-encapsulation at Sishen Mine

Soil pollution by hydrocarbons at Sishen Mine results from accidental fuel spills and from the washing down of plant equipment at two dedicated washing facilities. Water and sediment generated from these activities runs into concrete collection pits. Accumulated sediment is removed and stockpiled in Aldag Dam. Section 19(1) of the National Water Act (36 of 1998) stipulates that: An owner of land, a person in control of land or a person who occupies or uses the land on which any activity or process is or was performed or undertaken; which causes, has caused or likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring.

In order for Sishen Mine to comply with this and other legal requirements pertaining to pollution management and prevention, it is necessary to treat the polluted soil.

In 2003 the mine's environmental management department undertook an investigation to determine the best available technology for the treatment of polluted soil. The following technologies were evaluated:

- Landfill – transport to, and disposal of, contaminated soil at a registered landfill site
- Bioremediation – treatment of contaminated soil in a bioremediation facility constructed on site
- Thermal treatment – treatment of contaminated soil on site using a mobile treatment unit
- Slimes dams – disposal of contaminated soil in slimes dams, and
- Micro-encapsulation – treatment of contaminated soil by a micro-encapsulation process.

Micro-encapsulation was selected as the best intervention due to its cost and technological effectiveness. In 2006, 34,000 tons of polluted soil were treated. Treated soil is stockpiled.

Results from tests conducted indicated that the soil was effectively treated to the requisite environmental quality and indicated no alteration or change in treatment results achieved after two years of stockpiling. Thus treated soil can be reintroduced to the environment without risk to the environment and to human health. It is also determined that the treated soil could be utilised for downstream uses such as in road aggregate, capping of waste sites and bunding material.

A Kumba employee takes a soil sample at the micro-encapsulation site at Sishen Mine.



Air quality

Apart from the CO₂ emissions discussed earlier, Kumba's other major contribution to air pollution is the emission of dust particles mainly generated from haul roads, unrehabilitated waste rock dumps, transfer points and slime dams. Dust fallout and particulate matter smaller than 10 micrometers are measured monthly and compliance to applicable standards assessed at residential areas surrounding the mines. Kumba is especially concerned about the complaints it receives from the residents of Dingleton about dust pollution.

Air pollution as a result of elevated dust levels caused by Kumba's mining activities is an ongoing focus area. The mines constantly monitor dust levels to determine the effects of dust emissions on the surrounding communities. Studies have found that due to the arid climate of the region in which Sishen Mine is situated, background dust levels are naturally high and not all dust arises from mining activities. This was confirmed by means of a dust composition analysis, which showed high organic content arising from natural sources. Based on the monitoring results it has been independently concluded that no adverse health risk is posed to neighbouring communities.

To ensure that the mines comply with relevant South African standards, an Air Quality Management Plan (AQMP) was developed in 2008 in accordance with Anglo Air Quality Performance Management Standard. AQMPs for Thabazimbi Mine and the Sishen South project are scheduled for completion during 2009 and 2010 respectively. These include emission sources and various actions that will be progressively implemented to ensure that dust emissions remain as low as possible.

Key initiatives to be implemented by the mines include increasing the efficiency of dust suppression on untreated haul roads, ongoing rehabilitation of waste rock dumps through vegetation, the application of additional dust suppression mechanisms at critical transfer points in the processing plant and upgrading of the dust monitoring network.

Because of the naturally high ambient dust levels of the area and the contribution of other mining activities, specifically near Sishen Mine and the Sishen South project, the focus for 2009 will be on determining, by means of the upgraded dust monitoring network, the contribution of Kumba's operations to ambient dust levels.

Certification

Thabazimbi and Sishen mine's Environmental Management Systems were audited by external independent auditors against the ISO 14001 standard. Two major findings were raised; one at Thabazimbi Mine and one at Sishen Mine. The first finding at the former was related to the aspect and impact register where no record was found related to the setting of objectives and targets. The second finding at Sishen Mine was due to improper management of waste, where, during the time of the audit, hazardous waste was found at the mine's domestic waste disposal site. Corrective actions were developed to the satisfaction of the external auditors and the mines were issued with their certification.

Incidents

A total of 60 Level 1 environmental incidents were reported during 2008. The number of Level 1 incidents reported in 2008 increased slightly as compared to 56 reported in 2007. These were mostly related to hydrocarbon (diesel and oil) and waste spillages, which were promptly rectified.

The majority of incidents reported during 2008 are Level 1 incidents and are classified as insignificant. Six Level 2 incidents occurred at Sishen Mine and one at Thabazimbi Mine. Level 2 incidents are regarded as major according to the group's classification system.

