

SUSTAINABILITY REPORT 2015

DRIVING CHANGE, DEFINING OUR FUTURE



KUMBA IRON ORE LIMITED

OUR APPROACH TO REPORTING

NAVIGATING OUR 2015 REPORTS

Sustainability report (SR)



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

Integrated report (IR)



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

Annual financial statements (AFS)



Detailed analysis of our financial results, with audited financial statements, prepared in accordance with the IFRS.

Ore Reserves and Mineral Resources report (ORMR)



Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC 2007; July 2009 amended).

Online (WEB)

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



For more information, visit
<http://www.angloamericankumba.com/>

DRIVING CHANGE, DEFINING OUR FUTURE

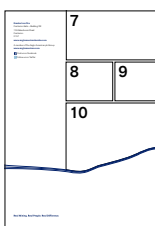
This sustainability report (SR) provides information relating to Kumba's, business and operational performance on the material economic, social and environmental impacts of our activities, for the period 1 January 2015 to 31 December 2015. The report covers our Sishen, Kolomela and Thabazimbi mines, our corporate office in Centurion, and the Saldanha port. The report is aimed at the broad range of our stakeholders: those individuals, groups or organisations that affect and/or could be affected by our activities, products and associated performance, including our employees, shareholders, local communities, investors, customers, business partners, NGOs and government.

This is the third year that our sustainability report has applied the GRI's G4 Sustainability Reporting Guidelines ('Core') and GRI Mining and Metals Sector Supplement (MMSS). Our reporting is also aligned with the AA1000 stakeholder engagement standard, the sustainable development principles and reporting framework of the International Council on Mining and Metals (ICMM), and the principles of the United Nations Global Compact (UNGC).

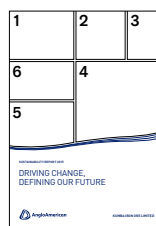
In addition we have published an integrated report (IR), annual financial statements (AFS), and Ore Reserves and Mineral Resources (ORMR) report. The reporting process for all our reports has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the GRI's G4 Guidelines, the King Code on Corporate Governance 2009 (King III), the JSE Listings Requirements and the Companies Act, 71 of 2008.

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. PricewaterhouseCoopers (PwC) verified key information provided in our SR. PwC's assurance statement is provided on page 70.

Back cover



Front cover



Front cover images

1. Chipu Taruona, a sales lady at the Thabazimbi cultural village selling locally created carvings and artifacts to tourists visiting the town.
2. Farmworkers Doreen Motaung, Sipho Sekhwela, Pleasure Mahoa, Abram Nakana and Florence Tembe harvesting crops at the Bakotudi farm funded by Kumba. The farm grows and distributes vegetables to the local markets in the area.
3. A general view of Sishen mine situated in the Northern Cape province.
4. Johannes Davies, a training officer training students, Haword Gedulo, Heireich Hofmeester, Sylvester Modise, Jan Plaatjie, Gavin Hunter, Tyrone Visagie and Bradley Page in bricklaying skills. The students are all part of the Dingleton relocation project and attend the classes to gain additional skills.
5. Mary Louise Vos and Enosen Shea, nurses at the Postmasburg primary health care clinic provide

treatment and medical care to patients. The clinic was built by Kolomela mine for the community of Postmasburg.

6. Sishen mine is Kumba's largest operation and the only haematite ore producer in the world to fully beneficiate its product.

Back cover images

7. A view of the Saldanha iron ore multi-purpose terminal. The main stockpile conveyor lines run at a very high speed.
8. Mosimanithebe Gaosenkwe, a haul truck operator at the haul truck refuel and wash bay at Sishen mine washing a Komatsu 860 truck.
9. Sishen mine is Kumba's largest operation and the only haematite ore producer in the world to fully beneficiate its product.
10. Dimpho Sephiri, Mafoka Mahloane and Gomolemo Comoleletale, learnership students at the Tshipi skills development centre at Sishen mine learning plumbing skills.

GROUP PERFORMANCE

AVERAGE REALISED IRON ORE PRICE OF US\$53/tonne

down 42%

PRODUCTION OF 44.9Mt

down 7%

HEADLINE EARNINGS PER SHARE (HEPS) OF R11.82

down 66%

Number of employees

11,790



Fatalities

0



LTIFR

0.23



New occupational health cases

28



% HDSA in management

59



% women in management

18



CED expenditure

R175 million



Significant environmental incidents

1



Energy consumption

11.1 million GJ



Primary water used

10,088,930m³



GHG emissions

1.20 Mt CO₂ equivalent



IFC Our approach to reporting

2 Social, Ethics and Transformation Committee Chairman's review

OUR BUSINESS

4 Our business

6 Chief executive's review

10 Our business model

12 Creating sustainable value

14 Key stakeholder interests

16 Our strategy

17 Sustainability governance

PEOPLE

20 Investing in an effective and engaged workforce

26 Ensuring a safe workplace

30 Promoting the health and wellbeing of our employees

SOCIETY

36 Managing the social impacts of our activities

39 Making a positive social contribution

ENVIRONMENT

46 Our environmental management approach

48 Resource stewardship: water, energy and land

55 Climate change mitigation and adaptation

59 Air quality and waste management

APPENDIX

62 Our sustainability performance

64 Mining Charter scorecard

65 Summary GRI table

70 Independent assurance report

73 Report of the external review panel

74 Glossary of terms and acronyms

IBC Administration

DIRECTORS' RESPONSIBILITY

The Kumba board, supported by the Audit Committee, has overall accountability for this report. It delegated the responsibility to oversee the reporting process to its Social, Ethics and Transformation Committee, which was assisted by a Steering Committee comprising executive managers and a dedicated reporting team. The board collectively reviewed the content of this report and confirms that it believes this Sustainability Report 2015 addresses our material issues, and is a balanced and appropriate presentation of the sustainability performance of the group. The Kumba board approved this report on 10 March 2016.

Dolly Mokgatle

Chairman: Social, Ethics and Transformation Committee
10 March 2016

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHAIRMAN'S REVIEW



Dolly Mokgatle

Chairman: Social, Ethics and Transformation Committee

Being held to account by our stakeholders, and engaging in frank dialogue, is essential if we are to deliver effectively on our sustainability goals.

DEAR STAKEHOLDER

It gives me great pleasure to introduce you to Kumba's 2015 Sustainability Report, and to present the 2015 report of the Social, Ethics and Transformation (SET) Committee. The Committee is tasked with ensuring that Kumba attains its goals relating to the management of safety and health, the environment, social, transformation and ethics issues across the Company.

In this opening review, I share some of my overriding impressions of Kumba's sustainability performance during 2015. I encourage you to please share your feedback on this sustainability report, in terms of both our performance and our disclosure.

ENSURING A SAFE AND HEALTHY WORKPLACE

I am saddened to report that very early in 2016, a Kumba employee was fatally injured in an incident involving moving machinery at the Kolomela mine. This most regrettable incident occurred after what had been a fatality-free year. Throughout the year we had been placing a very strong focus on fatality prevention through the identification of priority unwanted events and the implementation of critical controls. While we have also seen a good improvement in our leading safety indicators, it is disappointing that we have not achieved our targeted improvements for our lagging indicators.

We continue to strive to reduce the number of injuries at our operations. Recognising the impact of the organisational restructuring processes on our safety performance, we have been placing a particular emphasis on behavioural-based interventions. During 2015, Kumba embarked on a significant organisational restructuring process. There was a strong drive during the year on engaging employees through visible felt leadership, with managers spending more time out in the field working with employees to identify unwanted events and assess the effectiveness of controls. We continue to prioritise the prevention of transportation incidents. In addition to various technical initiatives relating to our vehicles, we have a comprehensive management programme to address the challenges associated with driver fatigue and stress.

Through our occupational health improvement programme, the Company has been making progress in reducing occupational exposure, particularly to noise and dust, our two main health risks. These efforts are supported by a stringent

medical surveillance programme, the results of which are reviewed in more detail elsewhere in this report. As part of Kumba's holistic approach to health, employees have access to voluntary counselling and testing for a broad range of chronic conditions such as HIV/AIDS, hypertension and diabetes. We have continued to see an encouraging uptake of our wellness screening. In 2015, for example, we once again met our target of 90% participation in our voluntary HIV/AIDS testing programme.

INVESTING IN AN EFFECTIVE AND STABLE WORKFORCE

Given the context of the volatile labour relations across the country, the challenges facing the South African mining sector, and Kumba's current organisational restructuring process, the importance of developing and maintaining positive relationships with employees has taken on particular significance. Following the successful conclusion in 2014 of a three-year wage agreement with our recognised trade unions, we have experienced another year of industrial relations stability across our operations.

The good relationship that the Company enjoys with employees and their union representatives has been evident throughout the restructuring undertaken during the year. During this process, we have made every effort to ensure effective consultation and to provide affected employees with the necessary support and assistance. In doing so, we have had very constructive relationships with employees, both during the difficult process of closing our Thabazimbi mine, as well as the restructuring of both our head office and our support services at the mines. We have been pleasantly surprised by the appreciation and understanding shown by many affected stakeholders.

STRIVING TO MAKE A POSITIVE SOCIAL CONTRIBUTION

We recognise that mining companies have both a responsibility and an interest in contributing to the wellbeing of the communities in which they operate. In addition to providing direct employment opportunities and significant tax revenues, we make an important positive contribution through our procurement activities and our corporate social investment funding.

Given the profound challenges of the current economic climate and the growing expectations of communities, many of whom have been the recipients of the benefits of social investment programmes, we need to find innovative ways to deliver further social return with substantially less funding. This was also at the centre of the outcomes of the socio-economic impact study that we conducted in 2015. We have been focusing our efforts on engaging with communities, their representatives and other key stakeholders to identify those projects that will be most effective in addressing priority community needs in a manner that can be sustained beyond our intervention. We are seeking to do so by establishing and strengthening collaborative partnerships informed by a shared vision of the desired outcomes.

Underpinning this approach is recognition of the need to continue improving our process of engaging with stakeholders. A highlight in 2015 has been the stakeholder road-show that we undertook to our operations across the Northern Cape in which Company executives, accompanied by members of the board, met with diverse stakeholder

representatives from communities, government, traditional leadership, suppliers, SMMEs, unions and political parties. This road-show built on the very successful Stakeholder Day that we held at Kathu in 2014. These engagements have helped us enhance our understanding of stakeholders' interests and needs, fostered greater stakeholder appreciation of our activities, and encouraged new thinking about how sustainable development may be promoted in partnership across Kumba's operations and host communities.

In addition to this road-show, Kumba also undertook extensive engagements with internal and external stakeholders regarding the closure of Thabazimbi. This was complemented by a socio-economic impact assessment study that reviewed the issues that the mine, employees, the town and communities could face following the closure. This study and the outcomes of our engagements have informed our developmental and skills development projects that will form part of a social plan to mitigate the impacts.

Another important development during the year has been the ongoing relocation of the Dingleton North community, which is on track to be completed within budget in 2016. Despite some differences between the relevant stakeholders, I believe that this process has been effective in helping us understand and accommodate community needs.

TRANSFORMATION AND EMPOWERMENT

We have continued to make good progress in delivering on our commitment to transform and empower Kumba and its stakeholders. At year-end, Kumba received excellent feedback on its DMR Mining Charter audit, recognising the valuable work we have undertaken in terms of promoting employment equity, skills development, preferential procurement, enterprise and supplier development, and community development.

One of our key focus areas has been the planning of a mining supplier park in Kathu, Northern Cape. The park will attract various suppliers that are currently not present in Kathu due to the unavailability of industrial space. Specific incubation opportunities for new local BEE business will arise due to the operational requirements of the park and induced support required by anchor tenants. We completed a project development plan in partnership with the IDC, however, due to the economic downturn, and muted interest from tenants, the project may be put on hold, or adopt a phased-in approach.

RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

Looking back at the year under review, the Committee is generally satisfied with our environmental performance. There has been particularly encouraging progress in our water and energy saving activities, with our set targets having been exceeded through our Anglo American-guided water and energy saving initiatives. Another important achievement during the year was the issuing of some long-awaited integrated water use licences (IWULs), the culmination of an extensive process of constructive discussion with regulators. We have completed climate change adaptation studies at Kolomela and Thabazimbi. Work on the closure plan for Thabazimbi is on schedule. Our performance in these areas has been recognised with an 'A' ranking in 2015 in terms of both the CDP's Climate Change and Water programmes.

Due to adverse market conditions, we have had to adjust our rehabilitation targets. In response, we initiated a review of our rehabilitation strategy. Managing our dust emissions remains an important challenge. While we have seen some improvements in our emission levels, we recognise that continuing work is needed to ensure full compliance with the new legal limits that came into effect at the beginning of 2015. During 2015, we completed a study to better understand the background dust levels and sources of exceedances. The results are informing our dust management plans and we are continuing to work with regulators in addressing this issue.

THE YEAR AHEAD

This has been a very tough year for the mining sector in general, for the iron ore sector and for Kumba in particular. Looking to the year ahead, we see some significant further challenges for the Company, with important implications for our sustainability activities and the work of the SET Committee.

Mining forms a critical component of the South African economy, contributing to around 6% of GDP and roughly 60% of the country's exports. With dramatically declining commodity prices and increasing production costs, the sector's contribution to an already struggling economy has declined significantly. At the same time, stakeholders' expectations of the mining sector's role in delivering social value have increased, and may increase further in the run up to the 2016 municipal elections.

In preparing for the year ahead it is important that we do not create expectations that cannot be met. Establishing and maintaining trust with all our stakeholders will be critical as we strive to meet our commitments relating to zero harm, transformation, socio-economic development and environmental protection. Demonstrating a genuine commitment and ability to deliver on our sustainability objectives is an important basis for fostering this trust. I believe that the performance review in this sustainability report provides a very good indication of our commitment and ability in this area.

IN APPRECIATION

I wish to conclude by thanking my colleagues on the board for their support to the activities of the Committee, as well as my fellow Committee members and the executives and employee teams for their hard work and dedication in striving to deliver on Kumba's sustainability commitments. I would also like to convey my appreciation to all those stakeholders whose advice, counsel and support have been invaluable in charting Kumba's success.

As one of the two remaining founding directors on the Kumba board, I have had the privilege of watching the Company develop since its inception. I have seen it operate across a spectrum of commodity prices. During this time, I have come to understand and appreciate what Kumba means for so many people. I am determined to ensure that in the year ahead, we do all that we can to ensure that we continue to deliver value to all the Company's stakeholders.