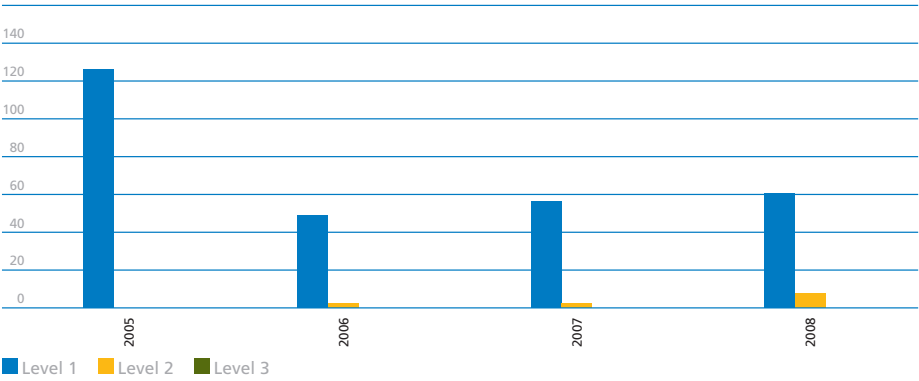


Dust suppression at Kumba's operations.

Level 2 incidents

Sishen Mine

- Diesel pollution by Transnet locos at the diesel depot refuelling area. Pollution mats were installed temporarily to prevent further pollution. The plan for 2009 is to relocate the Total refuelling area off the mine property
- Spillage of dirty wash water (hydrocarbon polluted) into a storm water channel. The polluted areas were immediately cleaned up (water and sediment) and the pollution control dam was upgraded and completed in 2008
- The ISO 14001 EMS not fully implemented by Botes & Kennedy contractor and their yard was found to be in poor condition. The mine's Environmental Management Plan was updated to include corrective actions which were implemented and completed in 2008
- A rock fall damaged a transformer and approximately 1,000 litres of oil was spilled. The oil was immediately covered with an oil absorbent material and the polluted soil was removed
- A slimes dam pipeline burst which resulted in slime spillage over a large area in the plant. The spillage was cleaned up immediately and the pipeline was repaired
- Overflowing of a grader at the Aldag fuel station lasted for about 12 minutes when the operator left the grader unattended. This resulted in a diesel spillage which was immediately cleaned-up.



Incidents reported (2005 to 2008)

Thabazimbi Mine

Scrap tyres which used to be stored on the premises caught fire and resulted in air pollution. The mine suspected that the fire was deliberately caused and a case of malicious damage to property was opened with the police. The mine's emergency response team and the municipal fire team managed to contain and extinguish the fire. In line with legislative requirements, this incident was reported to the relevant authorities, formally investigated and based on the outcome of the internal investigation and authorities' inputs, appropriate actions were implemented. The following measures were taken to minimise the risks associated with the storage of old tyres:

- The old tyres are stored in a pit on the mine and the surrounding areas are kept clear of vegetation, which is a fire hazard
- Due to the fact that there is a shortage of tyres for earth moving equipment, the mine has implemented measures to ensure that tyre life is increased. This has decreased the number of used tyres sent for storage in the tyre pit
- The mine is also investigating possible ways to reuse tyres.

Compliance

We are not aware of any fines, legal actions or directives issued to any of our operations during the reporting period.

Environmental training and awareness

We continuously invest in the training and development of our employees to enhance their skill base and competency levels. During 2008, environmental management competency training, offered by the North-West University, was completed by the environmental staff covering ISO 14001 implementation, environmental law, waste management and rehabilitation.

In terms of general awareness for other employees and contractors, ongoing induction programmes and awareness campaigns were held at the mines. Sishen Mine also revised its environmental management training material which is included as part of the mine's induction programme for new employees and contractors.

Some of the key awareness campaigns conducted at Sishen Mine and neighbouring communities include:

- World Environmental Day – banner and brochures were handed out addressing good environmental practices

- Arbor Week – in addition to 250 indigenous trees which were planted, the mine's environmental department visited 11 local schools to raise more awareness on tree planting and environmental conservation
- Ongoing communication about dangerous animals that could be found on the mine's properties
- Water Week – with specific focus on water conservation, water saving tips and pollution prevention
- Monthly energy saving tips.

Other awareness campaigns covered hydrocarbon management, waste management and incident reporting.