Dolly Mokgatle

Chairman: Social, Ethics and Transformation Committee
10 March 2016

OUR BUSINESS

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

WHO WE ARE

Kumba is a supplier of high-quality iron ore to the global steel industry. We operate primarily in South Africa, with mining operations in the Northern Cape and Limpopo provinces, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape. Kumba has a 73.9% interest in Sishen Iron Ore Company Proprietary Limited (SIOC), an entity which we manage. SIOC, in turn, owns the operating assets of the Company. The remaining 26.1% interest in SIOC is held by our black economic empowerment (BEE) partners Exxaro Resources Limited (a leading BEE company listed on the JSE), the SIOC Community Development Trust (a trust that funds projects in local communities) and Envision (an employee share participation scheme).

WHAT WE DO

We produce high-grade iron ore, with a lump-to-fine ratio of 65:35 in 2015. This ore is mined at our three operations, all of which are managed by SIOC. Export ore is shipped to customers across the globe from the port operation in Saldanha Bay. We also have a marketing office in Singapore, in partnership with Anglo American plc, and one in Luxembourg. In total, around 9% of our product comprises domestic sales, and around 91% is exported. The revenue generated from these sales is used to grow and sustain the business, which shares its success with various stakeholders in many ways. To learn more about our operations see page 66 of the IR.

LISTED ON THE JSE LIMITED

11,790 EMPLOYEES IN 2015 (2014: 14,040)

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

DOMESTIC SALES

(2014: 4.8Mt)

4.3Mt

EXPORT SALES

(2014: 40.5Mt)

43.5Mt

PRODUCTION

(2014: 48.2Mt)

44.9Mt

WASTE MINED

(2014: 274.3Mt)

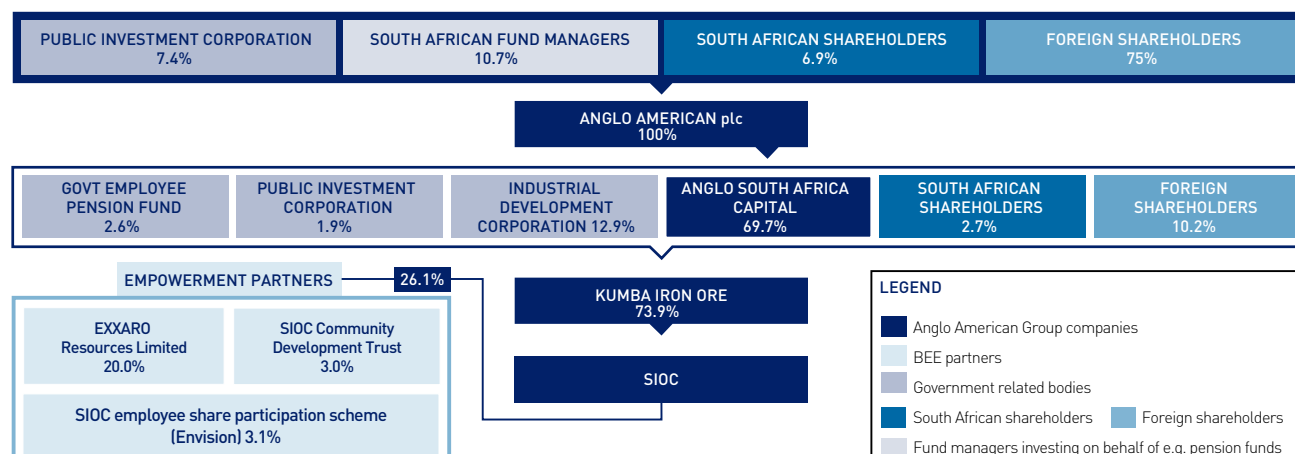
276.8Mt



BEING A PARTNER OF CHOICE

Building lasting beneficial relationships is central to what we do. We are a significant employer in the regions in which we operate, and we work with communities and local governments to create lasting change in these areas. At the end of 2015 we employed 11,790 people – 7,434 permanent employees, 3,627 contractors and 729 learnerships. For more on these relationships see page 19 to 25 of this report.

KUMBA IRON ORE LIMITED OWNERSHIP STRUCTURE



WHERE WE OPERATE

EXPORT RAIL LINE

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

Corporate office

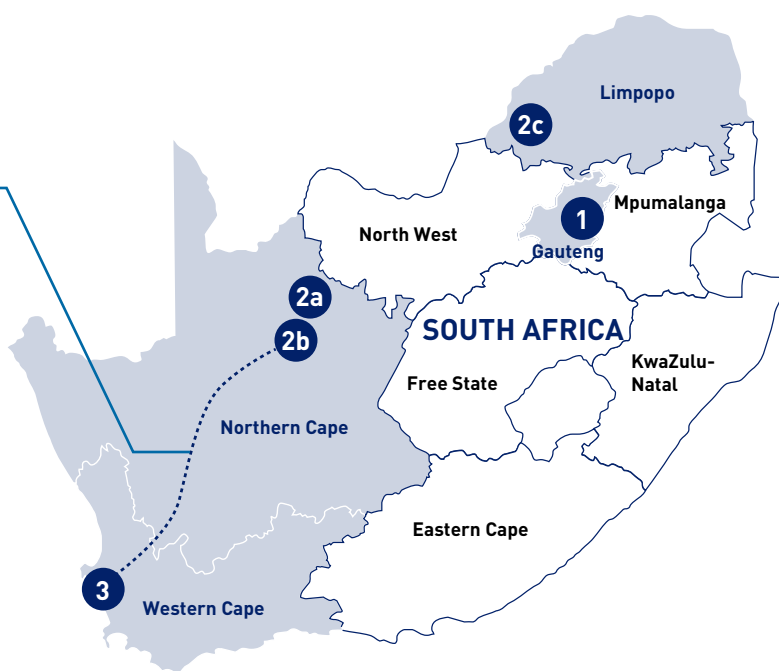
- 1 Centurion

Mining operations

- 2a Sishen mine
- 2b Kolomela mine
- 2c Thabazimbi mine

Port operations

- 3 Saldanha Bay



SISHEN MINE 2a

- Opened in 1953
- Located in Kathu
- Reserve life: 15 years
- Bulk of Kumba's production
- One of the largest open-pit mines in the world
- All mining is done by opencast methods
- Sishen is the only haematite ore producer in the world to beneficiate all its product

KOLOMELA MINE 2b

- Opened in 2011 and produces high-grade direct shipping ore (DSO)
- R8.5 billion investment
- Mine situated near the town of Postmasburg
- Reserve life: 21 years

SALDANHA BAY PORT 3

- All Kumba export volumes exported through Saldanha Bay Port Operations, the only dedicated iron ore export facility in South Africa
- Operated by Transnet

THABAZIMBI MINE 2c

- Thabazimbi mine has been operating since 1931 and produces primarily high-grade haematite ore
- Thabazimbi mine's product is particularly low in contaminants and is currently sold exclusively to ArcelorMittal South Africa
- The mine has reached the end of its economic life

SISHEN MINE

- 261.4Mt total tonnes mined of which 31.4Mt final product and 222.2Mt waste
- 30.2Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- ISO 14001, ISO 9001, OHSAS 18001 certified
- 5,575 permanent full time employees and 2,269 full time contractors
- R71 million invested in social and community projects
- LTIFR of 0.22, with zero fatalities
- Unit cash cost: R311/tonne
- Stripping ratio: 5.7

KOLOMELA MINE

- 60.6Mt total tonnes mined of which 12.1Mt final product and 45.7Mt waste
- 12.2Mt railed on the IOEC
- ISO 14001, ISO 9001 certified and OHSAS 18001 compliant
- 1,143 permanent full time employees and 1,091 full time contractors
- R31 million invested in social and community projects
- LTIFR of 0.20, with zero fatalities
- Unit cash cost: R178/tonne
- Stripping ratio: 3.1

SALDANHA BAY PORT

- Total volumes railed to Saldanha Bay: 42.4Mt
- Export sales: 43.5Mt
- Total shipped volumes: 43.5Mt
- Total CFR volumes: 29.8Mt
- ISO/IEC 17025 accredited QC laboratory
- LTIFR of 1.66, with zero fatalities
- 42 permanent full time employees

THABAZIMBI MINE

- Mining activities ceased in September 2015
- Mine closure progressing according to plan
- 1.4Mt final product
- 1.3Mt railed domestically to ArcelorMittal SA
- ISO 14001, ISO 9001 and OHSAS 18001 certified
- R10 million invested in social and community projects
- LTIFR of 0.16, with zero fatalities
- 408 permanent full time employees and 107 full time contractors

For more information on our operations, see page 66 of the IR

For more information on our operations, see page 68 of the IR

For more information on our operations, see page 71 of the IR

For more information on our operations, see page 70 of the IR

CHIEF EXECUTIVE'S REVIEW



Norman Mbazima
Chief executive

Our industry is under tremendous pressure, with the market now pricing in a more muted trend for the iron ore price over the medium to longer term. This has reinforced the need for us to take some tough decisions for our business that will enable us to withstand a longer period of much lower prices. Within this context of restructuring our business, it is imperative that we do not lose focus on our commitment to delivering on our safety, health and environmental commitments.

In opening my annual review, I wish to touch first on the issue of safety. It is with deep regret and sadness that I report the death of one of our colleagues, Mr Grahame Skansi, in an incident at Kolomela mine. The incident took place on 27 January 2016, shortly after the completion of this year's reporting period. Our thoughts are with his family and friends. Before this incident, we had been elated by the fact that we had had no loss of life throughout the whole of 2015, with the group operating fatality-free since April 2014. Over the past few years we have taken many steps to build a safer business, and our safety trends have consistently improved. As we navigate the current turbulent environment we will maintain our relentless focus on ensuring a safe workplace for all.

RESPONDING TO THE TOUGH OPERATING CONTEXT

Our activities and performance this year have been significantly impacted by the unexpectedly steep and rapid decline in the iron ore price. The 42% fall in realised iron ore price, caused by declining global demand and continuing supply growth, has had a profound impact on our earnings and profitability, as well as certain aspects of our sustainability performance. Unfortunately it has prompted us to close Thabazimbi and restructure our Sishen mine, both of which have had significant implications for our employees and neighbouring communities in these areas.

With prices falling faster and deeper than we expected, the tough operating environment has required us to implement a new operating model that will enable us to withstand a longer period of lower prices. We have moved quickly and decisively to reset our cost base in response to lower prices, with three major strategic imperatives:

- Firstly, we have moved from a volume-based (increasing waste and production volumes) to a value-based (cash generating) strategy, reconfiguring our mines to reduce the amount of waste and save costs in all operational areas. We have ceased mining at Thabazimbi, restructured the Sishen pit to a lower cost shell, and increased production at Kolomela by ramping up low cost tonnes and optimising the waste profile.
- Secondly, we exercised strict capital discipline by assessing every item of proposed capex with a view to cancelling, reducing the cost, or delaying the expenditure. The board also decided to suspend the dividend.
- Thirdly, we made significant structural changes to our cost base, achieving significant savings on overheads, project and technical study costs and headcount, and adding organisational controls to ensure these are sustainable for the future.

All these measures are part of a key objective – to preserve cash, reduce debt and position the business to grow sustainable free cash flow over the long term. Doing so is fundamental to our ability to deliver value for all our stakeholders. In line with our promised strategy of cost containment and capital preservation, this year we delivered a R4 billion reduction in controllable costs through various initiatives, all of which are reviewed in more detail in our integrated report. Notwithstanding these important cost reduction achievements, we recognise that the global price environment presents significant further challenges. Looking ahead, we see further opportunities to reduce the cost base, particularly through savings from the reconfiguration of the Sishen pit. Unfortunately this is expected to result in a 45% reduction in the workforce. While this is a particularly painful issue for all of us, this will place our Company in a much stronger position to weather the difficulties of the low price environment. As is reviewed further below, we will be maintaining ongoing consultations with all affected stakeholders throughout this process, and implementing our closure plan at Thabazimbi.

DRIVING WORKPLACE SAFETY

The commitment to zero harm and improved safety performance remains a core value and as we navigate the current turbulent environment we will keep a relentless focus on ensuring a safe workplace for all. I believe also that improved safety goes hand-in-hand with efficiency and financial results; improve one and you improve the other.

Given the tough operating environment, and the impact that uncertainty can have on safety behaviour, it was encouraging to see a steady improvement in our safety performance during 2015, with fewer injuries and reduced severity. Although we have seen some progress in both our leading and lagging safety indicators, unfortunately we did not achieve our targeted improvements for our lagging indicators. This year, we recorded 40 lost time injuries, down from 44 in 2014, resulting in an unchanged lost time injury frequency rate of 0.23 in 2015 against a targeted 0.21. There has been a significant reduction in the number of serious incidents, which is encouraging.

During the year we did not experience any significant safety stoppages that impacted on production. We had one regulatory stoppage (2014: five), 25 voluntary stoppages (2014: 43), and two non-compliance notices (2014: six). It was notable that the emergency safety procedures at Thabazimbi worked effectively during the slope failure when no injuries were recorded. Collectively, this performance suggests that our strong safety focus and management controls are delivering some initial results, but it is evident that more needs to be done.

As I mentioned earlier, unfortunately there was a tragic fatality at Kolomela very shortly after the end of the reporting period. This is a considerable setback, firstly from an emotional perspective – for family, colleagues and all of us at Kumba – and secondly from an operational perspective. Over the past five years we have had three separate calendar years of zero fatalities, but never in succession. We will continue in all our efforts to achieve zero harm, maintaining a strong focus on human-factor issues and risks associated with the organisational changes, as well as on effective critical control management and behavioural interventions.

PROMOTING EMPLOYEE AND COMMUNITY HEALTH

On employee health, it is encouraging to see that we once again met our 90% target for voluntary HIV testing. We continued to reduce noise levels in key areas in line with the 2014 Mine Health and Safety Summit milestones, and we saw a decline in the number of employees with noise-induced hearing loss, with seven new cases, down from 11 in 2014. Unfortunately there were 28 new cases of occupational diseases reported, up from 14 in 2014. Our occupational hygiene monitoring shows no significant occupational exposure to asbestos dust; the increase this year in asbestosis cases (three in 2015, compared with zero in 2014) is attributed to previous asbestos exposures prior to employment at Kumba. There were no regulatory or voluntary work stoppages and no non-compliance notices issued for medical or health related matters.

Our internal health initiatives are supported by various activities to promote the health and welfare of our neighbouring communities, often in partnership with government. Through our investments in strengthening health systems, our aim is to improve access to quality medical and healthcare services and alleviate some of the mounting pressure on health service delivery. This year we invested R18.2 million on community healthcare projects. Key initiatives included: the provision of primary healthcare services to mine employees, contractors and host communities through wellness clinics; completion of a newly constructed primary healthcare facility in Postmasburg near Kolomela mine; and continuing support for Sishen mine's innovative Batho Pele mobile clinics that bring healthcare to people in remote rural areas.

RESPONSIBLE ENVIRONMENTAL MANAGEMENT

We have made good progress this year on environmental issues, securing many of our outstanding permits, and delivering some improvements in water and energy management where we exceeded our performance targets. We experienced only one significant medium-impact ('Level 3') incident, involving a pit slope failure at Thabazimbi mine (reviewed on page 52). There were no high impact (Levels 4 and 5) environmental incidents.

Given the recent drought and the fact that our operations are in water-stressed areas, our water management activities have received renewed focus. This year we saved 8.5 million m³ of water against our projected water usage, exceeding the full year target of 6 million m³; our water use intensity increased from 181 litres per tonne of ore processed (l/t) in 2014, to 221 l/t in 2015. Following extensive engagement with regulators, some long-awaited integrated water use licences were issued this year. Two water licences remain outstanding: at Sishen for storm-water infrastructure, and at Kolomela mine for its aquifer recharge project. Our Sishen and Kolomela iron ore mines continue to manage issues of concern among local farmers regarding mine dewatering that affects the availability of groundwater.

In 2015, we defined our new five-year energy and GHG emissions targets. Kumba had a 2015 energy consumption reduction target of 4% against business-as-usual (BAU) and a GHG emissions reduction target of 5% against BAU. Both targets were exceeded this year, with 4.69% energy savings against BAU, and 5.13% for GHG emissions. Further targets for 2020 will be set to align with government commitments on energy and climate change mitigation.

Unfortunately we continue to have challenges with PM10 dust emissions at Sishen. We are working closely with regulators to address compliance concerns with the stricter legal limits of dust emissions coming into effect in January 2015.

CHIEF EXECUTIVE'S REVIEW continued

ENSURING RESPONSIBLE MINE CLOSURE

A significant development this year was our decision, in July 2015, to close Kumba's Thabazimbi mine in Limpopo. The mine is more than 80 years old, and over the past 15 years has had its proposed closure postponed six times through various reserve life extension plans. The mine's difficult operating conditions, due to its inherent geo-technical complexities, were exacerbated by the limited remaining iron ore resource, high operating costs, and the slope failure in June 2015 which rendered the resources in the one remaining pit uneconomic to mine.

We have made concerted efforts to mitigate the negative impacts of the closure on our employees, contractors and neighbouring community. Throughout the closure process we maintained and will continue to maintain a strong focus on communicating openly with employees, unions, government and community representatives, and on managing the process as respectfully and fairly as possible. These engagements have been challenging, yet constructive, in reaching a consensus on relevant issues, and in finding mechanisms to minimise the impacts of the closure.

With the community becoming increasingly dependent on the mine in recent years, given the lack of other employment opportunities in the area, we have been engaging with employees and contractors to identify alternative employment opportunities. We have also been investing in local economic development projects that are independent of mining, to provide an alternative source of employment and sustainable revenue for the local communities.

MAINTAINING POSITIVE STAKEHOLDER RELATIONSHIPS

The importance of maintaining positive relationships with influential stakeholders, and the challenges in doing so, has become more pronounced given the various pressures facing the South African economy. These pressures include the high levels of unemployment, the low rate of economic growth, and the prospect of a potential rating-agency downgrade with significant negative implications for global investor confidence.

In this context, the decision to restructure Sishen, and retrench up to 3,900 jobs after announcing the Thabazimbi closure, was particularly tough for us. The decision was made after careful consideration of all the various options, and of their implications both for the Company and our stakeholders. In taking this decision, we spent time speaking with our principal stakeholders: our shareholders, employees and unions, government representatives and neighbouring communities. Building on the position of trust that Kumba has developed over the years – through our commitment to transparency and frank dialogue – we reached agreement with them that though painful, this is a necessary step to

ensure our survival and maintain our capacity to generate and share value into the future.

Our **investors** are primarily concerned about how we respond to the continued volatile iron ore price environment. We must be able to show them that we can continue to deliver value over the medium and longer term. For the reasons outlined in our integrated report, and in our other direct engagements with them, I am confident that they will share our belief in our ability to do so.

These are particularly difficult and uncertain times for all our **employees**, especially for those leaving us as a consequence of the restructuring. Throughout this process we have sought to engage as fairly and transparently as possible with all affected employees, clarifying the unfortunate necessity of the restructuring, and providing opportunities to assist them in their transition. I hope that those who are leaving will do so with their heads high, acknowledging both the important contribution they have made to this company, as well as our best efforts in providing for their interests under these difficult conditions.

We have maintained a positive relationship with our employees and their **union** representatives, without any significant incidents or work stoppages. While we anticipate further robust discussion in the months ahead, we will continue to do so through the mutually respectful process of dialogue that we have followed thus far. The willingness that each party has shown to listen and engage with the other, gives me confidence that we will find the best possible solution in a constructive manner.

Our colleagues in **government**, whom we have kept well briefed on our activities, had been expecting the developments at Thabazimbi and Sishen. While, like us, they are not happy with the closures, they have acknowledged that this is a function of force of circumstances, and necessary for the longer term. We have continued to engage actively with government throughout the year on a range of matters. We hope to see clear resolution on two critical issues: the continuing uncertainties regarding the proposals associated with the 21.4% Sishen mining right, and our ongoing engagements with the South African Revenue Service (SARS) on the tax assessment covering the period from 2006 to 2010, both of which we review in more detail in our separate Integrated Report 2015. We believe that it is in our collective interest to resolve these matters as soon as possible, so that we can focus collaboratively on boosting investor sentiment and stimulating economic growth.

The Company looks forward to the resolution of the current stand-off between industry and the DMR on the declarator order in respect of the Mineral and Petroleum Resources Development Act (MPRDA). It is in the interest of all affected parties that this issue is resolved, so that clarity is gained on the way forward, in order to ensure that effective implementation of the charter pushes forward the transformational goals of the MPRDA.

"We are facing a very difficult situation in the South African mining sector. Unless business, government and labour get together and try and tackle these challenges collectively, rather than tackling each other, we will have a very hard road ahead of us. It will take all three of us working together with a shared vision, to get the mines up and running in good order again."

Kumba has had a significant impact on its neighbouring **communities**, both directly through the opportunities that our business activities create, as well as through our social investments. From the start, we have played an active and informed role in our host communities, being generous in sharing in the upside of the commodity cycle through structured and transparent engagement processes. Our investments in community health initiatives, and the benefits shared through our employee ownership scheme, have been particular highlights. The current downturn presents significant constraints on our ability to maintain these levels of economic and social investment activity; managing community expectations is going to be critical. Given our history in these communities, and the levels of trust that we have built up, I believe that we will be able to do so, informed by a common understanding of the challenges we face and our commitments for the longer term.

In my discussions and engagements with numerous stakeholders over the year, it has been encouraging to see the level of understanding and appreciation amongst these stakeholders of the steps we have been taking and the manner in which we have done so.

THE YEAR AHEAD

Looking to the immediate future, we do not anticipate that ore prices will recover significantly in the short or medium term. Those companies that can lower the cost of production through productivity and efficiency gains, and that can maintain financial flexibility in the context of continuing market turbulence, will have the best chance of survival.

I believe that we are up to this challenge. Over the past two years we have done the necessary planning and taken the difficult and painful decisions to ensure that we successfully weather the storm. Our focus for the year ahead is to ensure that these decisions and plans are well executed, and that in doing so we maintain a clear focus on our sustainability performance. I am confident that we will deliver on our planned restructuring in a responsible manner, and that we will be effective in implementing the promised improvements in our two mines, so that we match world best standards. It is only by doing this, that we can ensure that we return value for all our stakeholders.

APPRECIATION

In closing, I wish to extend my thanks to the Kumba board and executive team, who have supported me in my task as Chief executive, providing valuable advice in helping to guide the Company through these particularly challenging times. My profound thanks also to all of my colleagues across the Kumba team, who have shown incredible resilience, fortitude and good spirit in this difficult year, and whose talent and commitment is the foundation of the Company.

We have another challenging year ahead. Given the values, skills and enterprise of the Kumba team, I am confident that we will deliver on the plans we have set ourselves, and that we will pull through this prolonged downturn in the commodity cycle, emerging as a thriving organisation delivering value to all our stakeholders.

Norman Mbazima

Chief executive

10 March 2016

OUR BUSINESS MODEL

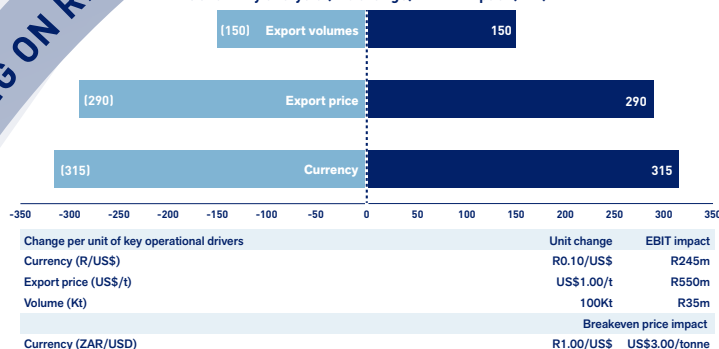
POTENTIAL FOR REVENUE DIFFERENTIATION

- ✓ Ability to achieve quality premium for superior ore quality (64.2% vs 62% benchmark)
- ✓ Price differential potential due to higher lump:fine ratio (65:35 vs global average of 30:70)
- ✗ Price penalties due to higher contaminant levels (gangue)

COMPETING ON REVENUE

SENSITIVITY ANALYSIS*

1% change to key operational drivers
Sensitivity analysis (1% change) – EBT impact (Rm)



* 1% change to key operational drivers, each tested independently

OUR REVENUE

- Iron ore prices (global supply and demand dynamics)
- Sales volume of iron ore (noting quality and lump)
- Rand/US\$ exchange rate (weaker Rand can partially offset lower US\$ iron ore price)

OUR OPERATING CONTEXT: ISSUES IMPACTING VALUE CREATION

- Negative commodity sentiment
- Flattening of the global cost curve
- Organisational restructuring
- Increasing socio-political pressures
- Heightened stakeholder expectations
- Regulatory and policy uncertainty
- Nature of iron ore reserves and life of asset

For more information, see page 24 to 27 of the IR

OUR TOP TEN RISKS

1. Commodity market and exchange rate fluctuations
2. Fiscal compliance and regulatory certainty
3. Funding
4. Operational performance
5. Safety
6. Reliance on third-party infrastructure
7. Mining legislation and regulatory certainty
8. Organisational restructuring, Envision benefits and labour relations
9. Stakeholder relationships and social licence to operate
10. Residual mining rights

For more information on Risk management, see page 32 of the IR

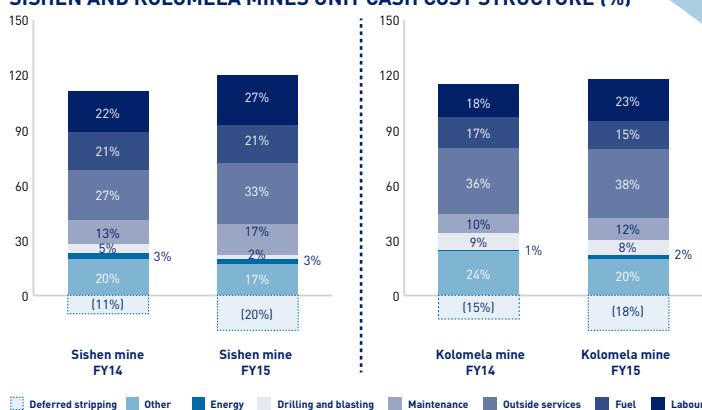
OUR ACTIVITIES

- Exploration – primarily in the Northern Cape
- Mining – extracting iron ore in the Northern Cape
- Beneficiation – improving the final product quality
- Blending and outbound logistics – providing and transporting niche products
- Shipping, marketing and selling – to markets in South Africa and globally
- Rehabilitation and environmental management
- Corporate social investment

For more information on our Value chain activities, see pages 12 and 13

Image

Mining operations at the Kapstevl pit at Kolomela mine

SISHEN AND KOLOMELA MINES UNIT CASH COST STRUCTURE (%)**OUR COSTS**

- Labour
- Distribution (rail, port and freight)
- Energy
- Capital expenditure
- Maintenance
- Drilling and blasting
- Tax and mineral royalty payments
- Mining contractors
- Social investments
- Rehabilitation
- Marketing

**KEY RESOURCES AND RELATIONSHIPS**

- Clear prospecting and mining rights from government and regulatory certainty
- Quality and location of ore body
- Long-life assets and existing infrastructure (including rail and port)
- Human capital – technical skills, productivity, experience and leadership team
- Exploration, mining and processing technology and techniques
- Social licence to operate – from communities and their representatives
- Financial capital – from shareholders, investors and funders
- Key suppliers and service providers
- Loyal customer base

POTENTIAL FOR COST DIFFERENTIATION

- ✓ Significantly reduced SIB capex due to optimised pit design and reduced deferred stripping
- ✓ Lower mineral royalty rates than Australian competitors
- ✓ Positive wage index compared with competitors
- ✓ Rail and port costs competitive despite higher distance to port
- ✗ Higher stripping ratio than competitors due to inherent characteristics of the ore body which results in higher mining costs
- ✗ Higher freight costs, with Australian competitors much closer to key market in China

CUSTOMER VALUE PROPOSITION

Reliable supply of high-quality iron ore

EMPLOYEE VALUE PROPOSITION

The opportunity to earn, learn and grow in a safe and supportive environment

SHAREHOLDER VALUE PROPOSITION

Sustained financial returns and dividends, from well managed operations

SOCIETAL VALUE PROPOSITION

Converting mineral resources into social value by encouraging opportunities for inclusive growth and sustainable development

CREATING SUSTAINABLE VALUE



**PEOPLE ARE
CENTRAL
TO OUR
OPERATIONS**

PRIMARY INPUTS

Our ability to generate value is dependent on access to financial capital, skilled people, quality relationships and key natural resources, supported by the right Company culture, and by access to necessary infrastructure, plant and equipment. An overview of key inputs across our value chain is provided on page 24 of the IR.