Engagement

In our effort to identify and address stakeholder concerns on issues related to our mining activities and the impact on the environment, the mines are actively involved in various environmental forums. During 2008 we engaged formally and informally with local communities and regulators through the following forums:

Key forums	Stakeholder engaged with	Frequency	Issues
Dingleton	Residents	Ad hoc	Dust
Gamagara Monitoring Group	Farmers and DWAF	Ad hoc	Sishen Mine's dewatering impact
Sishen/Assmang Environmental Forum Meeting	Interested and affected parties from neighbouring community; provincial government; Sishen Mine; Assmang-Khumani Mine	Quarterly	Environmental issues
Kathu Bos	Sishen Mine, Assmang-Khumani Mine; neighbouring farmers; local municipality; DWAF	Quarterly	Water related issues
Water Users Association	All the water users in Gamagara municipal area	Quarterly	Water management in the area
Sishen South Environmental Forum	Farmers	Quarterly	The Sishen South project's proposed dewatering activity
Thabazimbi Environmental Forum	Interested and affected parties, Thabazimbi Local Municipality, DWAF, DEAT and other mining companies in the Thabazimbi municipal area	Quarterly	Environmental issues related to mining and other industries within the Thabazimbi municipal area

Pabalelo litter campaign

On 25 October 2008, Sishen Mine together with the Kathu community launched a major anti-littering campaign. Taking place in and around Kathu, the initiative called on the community to join hands in a drive to clean up the town.

A total of eight groups, including different schools and social clubs, worked tirelessly through the designated area in a bid to collect as much litter as possible; the days' success was a total of 553 black bags filled with rubbish. This campaign was initiated through a belief by Kumba that it is possible for each person to consciously contribute to a cleaner environment. We trust that such campaigns will bring change in the way the Kathu community is informed and reacts, especially when it comes to environmental responsibility.



Bins provided by Kumba and Kumba's contractors alongside the streets of Kathu.

Annexures



THABANG
Place of Safety

Thabang (near Thabazimbi Mine), an organisation that helps abused children, is supported by Kumba.

SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT POLICY

OUR VISION

Zero Harm

Our vision is to achieve Zero Harm through effective management of safety, health and environment by designing, operating and closing all our operations in a responsible manner.

We belief our people are our key asset and we do not accept that it is necessary for people to be injured whilst working for us. All employees should be able to return home fit and well at the end of each shift.

We belief that one injury is one too many.

OUR PRINCIPLES

Zero Harm

All injuries and occupational illnesses are preventable.

We shall apply the mitigation hierarchy of avoiding, minimizing and mitigating environmental impacts arising from our activities, products and services.

No repeats

All necessary steps are taken to learn from incidents, surveillance of diseases audit findings and non-conformances in order to prevent recurrence.

Simple non- negotiable standards

Safety, health and environmental non-negotiable standards and rules are consistently applied throughout the Group.

OUR POLICY

At Kumba Iron Ore we actively care for the health and safety of our people, the environment and our resources by ensuring sustainable safety, health and environment (SHE) conditions in all our activities, products and services.

Kumba Iron Ore – across our operations and companies - is active in mining and mineral-related operations and is committed to:

- Consultation with employees, representatives and other stakeholders in appropriate forums to *develop, communicate and review responsible and innovative policies, programmes and guidelines* that provide safeguards for the community, employees, contractors and the environment, while providing flexibility to meet the needs of our businesses;
- *Achieving high standards of environmental care* and providing a safe and healthy workplace for employees, contractors and other relevant persons;
- *Ensuring a proper organisational structure and resources* to manage safety, health and environmental matters, including sustainable development and compliance with legislation;
- *Implementing internationally accepted standards* for safety, occupational health and environmental management systems;
- *Complying with all applicable SHE legislation, other requirements and relevant international obligations* as a minimum requirement and implementing company standards, programmes and processes to achieve greater protection against risks;
- *Maintaining continuous hazard and aspect identification and risk assessment* regarding safety, health and environmental impact;

- *Establishing competence and awareness* regarding relevant safety, health and environmental matters of employees and contractors through effective training, mentoring and communication;
- *Conserving natural resources and reducing the environmental burden* of waste generation and emissions to the air, water and land through strategies focusing on reducing, reusing, recycling and safe deposit of waste;
- *Establishing objectives/targets and continuously improve operations* regarding safety, health and environmental performance and management systems;
- *Ensuring that all employees report* potential safety, health and environmental hazards and impacts and are involved in the planning and implementing of solutions;
- *Ensuring that all incidents* leading to an environmental impact, injury, occupational disease, damage to property or process losses *are reported and analysed thoroughly* and participatively in order to determine all contributing factors and promptly implement corrective and preventive action;
- *Establishing and maintaining appropriate controls*, including periodic audits and reviews, to ensure that this policy is implemented and updated; and
- *Maintaining a high level of emergency preparedness and response* to manage any potential emergency.
- *Ensuring that the policy is available to the public.*
- *This policy will be reviewed annually where necessary to keep it current.*



Assurance report



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 Iron Ore") to perform an independent assurance engagement in respect of certain information included in Kumba Iron Ore's Sustainable Development Report 2008 for the year ended 31 December 2008 ("the Report"). This assurance report is produced in accordance with the terms of our engagement letter dated 5 November 2008.