| | EXPLORATION | MINING | BENEFICIATION |
|---|--|--|---|
| OUR ACTIVITIES | <p>In South Africa, exploration is focused in the Northern Cape, close to our existing operations. On and near mine exploration and resource definition drilling is conducted to increase confidence in the geological models; these are updated annually in support of life of mine and long-term planning.</p> | <p>We extract iron ore from mining the iron ore bodies within our various mining leases. All our mining is currently undertaken using open-pit methods.</p> | <p>Beneficiation is the processing of ore for the purposes of regulating the physical properties of the finished product, removing impurities and improving product quality. We use dense medium separation and jigging technologies to achieve this.</p> <p>FURTHER BENEFICIATION We support the South African government's objectives to maximise the developmental impact of the minerals sector, aware of the important role that mining companies have to play in this space.</p> |
| KEY OUTCOMES Enhancing and diminishing value in each stage of the value chain | <ul style="list-style-type: none"> ✓ Contributing to long-term financial viability ✓ Developing key relationships in the Northern Cape ✓ Developing intellectual capital through enhanced exploration technologies and techniques ✓ Contribution to national tax base ✗ Competition over land use with communities ✗ Increasing community expectations for economic opportunities and service delivery | <ul style="list-style-type: none"> ✓ Skills development ✓ Community upliftment and infrastructure investment ✓ Contribution to beneficiation ✓ Investment in innovation ✓ Contribution to national tax base ✓ Exceeding water and energy savings target ✓ Improved access to quality healthcare for local communities ⚖ Unchanged LTIFR of 0.23 for 2015 ✗ Slope failure at Thabazimbi mine | <ul style="list-style-type: none"> ✓ Securing market premium through enhanced quality product ✓ Enhanced intellectual capital and technology development ✓ Contribution to national tax base ✓ Supply iron ore to the local steel industry ✗ Difficulties in providing the DMS plant with correct quality feedstock |
| STRATEGIC FOCUS AREA | <ul style="list-style-type: none"> • Focus on the Northern Cape • Maintain optionality to grow in West and Central Africa | <ul style="list-style-type: none"> • Redesign pits to extract maximum value • Implement the Operating Model • Extend life of current mines • Sustainably operate mines and lower costs | <ul style="list-style-type: none"> • Invest in step-change technology • Compete through premium products |



LEGEND

Positive outcome

Neutral outcome

Negative outcome

BLENDING AND OUTBOUND LOGISTICS

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

Our product portfolio includes niche lump products as well as standard fines and standard lump.

SHIPPING, MARKETING AND SELLING

We sell iron ore domestically and internationally. Export customers are in a range of geographical locations around the globe, including China, Japan, India, South Korea and countries in Europe and the MENA region. Domestically, we sell ore to ArcelorMittal.

REHABILITATION AND ENVIRONMENTAL MANAGEMENT

The life cycle of the mine needs careful environmental management practices including concurrent rehabilitation to ensure the least disruption to our natural resources both during and after our operations.

- Maximise value from the resource
- Investment in technologies and techniques
- Enhanced financial returns
- Contribution to national tax base
- Increase in volumes railed to port of 0.2Mt

- Enhanced financial returns through product differentiation in sales
- Increase in export sales of 3Mt
- Increased shipments through the multi-purpose terminal (MPT)
- High freight differential

- Minimising longer-term environmental impacts
- Decreased longer-term liabilities
- Securing authorisations and licences
- Enhanced reputational benefits
- Responsible mine closure
- Continuous mine rehabilitation
- Increased short-term financial costs

PRIMARY OUTPUT

44.9Mt high-quality haematite iron ore with a lump-to-fine ratio of 65:35 in 2015

- Compete through premium products

- Compete through premium products

- Implement operational risk management (ORM)

KEY STAKEHOLDER INTERESTS

We engage regularly with our stakeholders to identify and address their interests and concerns. These interests inform our stakeholder issues, which are prioritised according to their impact on our business strategy, and are linked to our risks.

PRIORITY ISSUES RAISED DURING THE YEAR WERE THE FOLLOWING:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Social and economic effects of the decline in iron ore prices • Securing mining rights • Maintaining our licence to operate | <ul style="list-style-type: none"> • Contraction of the South African mining industry and implications for the economy • Relocation of Dingleton residents |
|---|--|

The table below provides a brief overview of the key issues that these stakeholders have raised. Our approach to addressing these issues is provided in relevant sections of this sustainability report, as well as in our integrated report.

SOCIAL AND ECONOMIC EFFECTS OF THE DECLINE IN IRON ORE PRICES

To remain in business, we have reconfigured our Sishen and Kolomela operations and ceased mining at Thabazimbi mine, in view of the closure of the mine. Notwithstanding these changes, the need for employment, local economic development and skills development in the areas where we operate remain critical. The low price has also impacted negatively on the value we distribute through taxes, dividends (for both shareholders and employees) and procurement.

| Stakeholder interest | Issue response | Stakeholders |
|---|---|---|
| <ul style="list-style-type: none"> • Sustainability of the Company • Impact of low iron ore prices • Impact of downscaling on key stakeholders • Measures required to mitigate impact | <ul style="list-style-type: none"> • Proactive engagement and alignment of expectations • Conduct cost reduction processes in a transparent manner • Involve stakeholders in creating a social closure plan to ensure the responsible closure of Thabazimbi mine | <ul style="list-style-type: none"> • Employees and unions • Shareholders • Analysts • Suppliers • Communities • Government (3 tiers) • Political leadership • ArcelorMittal • Transnet |

SECURING MINING RIGHTS

Although the 21.4% residual share of the Sishen mining right has been granted, Kumba appealed against the proposed conditions for reasons detailed elsewhere in the Integrated report. In addition, the reconfiguration of Sishen and Kolomela mines, and the closure of Thabazimbi mine require applications for new authorisations and/or the amendment of existing ones.

| Stakeholder interest | Issue response | Stakeholders |
|---|---|--|
| <ul style="list-style-type: none"> • Awarding of rights • Conditions attached to rights • Regulatory alignment • Compliance | <ul style="list-style-type: none"> • Proactively engage stakeholders on impacts and responses to lower prices • Continuously engage with authorities to obtain outstanding rights • Engage on new plans to facilitate new applications | <ul style="list-style-type: none"> • DMR • Shareholders and investors • Analysts • ArcelorMittal |

MAINTAINING OUR LICENCE TO OPERATE

Despite operational changes undertaken to respond to weak iron ore prices, the Company remained committed to compliance with legal and social requirements, and fulfilling transformation, environmental and safety regulatory obligations.

| Stakeholder interest | Issue response | Stakeholders |
|--|---|---|
| <ul style="list-style-type: none"> • Ensuring compliance with legislation • Ensuring changes to legislation encourage and support growth • Review of the Mining Charter • Declaratory order on the Mining Charter • MPRDA amendment • Developing communities | <ul style="list-style-type: none"> • Proactively engage stakeholders on impacts and responses to lower prices • Communicate compliance achievements and challenges • Facilitate stakeholder engagements necessary to enhance safety • Drive partnerships and develop initiatives that empower communities | <ul style="list-style-type: none"> • Chamber of Mines • Shareholders • NGOs • Parliamentary Portfolio Committee on Mineral Resources • Unions • Government • Municipalities • Communities |

CONTRACTION OF THE SOUTH AFRICAN MINING INDUSTRY AND IMPLICATIONS FOR THE ECONOMY

The South African mining industry recently experienced significant job losses. Platforms exist for government, industry and labour to collaborate in finding solutions to stimulate growth and stabilise the industry. These include the Minerals and Mining Development Board and the Mining Industry Growth Development and Employment Task Team (MIGDETT). Operation Phakisa Mining labs were introduced in 2015 to urgently identify and implement these solutions.

| Stakeholder interest | Issue response | Stakeholders |
|---|---|---|
| <ul style="list-style-type: none"> • Employment creation/mitigating job losses | <ul style="list-style-type: none"> • Meaningful participation in tripartite processes such as the Mining Industry Growth, Development and Empowerment Task Team (MiGDETT) to reposition the iron ore sector • Engage with the aim of reaching a shared vision and value with stakeholders | <ul style="list-style-type: none"> • Chamber of Mines • National government departments • Unions • Political leadership • Limpopo and Northern Cape provincial governments |

RELOCATION OF DINGLETON RESIDENTS

By the end of 2015, 33% of Dingleton home-owners had been relocated, together with a number of businesses and public offices. It is anticipated that the relocation project will be completed at the end of 2016.

| Stakeholder interest | Issue response | Stakeholders |
|--|---|--|
| <ul style="list-style-type: none"> • Progress in the implementation of the relocation project • Ability of the Company to fulfil its commitments given prevailing commodity prices • Livelihoods of the Dingleton community post relocation | <ul style="list-style-type: none"> • Agree with key stakeholders on obligations towards Dingleton residents • Develop initiatives that empower the Dingleton community, to ensure sustainable livelihoods post relocation | <ul style="list-style-type: none"> • Northern Cape provincial government • Gamagara communities • Gamagara local government • Shareholders • Dingleton Resettlement Working Group |

OUR STRATEGY

Kumba's focus is to position itself for long-term sustainability whilst 'weathering the storm' in the short term given the challenging price environment.

OUR STRATEGY

VISION

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

Ambition: We aspire to drive shareholder returns into the top quartile of our peer group through the price cycle

Significantly reduce costs to remain globally competitive

Increase export volumes in the medium to long term

Consistent supply of high quality products

High performance culture with motivated employees

STRATEGIC FOCUS AREAS

STRATEGIC FOCUS AREA 1: WHERE TO PLAY



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



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



Extend life of current mines through low-grade projects, using UHDMS technology to produce more ore and less waste thereby lowering our unit costs



Maintain optionality to grow in West and Central Africa when the price recovers

STRATEGIC FOCUS AREA 2: HOW TO WIN



Redesign Sishen and Kolomela mine pits to extract maximum value from the ore body in a lower price environment, and optimise production in line with capacity on the Sishen/Kolomela-Saldanha export rail line



Invest in step-change technology to extract maximum value from ore



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



Implement the Operating Model to ensure the right people are in the right roles to produce the right efficient and effective outcomes

STRATEGIC FOCUS AREA 3: KEY ENABLERS

Align marketing and operational activities to ensure that product efficiently matches customer needs as well as maximising the value of Kumba's ore reserves

Reinforce our reputation for product quality and consistency

Proactively engage with key stakeholders to reinforce our partnership approach

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

Provide extensive support to our employees to help them through the Kumba change journey

SUSTAINABILITY GOVERNANCE

Integrating sustainability best practice into core business processes has been a long-standing priority for us. Our approach to sustainability is driven by the belief that effective management of sustainability issues makes us competitive and enables us to attract and retain skills, safeguard the health and safety of our employees, comply and proactively respond to changes in the legislative, social and political environment, minimise our environmental footprint, and secure and maintain our social licence to operate.

GOVERNANCE STRUCTURES

The Kumba board delegates responsibility for the governance of sustainability to its Social, Ethics and Transformation (SET) Committee, chaired by Dolly Mokgatle. The Committee is tasked with ensuring that Kumba attains its goals relating to the management of safety, health and the environment, as well as social, transformation and ethics issues across the Company. Its responsibilities include developing sustainable development policies and guidelines to manage these focus areas, monitoring performance against key indicators, and facilitating participation, cooperation and consultation on key issues. In 2015, the Committee met three times and focused on the following main areas:

- Reviewing performance on safety, health, environment; community engagement and development; and transformation
- Overseeing progress with the closure of Thabazimbi mine
- Overseeing progress with the Dingleton resettlement project

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

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

Kumba's Chief executive and the Executive Committee (Exco) are accountable for day-to-day sustainability management and performance and all aspects of our overall strategy. Sustainability performance indicators and the achievement of targets influence the performance-based remuneration of senior executives. Responsibility for delivering on our sustainability performance rests with the line function. For further information on our remuneration practices, refer to the remuneration section of our Integrated Report 2015 (page 88).

A detailed review of Kumba's corporate governance structures and practices is provided in our Integrated Report 2015 (pages 79 to 87). Our performance against our

sustainability governance requirements is reviewed in the people, society and environment sections of this report (pages 19 to 61).

MANAGING OUR RISKS AND OPPORTUNITIES

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

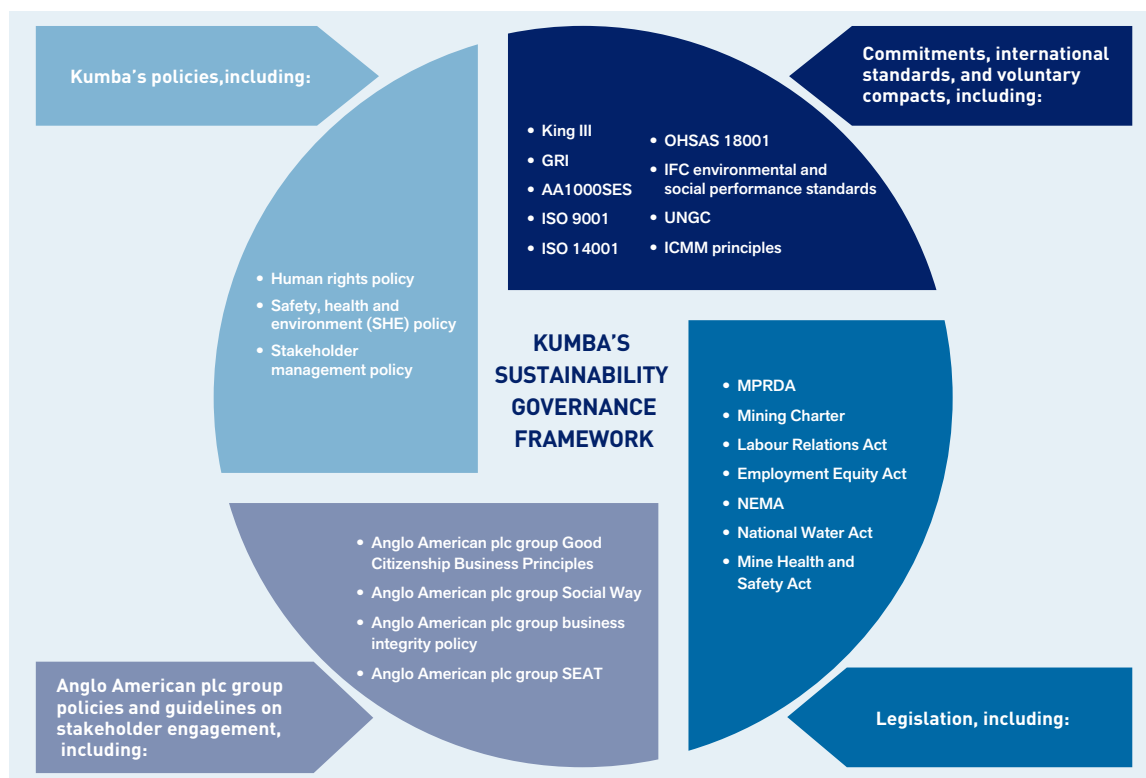
All our mines are certified to the requirements of ISO 14001, the environmental management systems standard. The Sishen and Thabazimbi mines are also certified to the requirements of OHSAS 18001, the occupational health and safety management systems standard. Kolomela mine complies with the requirements of OHSAS 18001 but has not yet applied for certification. Key sustainability data are externally assured.

The implementation of the operational risk management (ORM) process provides Operational managers with an enhanced means of identifying, prioritising and controlling the risks that threaten their ability to meet objectives. Various internal and external review and assurance programmes ensure that priority unwanted risks are identified and that adequate controls are in place to manage them. A detailed review of our risk management practices is provided on page 32 of our Integrated Report 2015.

Responsible sourcing

Through our responsible sourcing programme, we aim to ensure that the goods and services we procure do not cause harm to individuals or the natural environment. We expect that suppliers demonstrate compliance with local laws and regulations, as well as good practices in areas including labour and human rights, occupational safety and hygiene, environmental management, business integrity, supporting economic development and the proactive management of HIV/AIDS. Our approach to monitoring supplier compliance with our standards includes formal assessments and audits prior to and after contract awards (see pages 41 and 42 of this report).

SUSTAINABILITY GOVERNANCE continued



BUSINESS INTEGRITY

Our overall approach to doing business is guided by Anglo American plc's Good Citizenship Business Principles. These set the expectations we have of employees, contractors and business partners in relation to business integrity, safety, health and environmental management, human rights, and our relationships with stakeholders. Policies and procedures have been implemented across our value chain to ensure uniform understanding of requirements. Living up to our standard for integrity is essential for earning and maintaining trust with our stakeholders.

Kumba has a zero-tolerance approach to unethical and corrupt practices, and every member of our organisation is accountable for ensuring that our values are always upheld in all we do. We have an Ethics Committee that is mandated to oversee the implementation of the board's ethics policies and procedures. The Committee includes ethics champions from each of our operations and representatives from internal audit and supply chain. It meets quarterly and reports directly to Exco and to the board's Audit and SET Committees.

We endorse and comply with all applicable anti-corruption laws and conventions. Our business integrity policy states that we will neither give nor accept bribes, nor permit others to do so in our name. The policy is supported by 11 performance standards that cover various aspects of our business where there is potential risk for corruption.

The standards prohibit the Company from making donations to any political party or politician.

Bribery risk assessments are conducted periodically and where necessary, an action plan is developed to strengthen the internal controls that manage the risk. The risk assessment process and action planning are audited annually by our internal audit team. We provide specific business integrity training to all employees who may be exposed to corruption risks owing to the nature of their work. In 2015, 130 employees underwent ethics and corruption prevention training and 135 employees completed competition law training. There were no significant instances of corruption reported in 2015.

Our independently managed 'Speak Up' facility is a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report concerns about conduct that is contrary to our values and integrity standards. We do not tolerate any form of retaliation against employees raising concerns in good faith. Any allegation of harassment or intimidation by others as a result of contacting Speak Up is investigated and, if required, appropriate action is taken.

A detailed review of our codes of conduct and approach to ethics, corruption and bribery is provided in our Integrated Report 2015 (pages 86 to 87).



PEOPLE

Ensuring the safety and health of all who work for us remains our top priority. This has required a particular focus this year, given the high levels of employee uncertainty resulting from the volatile operating environment. An important development this year has been the integration of our comprehensive operational safety risk management processes into the Operating Model.

IN THIS SECTION

Our 2015 performance and practices on employee issues is summarised in our reviews:

- Investing in an effective and engaged workforce
- Ensuring a safe workplace
- Promoting the health and wellbeing of our employees

DRIVING CHANGE

Zero fatalities

in reporting period

0.23

lost time injury frequency rate (LTIFR), short of our target of 0.21

53%

headcount reduction at corporate head office, and mine support services

No industrial action

since 2012

R275.2 million

expenditure on training and development

18%

of total mining workforce are women

DEFINING OUR FUTURE

Revised strategy seeks to balance our long-term growth ambitions with clear focus on maximising value over volume

Restructuring at Sishen mine

Completion of Dingleton relocation in

2016



Image

Dimpho Sephiri, Mafoka Mahloane and Gomolemo Comoletiale, learnership students at the Tshipi skills development centre at Sishen mine learning plumbing skills.

INVESTING IN AN EFFECTIVE AND ENGAGED WORKFORCE

The profound challenges of the current economic climate have required Kumba to create a significantly leaner and more efficient organisation to ensure a resilient business. We have had to prioritise the work we will continue doing, and create an organisation “Fit for Purpose”. To deliver on our objectives we need to ensure we have a culture of high performance with a highly effective and engaged workforce.

Guided by our values – safety, care and respect, integrity, accountability, collaboration and innovation – our people apply their skills, knowledge and expertise to ensure we operate successfully and responsibly. We seek to be a fair and responsible employer, and the employer of choice in our sector. We are a significant provider of employment in the regions where we operate and recognise our responsibilities in providing for local recruitment, the training and development of employees and potential employees.

WORKFORCE MOVEMENT

Kumba has a policy of employing people from local communities (within a 50km radius of our mines where

possible); we only recruit people from outside the area if a specific skill is not available locally. In 2015, 85% of employees were local (2014: 86%).

As at the end of 2015, Kumba had 11,790 employees (2014: 14,040): 7,434 full time permanent employees (2014: 8,191 employees), 3,627 full time contractors (mining contractors involved with the core processes of the mine) (2014: 4,987 contractors), and 729 learnerships (2014: 862 learnerships). During the year we also employed 3,762 fixed-term project contractors (contractors with an approved supply chain contract with Kumba to perform capital projects) (2014: 4,662 contractors). See additional workforce data below.

The significant reduction in workforce numbers is as a result of the restructuring process. Kumba's employee turnover rate (the number of permanent employee resignations as a percentage of total permanent employees, including voluntary separation packages) consequently increased, from 3.8% in 2014 to 13% in 2015.

The closure of Thabazimbi mine impacts approximately 800 employees and 360 contractors. At year-end, 365 employees had left the Company; while the second phase of retrenchments will take place in May 2016. By December 2015, a total of nine employees had been transferred to other Anglo American business units and 12 to Sishen and Kolomela.

Employees and contractors in 2015 (excluding learnerships)

| | Full time, permanent | | Full time, contractor | |
|------------------------|----------------------|--------------|-----------------------|------------|
| | Total | Women | Total | Women |
| Corporate office | 125 | 75 | – | – |
| Sishen | 5,575 | 893 | 2,269 | 134 |
| Kolomela | 1,143 | 278 | 1,091 | 81 |
| Thabazimbi | 408 | 80 | 107 | 2 |
| Technical services | 65 | 16 | 1 | – |
| Projects | 76 | 34 | 159 | 3 |
| Saldanha Bay and other | 42 | 14 | – | – |
| Group | 7,434 | 1,390 | 3,627 | 220 |

Image

Alistair Titus, a shovel operator, Reagan Meyer, operator, Gordon Koopman, a shovel operator and Boitumelo Elvis Kitchin, an operator on their way to start their shift after completing a pre-shift safety meeting at the Fatigue Management Centre at Kolomela mine.



Employment by locals (%)

| | 2015 | 2014 | 2013 |
|--------------|-----------|------|------|
| Sishen | 90 | 94 | 92 |
| Kolomela | 62 | 65 | 65 |
| Thabazimbi | 70 | 61 | 67 |
| Group | 85 | 86 | 84 |

Age profile of employees (%)

| | Sishen | Kolomela | Thabazimbi | Corporate office | Group |
|----------|--------|----------|------------|------------------|-------|
| <30 | 27 | 34 | 12 | 25 | 28 |
| 30 to 50 | 60 | 60 | 50 | 61 | 60 |
| >50 | 13 | 6 | 38 | 14 | 12 |

Staff turnover by operation (%)

| | All employees | | | Female employees | | |
|------------------|---------------|------|------|------------------|------|------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Corporate office | 51.4 | 8.5 | 6.3 | 21.6 | 5.2 | 1.3 |
| Sishen | 6.7 | 3.5 | 4.2 | 1.3 | 0.5 | 1.1 |
| Kolomela | 6.3 | 3.6 | 3.8 | 1.5 | 0.6 | 0.4 |
| Thabazimbi | 106.2 | 3.9 | 3.8 | 15.5 | 0.7 | 0.7 |
| Group | 13.0 | 3.8 | 4.2 | 2.9 | 0.8 | 0.6 |

BUILDING AN ORGANISATION THAT IS FIT FOR PURPOSE

Throughout 2015, we have been restructuring the organisation while ensuring we have the most capable people in the right roles to deliver effectively and efficiently on our strategic objectives.

As part of this change process, in 2015 the number of permanent employees working for Kumba (corporate office and Northern Cape operations) in indirect roles (that is, not directly involved in production) reduced from 1,037 to 754, and the number of contractors reduced from 381 to 52. In the first quarter of the year we completed the restructuring of our corporate head office, reducing our headcount by 61% including employees and contractors (140 employees and 283 contractors). The organisational design methodology was then applied at the mine support services function. By year-end, we concluded a 30% headcount reduction at Sishen mine, affecting 148 people. The review of our core operations will proceed in 2016.

Throughout the restructuring process and the closure of Thabazimbi mine, we maintained a focus on communicating effectively with our employees, and on managing employment separations respectfully and fairly. We have

been following all due legal processes and engaging with government, employees and unions on our restructuring imperatives. These engagements have been challenging, yet constructive, in reaching a consensus on material issues and finding mechanisms to minimise the impacts of retrenchments. An extended consultation process was in line with the Labour Relations Act's (LRA) provisions for meaningful consultation. The Commission for Conciliation, Mediation and Arbitration (CCMA) facilitated consultation for the Thabazimbi closure and the Northern Cape operations.

We work with affected employees to honour our commitments and offer support measures including external services to assist with finding employment elsewhere (see case study on page 25).

MANAGING TALENT AND DEVELOPING SKILLS

To attract and retain the best talent, we seek to offer safe, worthwhile and stimulating work, provide opportunities for personal development, pay people competitively, recognise and reward excellence, encourage diversity and protect employee rights. Our approach is underpinned by our human resources standards, management systems and processes.

INVESTING IN AN EFFECTIVE AND ENGAGED WORKFORCE

continued

Leadership and talent management

In assessing capability, we consider an individual's technical knowledge and skills, their ability to solve problems and build and sustain productive working relationships, and their drive, commitment and value-adding work.

If we are to withstand the tougher market conditions within a lean structure, we need to foster a more nimble and decisive organisational culture. Achieving this hinges on strong leadership from line managers to ensure that work is prioritised effectively and that employees are able to deliver on our business objectives. To ensure quality leadership, the manager-once-removed (one level up from the immediate manager) plays an active role in monitoring and managing the career development of their subordinates-once-removed.

Developing strong, accountable and safety-conscious leaders is essential to achieving our ambitions. An emphasis in 2016 will be on grooming leadership through experiential training and coaching within the workplace to live the new culture.

Training and development

In addition to providing health and safety training to all employees, our internal training and development interventions include learnerships, leadership development, mentorships, career progression plans (particularly for historically disadvantaged South Africans [HDSAs]), study assistance, e-learning and the adult basic education and training (ABET) programme. Approximately 95% of Kumba employees are deemed to be functionally literate. We also provide training in skills that are transferable to industries outside mining, including training for employees who are approaching retirement, to assist them in finding alternative forms of employment.

Formal performance appraisals and development reviews are conducted annually for all non-bargaining and fixed-term employees in the organisation.

Employees participating in training and development programmes during 2015 were 94% HDSA and 28% women. During 2015, we rationalised our investments in training due to financial constraints, to focus on priority needs. For the year under review our expenditure on training and development totalled R275 million, amounting to 6% of total payroll (2014: 6.9%), with each employee receiving on average 72 hours of training (2014: 82 hours). Training expenditure for HDSA employees totalled R223 million, representing an aggregate 5% of total HDSA payroll against a Mining Charter target of 5%.

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

Developing technical talent for the Company is addressed specifically with our three-year PIT programme, which offers degree and diploma graduates the opportunity to obtain training and work experience during a fixed-term contract with the Company to cover their bursary debt. By the end of 2015, the PIT group included 47 technical graduates and non-technical graduates (2014: 56). The participants were 47% women and 83% HDSAs. During the year, 10 PITs were appointed into permanent positions at Kumba. Given the economic landscape and current restructuring efforts, the intake of PITs and bursars will be reduced over time.

Training and development statistics

| Programme | Number of participants | HDSA (%) | Women (%) | Expenditure (Rand million) |
|--|------------------------|-----------|-----------|----------------------------|
| Mining and plant learners (operators) | 572 | 98 | 25 | 14.1 |
| Engineering learners (artisans and apprentices) | 393 | 82 | 20 | 34.0 |
| ABET training | 99 | 99 | 26 | 3.8 |
| Professionals in training | 47 | 83 | 47 | 32.7 |
| Bursaries | 43 | 81 | 58 | 5.1 |
| Bridging school | 9 | 100 | 30 | 1.0 |
| Portable skills training (building capability in mine communities) | 496 | 99 | 29 | 6.2 |
| Internships (admin and engineering) | 29 | 100 | 93 | – |
| Total | 1,688 | 94 | 28 | 96.9 |

The rest of the training spend was for other training initiatives: external courses, development and seminars.

REMUNERATION AND SHARE OWNERSHIP

The three-year wage agreement we concluded with recognised unions (the National Union of Mineworkers (NUM) and Solidarity) for bargaining category employees, effective from 1 July 2014, provided for cost-to-Company increases of 9% in the first two years, and an average of 9% in the third year.

In 2015, to align with market practice and the Anglo American plc approach, we amended our deferred bonus arrangement for middle management (Band 6) from a share plan to a cash plan with a lower matching percentage and shorter vesting period now. For non-bargaining category employees, an increase of 5% was awarded with freezes for higher level employees.

Kumba's broad-based employee share ownership scheme, Envision, has ensured that permanent employees below management level are active stakeholders by having a direct interest in the Company's profit. The second five-year phase of Envision will mature in 2016. The decline in Kumba's share price is however expected to result in the value of benefits attached to the Envision pay-out being zero. A priority in 2016 will be to manage expectations and communications regarding anticipated dividend and maturity payments.