Scope and subject matter

The corporate sustainability information for the year ended 31 December 2008 on which we provide reasonable assurance consists of:

- Number of fatalities (Page 1, 2 and 24)
- Lost Time Injury Frequency Rate (LTIFR) (Page 1, 2 and 24)
- Total New Cases of Noise Induced Hearing Loss (NIHL) reported (Page 27)
- Total New Cases of Occupational Diseases reported (Page 27)
- Number of employees participating in Anti-retroviral treatment (ART) (Page 30)
- Number of employees participating in Voluntary Counselling and Testing (VCT) (Page 1 and 30)
- Group HIV prevalence rate (Page 30)
- Total energy used in GJ (Page 52)
- CO₂ emissions in tonnes (Page 56)
- Total amount of water consumption for primary activities in m³ (Page 58)
- Total number of Level 2 environmental incidents reported (Page 1, 2 and 63)
- Reporting in line with the Mining Charter Scorecard requirements (Page 3)
- Total amount spent on Community and Social Development in South African Rand (Page 1 and 45)
- Number of Socio-Economic Assessment Toolbox (SEAT) reports published and the development of Community Engagement Plans (Page 12)
- Kumba Iron Ore's assertion that it has achieved a C+ Global Reporting Initiative (GRI) application level (Page 8)

We refer to this information collectively as the "Identified Sustainability Information".

Responsibilities of the directors

Kumba Iron Ore's directors are responsible for the preparation and presentation of the Identified Sustainability Information in accordance with internal corporate policies and procedures, and the Global Reporting Initiative (GRI) new generation (G3) guidelines.

Responsibility of the independent assurance provider

Our responsibility is to conduct a reasonable assurance engagement and, based on our assurance procedures report our conclusions to the directors. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This Standard requires inter alia that we comply with ethical requirements.

Summary of work performed

Our procedures included examination, on a test basis, of evidence relevant to the Identified Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Identified Sustainability Information. Our work consisted of:

- reviewing processes that Kumba Iron Ore have in place for determining the Identified Sustainability Information included in the Sustainable Development Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information at the sampled operations;
- conducting interviews with management at the sampled operations and at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing key controls testing;
- testing the accuracy of data reported on a sample basis; and
- reviewing the consistency between the Identified Sustainability Information and related statements in Kumba Iron Ore's Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion. As a member of the Anglo American plc group, Anglo American's internal corporate reporting policies and procedures www.angloamerican.co.uk and the Global Reporting Initiative's (GRI) new generation (G3) guidelines were applied as criteria for evaluating the Identified Sustainability 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. It is important to read the Identified Sustainability Information in the context of the guide to the report on page 7. Conversion factors used to derive CO₂ emissions and energy used from fuel and electricity consumed, is based upon information and factors derived by independent third parties. Our assurance work has not included an examination of the derivation of those factors and other third party information.

Conclusion

Based on our work performed, in our opinion, the Identified Sustainability Information for the year ended 31 December 2008 is fairly stated, in all material respects, in accordance with Kumba Iron Ore's corporate reporting policies and procedures and the Global Reporting Initiative's (GRI) new generation (G3) guidelines.



PricewaterhouseCoopers Inc.
Director: Carmen Le Grange
Registered Auditor
Johannesburg
10 June 2009

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2.7	Markets served including geographic breakdown/sectors served/customers	context map; customers include steel makers in Asia and Europe	EC3	Coverage of the organisation's defined benefit plan obligations.....	AFS 116
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	context map	EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.....	19
2.9	Significant changes during reporting period.....	none	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	34
2.10	Awards	1	EC8	Development and impact of infrastructure investments and services provided for public benefit	45
3. Report Parameters			EC9	Indirect impacts.....	16
3.1	Reporting period.....	January – December 2008	Environmental Performance Indicators		
3.2	Date of previous report.....	April 2007	EN3	Direct energy consumption by primary source.....	52
3.3	Reporting cycle.....	annual	EN4	Indirect energy consumption by primary source.....	52
3.4	Contact point	IBC	EN8	Total water withdrawal	primary only 58
3.5	Process for defining report content	7	EN9	Water sources and related habitats significantly affected by withdrawal of water.....	impacts addressed 58
3.6	Boundary of the report	8			
3.7	Limitations on the scope or boundary of the report.....	8			
3.8	Basis for reporting on joint ventures, etc.	8			
3.10	Restatements of information	none			
3.11	Significant changes from previous reporting periods	none			
3.12	GRI Content Index table	70			