LABOUR ABSENTEEISM

Absenteeism, or workforce unavailability, covers both planned leave (annual, maternity, study, union) and unplanned leave (sick, unpaid, absent without leave (AWOL), special, family responsibility, injury on duty (IOD), suspension, unprotected strike). Sishen and Kolomela have continued to make good progress in improving levels of work attendance and adherence to Company policies. Through targeted initiatives, Sishen has addressed a high frequency of absenteeism among primary equipment operators and improved the direct operating hours of haul trucks. The main focus has been on addressing unwarranted sick leave, and better leave planning, to mitigate spikes in absenteeism at certain times of the year, which remains a challenge.

Labour absenteeism

| Programme | Planned absences | Unplanned absences | Total absences |
|---|------------------|--------------------|----------------|
| Total number of person days lost due to absenteeism | 227,163 | 132,465 | 359,628 |
| Percentage of total person days lost due to absenteeism | 8.37 | 4.88 | 13.25 |

PROTECTING LABOUR RIGHTS

As expressed in the Anglo American plc human rights policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organisation core conventions, including the right to freedom of association and collective bargaining, the eradication of child and forced labour, and non-discrimination. Full observance of these issues is also required of our suppliers in line with the Anglo American Supplier Sustainable Development Code and policy and compliance is audited.

At our operations, we have clear policies and processes in place in order to ensure that we do not employ any under-age, or forced labour. No incidents of employing under-age or forced labour were reported in 2015, and there were no significant incidents of discrimination or grievances regarding labour practices.

DEVELOPING A DIVERSE WORKFORCE

In the workplace Kumba promotes a culture that embraces diversity and the value it brings to the Company. We embrace all forms of diversity and comply with all associated legal obligations.

Achieving sustainable and tangible transformation is a business imperative and is core to our licence to operate. We implement a comprehensive human resources transformation strategy. Our employment equity (EE) plans set numerical targets and goals for EE, including affirmative action measures. We strive to surpass the South African Mining Charter's minimum requirements and have made steady progress over the last few years. The recruiting and retaining of HDSAs, particularly women, at managerial levels continues to pose a challenge. Our performance this year has remained relatively consistent with last year. Our workforce diversity profile is summarised on page 24.

The impending third iteration of the Mining Charter is expected to define new commitments that will encourage further progress in our business. In 2015, as advised by the DMR, we have reported against 2014 targets. At the end of 2015, HDSAs represented 85% of our total workforce (2014: 83%) and held 59% of management positions (2014: 58%). We achieved the Mining Charter's requirement that HDSA employees make up 40% of each management level and 40% of core and critical skills, at all occupational levels and operations.

Women made up 18% of the total workforce (2014: 19%). For core disciplines, 14% of positions were held by women (2014: 13%), against a target of 10% and women held 19% of management positions (2014: 20%).

INVESTING IN AN EFFECTIVE AND ENGAGED WORKFORCE

continued

Kumba complies with the Department of Labour's target of 1% of the workforce comprising people with disabilities. We currently employ 78 people with disabilities, of which 23 are in managerial positions.

At Kumba, responsibility for gender transformation lies with top and senior managers. We have continued to implement a women-in-mining (WIM) strategy to promote the integration of women in the workplace, in particular into core functions, which remains a challenge. With our talent pipeline development focusing on 30% female representation in all categories, capacity building is key to driving gender diversity and increasing women's visibility in decision-making structures. Our diverse WIM interventions and our

performance against objectives are overseen by a WIM Steering Committee. We also have forums that address governance issues concerned with gender diversity and creating an enabling environment. Recent developments include making progress with providing personal protective equipment (PPE), and a new mining industry suit, that are designed for women. We also reviewed our policies and procedures relating to sexual harassment and continue to proactively address this issue in the workplace and our host communities. In 2015 we compiled a report on our progress for the Commission for Gender Equality.

No cases of racial discrimination or of sexual harassment were reported in our operations in 2015.

HDSA and women in management

| | Total management | | | % HDSA in management | | | % women in management | | |
|------------------|------------------|--------------|--------------|----------------------|-----------|-----------|-----------------------|-----------|-----------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Corporate office | 228 | 290 | 327 | 57 | 58 | 60 | 33 | 33 | 35 |
| Sishen | 777 | 819 | 875 | 58 | 57 | 53 | 14 | 16 | 15 |
| Kolomela | 219 | 202 | 159 | 63 | 63 | 63 | 20 | 18 | 16 |
| Thabazimbi | 66 | 148 | 208 | 62 | 57 | 50 | 23 | 20 | 18 |
| Group | 1,290 | 1,459 | 1,569 | 59 | 58 | 55 | 19 | 20 | 20 |

Women in mining (%)

| | Women employed | | Women in core mining | |
|------------------|----------------|-----------|----------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Corporate office | 44 | 43 | 21 | 27 |
| Sishen | 16 | 16 | 13 | 13 |
| Kolomela | 24 | 23 | 20 | 19 |
| Thabazimbi | 19 | 17 | 13 | 13 |
| Group | 18 | 20 | 14 | 13 |

RELATIONSHIPS WITH EMPLOYEES AND UNIONS

Kumba has a dedicated employee relations manager and the Company has continued to maintain stable and constructive labour relations and partnerships with unions.

We conduct internal and external employee satisfaction surveys, which help us monitor whether we are meeting employee needs and expectations. In recent years, we have consistently enjoyed global recognition by the Top Employers Institute.

Our permanent workforce union membership has remained relatively consistent with 2014. In 2015, 85% of the total workforce was represented by one of the four recognised

unions (see table on page 25) with the National Union of Mineworkers (NUM) increasing its dominance from 57% in 2014 to 60% in 2015. Eighty percent of our workforce is covered by a collective agreement.

We have not experienced any industrial action since 2012.

In 2015, 50 labour practice grievances were referred to the CCMA (2014: 36 grievances).

CCMA consultations other than the facilitated section 189 processes for the closure of Thabazimbi and the restructuring of the Northern Cape Support Services were managed in a fair and honest manner. The Company ensured that procedural and substantive fairness was maintained in all

instances.

Union membership in 2015 (% of bargaining categories)

| | NUM | Solidarity | Agency shop | BAMCWU* | AMCU** | Non-unionised |
|------------------|-----------|------------|-------------|----------|-----------|---------------|
| Corporate office | – | 47 | – | – | – | 53 |
| Sishen | 56 | 16 | 4 | 7 | 17 | – |
| Kolomela | 76 | 16 | 8 | – | – | – |
| Thabazimbi | 79 | 17 | 4 | – | – | – |
| Group | 60 | 17 | 4 | 6 | 14 | 1 |

* Building Allied Mining and Construction Workers Union.

** Association of Mineworkers and Construction Union.



CASE STUDY: **MANAGING THE IMPACTS OF OUR RESTRUCTURING PROCESS ON EMPLOYEES**

We have made concerted efforts to support our employees in understanding and managing the challenges associated with the organisational restructuring process. A holistic employee assistance programme (EAP) for all staff is provided through a dedicated support hub. To help individuals to cope emotionally we have expert counsellors on site. We also offer one-on-one assistance in the form of coaching on coping with change, health and wellness counselling, as well as coaching sessions for managers. To assist employees to manage the change process we have run workshops on building resilience, entrepreneurial skills and career guidance. We also offer

workshops on: financial counselling, and early retirement; one-on-one financial counselling and debt counselling; and selector pension and provident fund advice. Human resources professionals are available to be contacted, as is our EAP service provider (ICAS) through a confidential 24-hour helpline.

All employees retrenched during 2015 have been offered R10,000 in financial support for skills acquisition in any area, as well as non-financial skills development support.

Image

Atu Seikaneng, a lay counsellor at Kumba providing support to an employee.

ENSURING A SAFE WORKPLACE

The safety of the people who work for us will always be our main priority. We strive to achieve our goal of zero harm by managing our activities in a way that eliminates incidents, minimises risk and promotes excellence in the performance of our operations.

OUR SAFETY PERFORMANCE

Kumba has been fatality-free since April 2014 and maintained this in 2015. Although we have seen a minor improvement in 2015 in both our leading and lagging safety indicators, unfortunately we did not achieve our targeted improvements for our lagging indicators. This year, we recorded 40 lost time injuries (LTIs) (2014: 44 LTIs), resulting in an unchanged lost time injury frequency rate (LTIFR) of 0.23 in 2015 against a targeted 0.21. We recorded a total of 157 recordable injuries, resulting in a total recordable case frequency rate (TRCFR), which includes any injury that requires more than first-aid treatment, of 0.89 in 2015 (2014: 0.87) against a target of 0.78.

There has been a significant reduction in the number of serious incidents, which is encouraging. Low-level incidents, typically finger injuries associated with materials

handling, and slip, trip and fall incidents, accounted for 72% of the LTIs and remain focus areas for incident management. These incidents could be a result of general distraction and anxiety associated with the ongoing organisational restructuring process. Concerted efforts were made during 2015 to address human-factor issues and risks associated with the organisational changes. We are placing a strong emphasis on effective critical control management and behavioural interventions.

Our operations made good progress in increasing and improving the reporting of, and learning from high potential incidents (HPIs) and high potential hazards (HPHs) as a preventative tool to improve safety performance. The number of reported HPHs escalated to over 700 incidents in 2015 compared to 236 in 2014. There was a corresponding increase in the number of HPIs for a consecutive year, with 76 reported in 2015 compared to 57 in 2014.

During 2015, three potentially serious safety incidents occurred (down from 10 in 2014): a snake bite and an employee slipping and falling after being struck by a swinging suspended load, a tilted cab of a diesel truck which fell onto an artisan. Appropriate corrective actions have been implemented.

In 2015 we did not experience any significant safety stoppages that impacted on production. We had one regulatory stoppage (2014: five), 25 voluntary stoppages (2014: 43), and two non-compliance notices (2014: six).

Our performance in 2015

| | Fatalities | FIFR | LTIs | LTIFR | TRCFR | Permanent disabilities | LTISR | Days lost due to injury |
|------------------|------------|----------|-----------|-------------|-------------|------------------------|-----------|-------------------------|
| Sishen | – | – | 23* | 0.22 | 1.07 | – | 59 | 768 |
| Kolomela | – | – | 6 | 0.20 | 0.41 | – | 46 | 171 |
| Thabazimbi | – | – | 3 | 0.16 | 0.33 | – | 43 | 98 |
| Projects | – | – | 4 | 0.34 | 1.70 | – | 24 | 36 |
| Corporate office | – | – | – | – | – | – | – | – |
| Exploration | – | – | 2 | 1.06 | 2.62 | – | 143 | 34 |
| Saldanha | – | – | 2 | 1.66 | 1.68 | – | 141 | 21 |
| Group | – | – | 40 | 0.23 | 0.89 | – | 51 | 1,128 |

Definitions:

FIFR – fatal injury frequency rate (calculated) is the number of fatal incidents per 100 employees (assuming that each employee works 2,000 hours per year).

LTI – lost time injury is a work-related injury resulting in the employee/contractor being unable to attend work, or to perform the full duties of his/her regular work, on the next calendar day after the day of the injury, whether a scheduled work day or not.

LTIFR – lost time injury frequency rate (calculated) is the number of lost time incidents per 100 employees (LTIs/total hours worked*200,000).

TRCFR – total recordable case frequency rate (calculated) is the number of recordable injuries (fatalities + lost time injuries + medical treatment cases) per 100 employees, assuming that each employee works 2,000 hours per year.

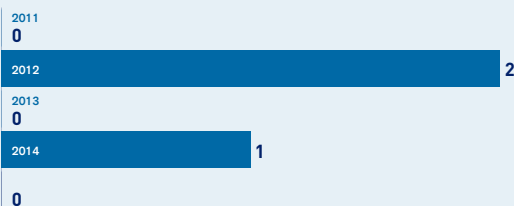
Permanent disabilities – lost time injury where there is a disability of 25% or more (American Medical Association [AMA] Guides to the Evaluation of Permanent Impairment) and/or loss of job or redeployment results as a direct consequence of the injury.

LTISR – lost time injury severity rate (calculated) is the number of hours lost per 100 employees.

Days lost due to injury – the total number of calendar days (not working days), from the day following that of the injury to the day on which the injured person is able to resume full duties of his/her regular work.

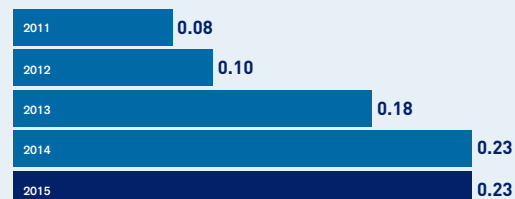
* Not including: one (1) late report LTI from Sishen which was reported in January 2016. This does not affect the LTIFR which remains 0.23 however, the TRCFR changes to 0.90.

Fatalities



LTIFR

(per 200,000 hours worked)



OUR STRATEGIC APPROACH

Our risk-based safety strategy and management approach focus on making sure that we have the right culture and controls in place to operate safely. They are both founded on three key principles: a mindset of zero harm; the elimination of repeat incidents; and the consistent application of simple, non-negotiable standards.

All sites and operations develop an annual safety improvement plan, which is informed by previous incidents and trending leading and lagging indicators, and supported by our safety, health and environment (SHE) communication strategy and risk management training. The improvement plans direct and place a focus on initiatives to address emerging safety issues, as well as the programmes mandated from our head office and Anglo American plc. In 2015 we maintained a focus on the proactive application of leading indicators, visible felt leadership (VFL) and operational risk management. Our sites conduct individual campaigns and programmes. During 2015, Sishen conducted an Intensive Care Unit campaign and Kolomela

and Thabazimbi implemented mine-wide work stoppages "Stop for Safety" campaigns.

All sites have safety committee and sub-committee structures that are aligned with legal requirements. Representatives of unions, associations and employees are nominated and elected to participate. Our Sishen and Thabazimbi mines are certified to the requirements of the occupational health and safety management systems standard OHSAS 18001. Kolomela mine complies with the requirements and has applied for certification.

The seven-year-old Anglo American Tripartite partnership with government and labour continues to seek areas for improving safety at South African operations through collaborative and transparent stakeholder engagement. This year the focus has been on transport safety. Sishen hosted one of two awareness events, which put the spotlight on workplace and public road safety through two practical activities: a transport safety game developed by Anglo American's safety team, and a personal commuting risk assessment.

Image

Making transport safety fun and interactive with the transport safety game.



ENSURING A SAFE WORKPLACE continued

Operational risk management

Our principal safety risks, based on an analysis of incident and HPH trends, relate to transportation, moving machinery, working at heights (falling from heights, falling objects, lifting operations) and electrical or release of stored energy incidents. Fatigue management is another focus area.

Management of safety risks forms an integral part of the operational risk management (ORM) process. It aligns closely with our Operating Model that we have implemented at our mines. ORM is designed to help us create a step change in our performance by providing a consistent and effective way of identifying, prioritising and controlling risk. It covers activities at all operational levels and allows the critical controls required to manage significant safety risks to be identified and then integrated into safe work instructions and task risk assessments.

In parallel with ORM implementation, control improvement activity has been a major focus during 2015 with each operation having control improvement plans in place. Through risk assessments we have identified the top safety risks (or 'priority unwanted events') at each site. The focus has been on ensuring that we have identified and put in place the right critical controls for these risks, and that everyone who works with those controls understands what they are, how they work and what to do if they fail or if the situation changes making them no longer appropriate or effective. Understanding of the value and role of controls has improved significantly during the year with more ongoing work needed on ensuring that they are properly used and monitored.

Leadership and accountability

Effective safety leadership at every level is an essential part of building a strong safety culture. We placed added emphasis on this during 2015 to strengthen ownership and accountability for safety during a time of major organisational change.

Our leaders regularly conduct VFL at our operations. We also hold training sessions on VFL and hazard identification at our sites and offices. VFL targets were increased in 2015, and the number of VFL interactions and engagements doubled this year, supporting our focus on identifying unwanted events and implementing critical controls. We have also been focusing on strengthening the personal safety leadership capability of supervisors and those working on the frontline. All operations and sites have strengthened communication and awareness campaigns around critical controls and necessary behaviours to eliminate and prevent unwanted events.

Anglo American's fourth Global Safety Day took place in October 2015, with the involvement of all our employees and contractors across the group. This year's theme 'Controls protect and keep you safe' was chosen to align with and add

further energy to the group-wide control improvement activity. The Safety Day helps to embed both a safety mindset and our core safety programmes, with the Anglo American Chief executive and business unit CEOs demonstrating leadership support and commitment to safety as a core business value.

Safety training in 2015

| Training initiative | Number of employees trained |
|--|-----------------------------|
| Safety rep training | 246 |
| Visible felt leadership (VFL) | 2,345 |
| A3 operational risk management process (ORMP) training | 40 |
| A3 refresher | 36 |
| A2 ORMP | 317 |
| A1.2 hazard ID/SLAM | 7,669 |
| 5-day legal training | 88 |
| Legal liability training | 277 |
| First aid | 1,332 |
| Fire fighting | 1,399 |
| Learning from incidents | 53 |
| Day in the life of supervisor | 95 |

INCIDENT MANAGEMENT

Kumba implements the Anglo American 'Learning from Incidents' process (LFI). Incidents are rigorously investigated to identify their root causes, and weak or absent controls, so that we can take action and prevent repeats. Doing this well requires investigations to be of the right quality. We therefore continue to update our investigation tools, techniques, materials and training programme. We have seen significant improvements in our reporting, monitoring and LFI processes. This has highlighted the need for us to further improve our critical control management so as to reduce the high number of high potential incidents.

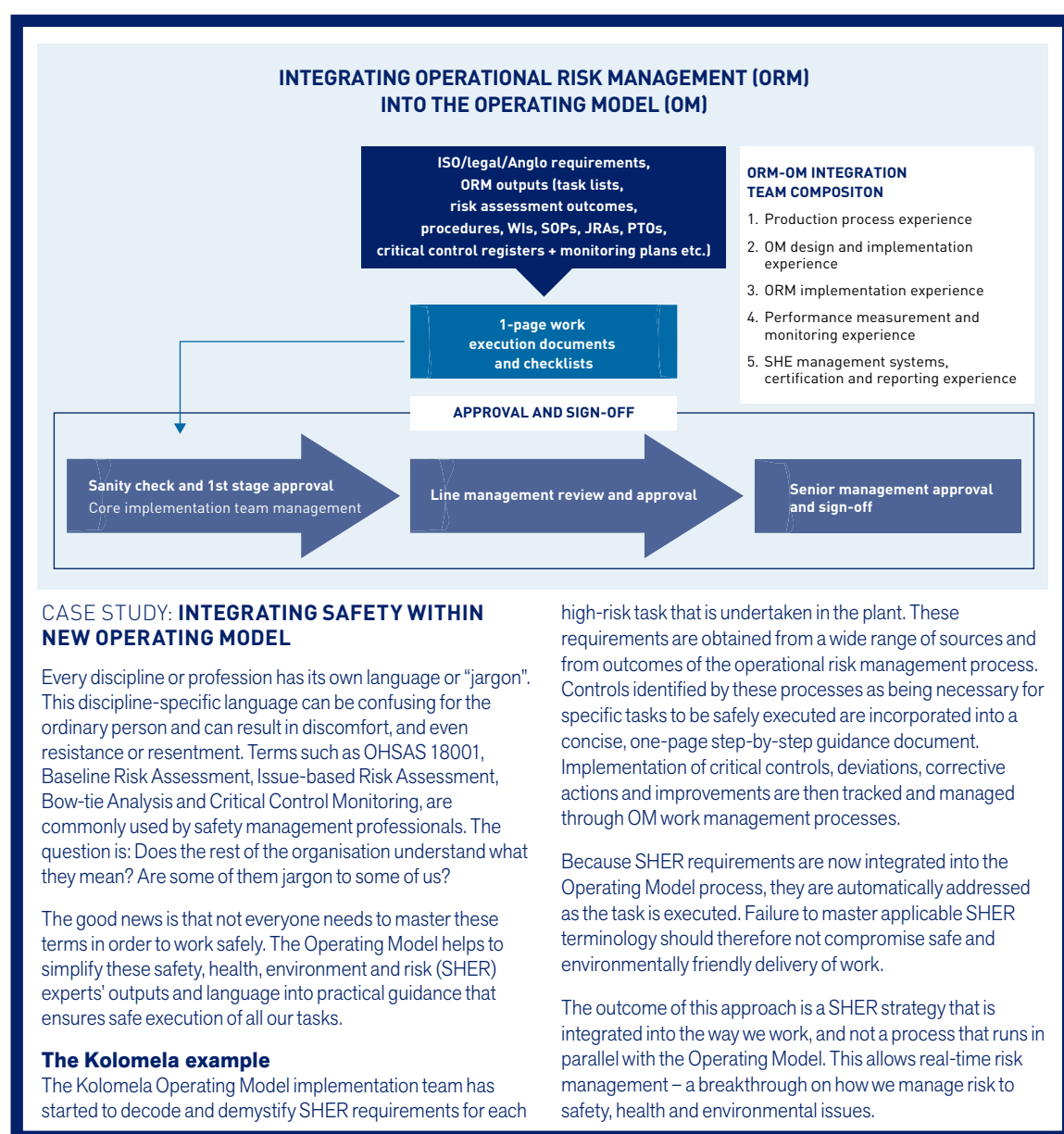
A further innovation introduced in the LFI investigation process is the use of a psychological-based technique called human factor analysis (HFA). HFA identifies lessons learned from incidents by examining the human, behavioural and cultural factors that played a role, so that we can take appropriate action to prevent them. It helps us understand how to ensure that critical controls work as effectively as possible, by examining in detail factors such as employee behaviour, attitudes and motivation.

As of 2015, HPH reporting is included as a safety leading indicator target in the incentive scheme for employees in the bargaining category and bands 7 and 8.

We have prioritised the prevention of transportation incidents, which account for 60% of HPIs. An independent investigation of transportation-related HPIs at Sishen has informed remedial actions. In addition to various technical improvements in our vehicles, we are implementing a management programme to address the challenges

associated with driver fatigue and stress. Current trends and lagging indicators for transport-related incidents have shown an improvement in the reduction of serious incidents.

Thabazimbi mine had a pit slope wall failure this year, reviewed on page 52. Adherence to our critical control processes ensured the efficient, safe evacuation of workers from the pit.



PROMOTING THE HEALTH AND WELLBEING OF OUR EMPLOYEES

Effective management of occupational health risks, and promoting health and wellbeing in the workplace, protects our people, enhances productivity, and is essential for minimising potential long-term liabilities. Extending our health promotion activities to the broader community also supports our internal health drive.

OUR STRATEGIC APPROACH

Our occupational health strategy and management approach focus on improving our ability to anticipate and prevent harm to our workforce. Our principal occupational health risks are noise, inhalable hazards (specifically particulate matter, or dust), ergonomic stress and worker fatigue.

Our risk-based approach is underpinned by three guiding principles: that all occupational illnesses are preventable; that we will prevent further harm by assessing and monitoring exposure to health hazards in the workplace and by conducting surveillance for occupational disease; and that we apply common, simple and non-negotiable standards. We strive to proactively identify sources of, and occupational exposure to, health hazards, profile the associated risks, and control exposure to hazards in the workplace environment. These efforts are supported by a stringent medical surveillance programme.

Building on these initiatives is our employee health and wellness programme, which includes a strong focus on combating HIV/AIDS and tuberculosis (TB) within our workforce and their families. Another strategic focus is building partnerships to strengthen health systems in under-served rural areas, to improve access to quality healthcare for disadvantaged communities associated with our operations.

Information management

Anglo American's leading electronic health record system, 'theHealthSource', is implemented across our business, linking employees' occupational hygiene exposure records to their occupational medicine surveillance records.

Flowing from the principle of 'preventing repeats', we have devised a system of incident reporting related to health. A health incident may vary from complaints about the working environment and observed (or measured) failures of control mechanisms, to early signs of exposure and disease identified in the medical surveillance programme, including (at the highest level) a fatal case of occupational illness. The reporting of low-level health incidents, which signify failing controls of health-hazard management systems, is the best leading indicator of occupational health performance. The indicator is used to ensure that the effective control of exposure to health hazards takes place at source.

Although the reporting and investigation of health incidents continues to improve, our data integrity remains a concern.

We hope to see a steady increase in low-level incidents as reporting continues to mature.

OUR PERFORMANCE

The good progress we made this year in managing health risks and delivering on our health strategy is reflected in an improved performance across most of our parameters. Our health Improvement plans, which were introduced in 2014, focus on four areas:

- Reducing exposure to occupational hazards, with a primary focus on noise and dust
- Fatigue management
- Management of musculoskeletal conditions
- Wellness and disease management in the workplace

We have ongoing initiatives to educate our employees and reinforce messages around managing health hazards, particularly noise, inhalable pollutants and ergonomic stresses. These initiatives emphasise the importance of managing these hazards now, to prevent occupational disease and disability in the long term. We also have intensive training programmes for employees and contractors to use PPE and adhere to relevant requirements in areas where respective hazards are present.

All our operations report on the estimated number of people potentially exposed to health hazards that could result in occupational disease. We measure exposure against occupational exposure limits (OELs) set per individual health risk, above which no employee may be exposed without the use of PPE. Notwithstanding the prescribed use of PPE by personnel where necessary, our performance indicators reflect the number of individuals who would be exposed to conditions that exceed those limits were they not protected by PPE. This helps to identify those hazards where we can improve controls, and perhaps eliminate the need for PPE altogether.

During 2015, there were 28 new cases of occupational diseases reported, up from 14 in 2014 (see table on page 31). Three cases of mesothelioma and one case of pleural plaque were diagnosed during the current reporting period; these cases seem to be linked to asbestos exposure and all cases have been investigated. Our occupational hygiene monitoring shows no significant occupational exposure to asbestos dust; the increase in asbestosis cases can therefore be attributed to previous asbestos exposures prior to employment at Kumba.

During 2015, there were no regulatory or voluntary work stoppages and no non-compliance notices issued for medical or health related matters.

The attraction and retention of occupational medical practitioners remains a challenge. We are exploring options to incentivise occupational medical practitioners through competitive remuneration packages and implementation of a scarce skills allowance. Better resourcing has led to corresponding improvements in screening.

New cases of occupational disease

| | 2015 | 2014 | 2013 |
|-------------------------------------|-----------|-----------|----------|
| Noise-induced hearing loss | 7 | 11 | 7 |
| Mesothelioma | 3 | – | – |
| Pleural plaque | 1 | – | – |
| Chronic obstructive airways disease | 2 | 2 | – |
| Occupational tuberculosis | 8 | – | – |
| Occupational asthma | 1 | 1 | – |
| Occupational dermatitis | 2 | – | – |
| Silicosis | – | – | – |
| Musculoskeletal disorder | 4 | – | – |
| Total | 28 | 14 | 7 |

Managing noise

A principal focus remains on controlling noise at source. In line with the 2014 Mine Health and Safety Summit (MHSC) milestones, last year we ensured that no equipment emitted noise above the regulated occupational exposure limit (OEL) of 110dB(A). In 2015 we identified all equipment that emitted more than 107dB(A). We have been developing and implementing engineering controls to minimise and ultimately eliminate this level of exposure and this work is ongoing. To date, the following initiatives have been implemented at our sites:

- Noise zoning and noise source characterisation completed in 2015
- Silencer fitted on the inlet of a compressor fan
- Decommissioning of extraction fans and these were replaced with spraying systems
- Enhancement of the maintenance plan of machinery, implementing a proactive approach
- Replacement of noisy pumps with new generation quieter pumps
- Replacement of gougers; in addition air control valves/regulators were fitted to the gouging technique to further reduce noise emission
- Discontinued the use of cross cutters in aluminium cutting
- Replacement of old grinders with new generation grinders and discontinuation of the use of diamond blades in the workshops

Ninety-five percent of employees potentially at risk of excessive exposure to noise and potential noise-induced hearing loss (NIHL) have been issued with customised hearing protection devices. We have successfully implemented hearing conservation programmes at all our operations, and we are in the process of incorporating the Standard Threshold Shift (STS) into our audiogram monitoring which is a more sensitive test compared to Percentage Loss of Hearing (PLH). All significant changes are investigated and additional controls are implemented accordingly.

In 2015, 2,333 of our employees (27% of our workforce) were reported to be working in environments with noise

levels in excess of the OEL (2014: 2,798; 32%). We recorded seven newly identified cases of NIHL, compared with eleven cases in 2014, resulting from past exposure to excessive noise levels. We are confident that the initiatives we have put in place in recent years effectively manage the risk of exposure to excessive noise levels.