G3 Indicator	Description	Page	G3 Indicator	Description	Page
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas peer reviewed biodiversity actions plans are in the process of being implemented	60	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.....	20
EN13	Habitats protected or restored	60	HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	NA Kumba believes that child and forced labour (HR7) do not pose risks to its operations given the protection afforded by the South African legal environment.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.....	60	HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	NA
EN16	Total direct and indirect greenhouse gas emissions by weight.....	56	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken...	zero
EN17	Other relevant indirect greenhouse gas emissions by weight.....	NA Kumba does not emit other greenhouse gasses.	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.....	45-47
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	NA Kumba does not transport hazardous waste.	SO6	Total value of contributions to political parties, politicians, and related institutions	zero
EN28	Compliance.....	64	SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes	zero
Social Performance Indicators			SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.....	zero
LA1	Total workforce by employment type, employment contract, and region.....	34 full-time vs. part-time employees not indicated	PR1	Lifecycle 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	zero
LA2	Total number and rate of employee turnover by age group, gender and region	34	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes	zero
LA3	Benefits.....	36	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	zero
LA4	Percentage of employees covered by collective bargaining agreements	39	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	zero
LA7	Health and safety rates	24			
LA8	Programmes to assist employees, families, or community members regarding serious diseases	27			
LA9	Elements of occupational health and safety management approach	27			
LA10	Average hours of training per year per employee by employee category	36			
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.....	36			

AFS Annual Financial Statements
Context map Fold-out
IBC Inside back cover
NA Not applicable

Glossary and definitions

Term	Description
AIDS	Acquired immune deficiency syndrome
ART	Anti-retroviral therapy
BBBEE	Broad-based black economic empowerment; including women, workers, youth, people with disabilities and those living in rural areas through integrated socio-economic strategies
CO ₂ emissions from fossil fuels	Carbon dioxide emissions calculated by applying conversion factors to fuel usage volumes
CO ₂ emissions from electricity	Calculated quantity of carbon dioxide emitted in the generation of electricity, which is subsequently purchased by a business unit
CO ₂ e	Carbon dioxide equivalents, which enable the comparison of the impact of various greenhouse gases using CO ₂ as a benchmark, thereby facilitating impact assessment and trading
dB	Decibel
Employment equity	Legislation assisting the elimination of discrimination and encouraging equitable representation of employees from designated groups by means of affirmative action
Fatal injury	The death of an employee or contractor resulting from a work-related injury
G3	Third Generation Guidelines; foundation upon which GRI reporting is based, outlining reporting principles, guidelines and standard disclosures
GJ	Gigajoules
HDSA	Historically disadvantaged South Africans – African, ‘coloured’ and Asian men and women
ISO 14001	An environmental management system standard published by the International Standards Organisation
Level 1 incident	An incident that resulted in a minor impact (refer to page 87 Kumba Iron Ore Annual Report 2007).
Level 2 incident	An incident that resulted in a moderate impact (refer to page 87 Kumba Iron Ore Annual Report 2007).
Level 3 incident	An incident that resulted in a significant impact (refer to page 87 Kumba Iron Ore Annual Report 2007).
LTI	Lost time injury (any occupational injury which renders the person unable to perform his/her regular duties for one full shift or more following the day on which the injury was incurred, whether a scheduled work day or not)
LTIFR	Lost time injury frequency rate (the number of lost time injuries, including restricted work cases, per 200,000 man hours worked)
Mining Charter	The South African Mining Charter; states that 15% of mining industry ownership should be in black economic empowerment (BBE) in five years of the Mineral and Petroleum Resources Development Act coming into force, rising to 26% in 10 years.
Mtpa	Million tonnes per annum
Noise-induced hearing loss	New cases of noise-induced hearing loss diagnosed and compensated amongst employees during the reporting period
OHSAS 18001	An occupational health and safety management system standard created by a number of the world’s leading standards bodies
RoM	Run of mine
Total energy used	Calculated from electricity purchased, biomass, charcoal and fossil fuels consumed
VCT	Voluntary counselling and testing
Water used for primary activities	Total new or make-up water entering the operation and used for the operation’s primary activities. Primary activities are those in which the operation engages to produce its product and include dust suppression within the operational area

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