Managing inhalable pollutants

Occupational exposure to airborne pollutants at our operations, in particular respirable crystalline silica, is associated with the development of occupational lung diseases, notably silicosis, TB, lung cancer and airways diseases. In the first half of 2015, all our operations implemented dust exposure monitoring programmes. These programmes are informing the controls and interventions we implement for reducing exposure to dust and other air pollutants.

Kolomela mine replaced all open cabin drills with closed cabin drills in 2014, significantly reducing respirable dust exposures.

In 2015, 756 of our employees (9.5% of our workforce) were reported to be working in environments where they were potentially at risk of exposure to inhalable hazards (2014: 423). We diagnosed 11 new cases of occupational lung disease in 2015, eight cases of occupational TB, two cases of chronic obstructive airway disease (COAD) and one case of occupational asthma.

We are investigating carcinogens in the workplace with a specific focus this year on exposures to trichloroethylene and diesel particulate matter exposures.

Musculoskeletal conditions

In response to an increase in back, neck and ankle injuries in our workforce, in 2014 we conducted an ergonomic risk assessment, across our operations, of all mobile equipment and tasks involving manual handling. The outcomes have informed our strategy for addressing ergonomic risks that cause musculoskeletal disorders. Various corrective measures have been implemented, including measures to improve accessibility to vehicles and additional support in vehicles. We have developed an educational DVD relating to correct manual handling, good posture and the periodic use

PROMOTING THE HEALTH AND WELLBEING OF OUR EMPLOYEES continued

of stretching exercises. In 2015, four cases of work related musculoskeletal diseases were reported.

Fatigue management

Sishen and Kolomela mine experience generally high temperatures, up to 50°C in summer, which can significantly affect employee fatigue. In 2015, all our sites conducted fatigue risk assessments and have developed fatigue management codes of practice to address the identified high risks. The codes have been submitted to the relevant DMR Directorate for approval.

Our fatigue management interventions encompass risk assessments, education and training, application of controls, and monitoring and review for continuous improvement. Our interventions extend beyond the workplace to include community and family education and awareness aimed at mitigating worker fatigue.

WELLNESS IN THE WORKPLACE

All our employees are screened for hypertension, diabetes, cholesterol, body mass index (BMI), TB, and, where consent has been given, HIV, during annual medical surveillance processes. We take an integrated approach to addressing HIV, TB and sexually transmitted infections (STIs).

Based on assessments during 2015, 33% of our workforce is overweight, 14% of our employees have hypertension, and 4% have diabetes mellitus. All employees with chronic conditions are monitored regularly through our occupational health clinics to minimise risks associated with uncontrolled chronic medical conditions. Sishen and Kolomela operations provide weight reduction programmes. In 2015, at Kolomela mine we introduced a healthy lifestyle campaign and we launched a health and wellness initiative exclusively for our female employees.

An emerging occupational health and hygiene risk is alcohol and substance abuse. Our drug and alcohol policy allows for random testing of employees and routine testing of all employees in high-risk occupations during medical surveillance. In 2015, we issued 89 warnings (2014: 81) and three employees were dismissed (2014: four).

Employees have access to a free employee assistance programme (EAP) through on-site counselling services or a confidential 24-hour help line provided by an external service provider. During 2015, 15.5% of employees utilised this service; the most common issues related to relationships (22%), organisation restructuring (13%), and stress (12%). During 2015 we implemented a multidisciplinary strategy to deal with sick leave utilisation at all our operations. The strategy involved the medical team, human resources, EAP service provider (CAS) and local general practitioners and specialists. Our approach entailed an assessment of:

- High duration low frequency sick leave absenteeism
- Low duration and high frequency sick leave
- Weekends and month-end sick leave absenteeism

All high duration low frequency sick leave category employees were referred to the OMP for assessment and medical intervention as employees within this sub-group had chronic conditions which were uncontrolled or under sub-optimal medical treatment.

Following assessment, employees are referred to their primary healthcare providers and, where indicated, referral to a specialist is set up. Thereafter a more stringent tailor-made medical surveillance schedule was implemented to each employee to ensure optimal medical care.

Employees in the latter two sub-groups were referred to the OMP to establish if there was a medical reason underpinning the sick leave. Where a medical condition could not be established these employees are referred to HR to institute a disciplinary process.

In 2015, absenteeism due to injury on duty was 0.08%; absenteeism due to non-work related illness and injuries was 3.2%; the group total absenteeism rate was 3.28%.

Managing TB and HIV/AIDS

In southern Africa, pulmonary TB and HIV are inextricably linked. Kumba is a recognised leader for its TB and HIV/AIDS programmes in the workplace and our performance indicators show an encouraging improvement. This is attributable to better management of the condition, and an improvement in case detection and reporting. In spite of our progress, there remain challenges such as timeous access and adherence to treatment.

In 2014, a panel of industry health experts assisted us in identifying areas for improvement in our TB and HIV/AIDS programmes. These included, for example, the need for continuation of care, referrals and support for employees living with HIV/AIDS. In 2015, we developed and began implementing TB and HIV/AIDS improvement plans.

The estimated prevalence of HIV infection within Kumba's permanent workforce has remained at last year's level of 8%. In 2015, 90% of full time employees (7,064) participated in voluntary HIV counselling and testing which is in line with the UNAIDS target that 90% of people living with HIV should know their status.

For the year under review, through voluntary testing we identified 102 new HIV infections within our workforce (2014: 118 cases). We continue to strive for zero new infections. The number of diagnosed HIV-positive employees enrolled on our HIV management programme is 385, relatively level with last year (2014: 360). The number of dependants enrolled in HIV wellness programmes and on ART is steadily increasing. The UNAIDS global target is that at least 90% of all HIV-positive people should be on ART by the year 2020, if we are to end the AIDS epidemic by 2030.

During 2015, we diagnosed 21 new cases of TB compared to 38 cases last year, exceeding our targeted 10% decrease this year by a further 45%. In 2015, one employee died from non-occupational TB-related complications.

HIV statistics

| | 2015 | 2014 | 2013 |
|--|--------------|-------|--------------|
| Number of employees at the time of the HCT campaign | 7,991 | 8,666 | 8,104 |
| Estimated HIV prevalence rate (%) | 8 | 8 | 6.9 |
| Estimated number of HIV-positive employees | 640 | 651 | 557 |
| Total number of HCTs (employees) | 7,064 | 7,869 | 6,966 |
| HCT uptake (%) | 90 | 91 | 86 |
| Total number of new HIV infections | 102 | 118 | 109 |
| Employees on HIV disease management programmes | 385 | 360 | 478 |
| HIV-positive enrolment in HIV wellness programmes (%) | 56 | 54 | 86 |
| Employees on ART | 340 | 322 | 127 |
| HIV-positive on ART (%) | 49 | 49 | 23 |
| Ill-health early retirements | 15 | – | – |
| AIDS deaths (including TB deaths) | 1 | 3 | – |
| Contractor HCT cases | 5,897 | 8,979 | 8,413 |
| Number of dependant HCT cases | – | 11 | Not reported |
| Number of dependants enrolled in HIV wellness programmes | 50 | 22 | 9 |
| Number of dependants on ART | 50 | 16 | 8 |

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

TB statistics

| | 2015 | 2014 | 2013 |
|---|------------|------|------|
| New pulmonary TB cases | 19 | 35 | 25 |
| New extra-pulmonary TB cases | 2 | – | 2 |
| Cumulative number of new TB cases | 21 | 35 | 27 |
| TB deaths (must be proven) | 1 | 1 | – |
| Annualised TB incidence rate per 100,000 population | 262 | 403 | 308 |
| New multi-drug resistant (MDR) TB cases | – | – | – |
| New extremely drug-resistant (XDR) TB cases | – | – | – |

Image

Pharmacist Fransie Douglas providing medicine to a patient at the UGM Wellness Clinic in Kathu.



PROMOTING THE HEALTH AND WELLBEING OF OUR EMPLOYEES continued

COMMUNITY HEALTHCARE

Our internal health drive will have limited effect if it is undertaken in communities where health systems are weak. Our activities to promote health and welfare in the broader community include investments in strengthening health systems in our neighbouring communities, often in partnership with government. Our aim is to improve access to quality medical and healthcare services and alleviate some of the mounting pressure on health service delivery.

Our comprehensive socio-economic assessments in local communities using the SEAT toolbox (see page 36) include health considerations, which are also included in social-management plans. In 2015 we conducted an analysis of our community health investments, which brought into focus the significant opportunities to invest our knowledge and expertise more extensively through collaborative initiatives. We can be more efficient and effective in delivering support to health systems in South Africa through a centralised approach with expert support and based on best practice.

Kumba spent R38 million (2014: R22.2 million) on community healthcare projects in 2015.

We continue to provide HIV-related services and primary healthcare services to mine employees, contractors and host communities through Ulysses Gogi Modise (UGM) wellness clinics, in partnership with the Department of Health. The

clinic at Kathu has been in operation since 2007 and collaborates closely with the surrounding public health clinics. Individuals registered on the disease management programme are closely monitored on an ongoing basis. The UGM wellness clinic also runs an intensive community health education programme.

Throughout 2015, we continued to support the UGM wellness clinic at Thabazimbi mine. We conducted a health impact assessment at Thabazimbi mine to ascertain the impact of closing the UGM clinic facility. With the closure of the mine, the UGM clinic will cease to operate. All equipment will be donated to the local clinics as it was concluded that there are sufficient local clinics in the area to render sufficient primary healthcare.

In April 2015, a newly constructed primary healthcare facility in Postmasburg was opened, providing comprehensive primary healthcare services to communities surrounding Kolomela mine. The upgraded clinic was built, furnished and equipped by Kumba at a cost of R9.5 million.

Sishen mine's innovative Batho Pele mobile clinics continue to bring healthcare to people in remote rural areas in collaboration with the John Taolo Gaetsewe District Municipality, to screen for diseases and provide dental, ophthalmic and surgical services. In 2015, 23,637 community members benefited from the services (2014: 19,549).

UGM wellness clinic visits in 2015

| | Employees | Contractors | Community members |
|--------------|--------------|--------------|-------------------|
| Sishen | 726 | 2,368 | 21,962 |
| Kolomela | 1,075 | 1,677 | – |
| Thabazimbi | 473 | 356 | 1,675 |
| Group | 2,274 | 4,401 | 23,637 |

SOCIETY



Maintaining a positive relationship with the stakeholders and communities around our operations is critical to maintaining our socio-political licence to operate. We seek to build durable relationships with these communities and deliver developmental benefits and opportunities that can be sustained beyond our activities. In addition to providing employment opportunities and tax revenues, we provide important opportunities through our procurement practices and our corporate social investments.

IN THIS SECTION

Our 2015 performance and practices on community issues is summarised in our reviews:

- **Managing the social impacts of our activities**
- **Making a positive social contribution**

DRIVING CHANGE

R175 million

in direct social expenditure

R38 million

invested in community healthcare projects

R15.3 billion

paid to BEE suppliers

182 households

resettled in 2015 as part of Dingleton resettlement

242 community

complaints submitted and assessed

DEFINING OUR FUTURE

Consultative process followed for Thabazimbi mine closure

Mining supplier park project development and feasibility study finalised in Kathu region

Continued engagement with DMR on

21.4%

Sishen mining right



Image

A pre-shift management meeting in the "War Room" at Kolomela mine. This meeting is held daily to discuss the current status of operations on the mine.

MANAGING THE SOCIAL IMPACTS OF OUR ACTIVITIES

It is essential that we maintain a positive relationship with the stakeholders and communities around our operations in order to maintain our socio-political licence to operate. Inclusive stakeholder engagement underpins our approach to ensuring we respect human rights and respond to stakeholder aspirations and concerns in our neighbouring communities. We seek to build durable relationships with these communities and deliver developmental benefits and opportunities aimed at increasing their capacity.

UNDERSTANDING OUR SOCIAL RISKS AND OPPORTUNITIES

Socio-economic impacts associated with mining include population influx and demographic change, land acquisition and resettlement, competition for natural resources, community health impacts, and potential human rights infringements. These can trigger stakeholder opposition, resulting in project delays, disruption to our operations, and reputational damage.

Our ability to manage social impacts and enhance positive benefits to communities is shaped by growing legal and regulatory requirements, and affected by the capacities of the local institutions with which we work to deliver social benefits. Amid rapidly developing societal and stakeholder expectations, the challenging economic conditions result in us having decreasing funds to invest in communities. This raises challenges in terms of managing stakeholder expectations and maintaining trusted relationships and is a principal focus for careful management.

During 2015, we commissioned a social impact assessment, which has provided detailed insight into our performance, strengths and weaknesses, and has informed our new approach and community development objectives. Key recommendations from the study included: the importance of mitigating the reliance of municipalities, communities and SMMEs on our mines; partnering to identify innovative solutions; communicating more regularly and effectively with communities in order to empower them; and forging a more collective as opposed to paternalistic relationship with communities.

OUR STRATEGIC APPROACH

Kumba aspires to be a trusted partner with key stakeholders and a leader in catalysing collaborative social development. The ultimate aim is for host communities to be left better off than they were before we arrived. This requires avoiding and/or minimising any harm that our operations may cause, while at the same time building

inclusivity and growing socio-economic benefits for communities (see pages 39 to 40).

Kumba's approach to social performance is informed by the Anglo American plc values and Business Principles, and is implemented through a comprehensive set of social performance requirements detailed in the Anglo American Social Way.

Socio-economic assessment toolbox

Our primary means for social impact management and socio-economic development at our operations is through Anglo American plc's industry-leading socio-economic assessment toolbox (SEAT). We use SEAT to improve our operations' understanding of their positive and negative socio-economic impacts, enhance stakeholder dialogue and the management of social issues, build our ability to support local socio-economic development, and foster greater transparency and accountability. Engagement with local stakeholders is central to this process. All operations are required to undertake a detailed SEAT assessment every three years. In 2015, Thabazimbi mine undertook a SEAT assessment in order to inform the mine closure plan. Sishen and Kolomela mines undertook their SEAT reviews in 2014 and 2015 respectively. The outcome reports contain a social management plan for the following three years, to address the identified issues and impacts.

RESPECTING HUMAN RIGHTS

Our approach to respecting the human rights of employees, host communities and business partners is aligned with the South African Constitution and the 'Protect, Respect and Remedy' Framework of the UN Guiding Principles on Business and Human Rights (UNGPs). We implement the Anglo American plc human rights policy, with human rights requirements integrated into the Social Way, SEAT and all other relevant policies, systems and tools throughout the business. We conduct operational-level due diligence processes to determine salient human rights issues. In 2015, we conducted an externally assured risk assessment.

Security-related human rights issues present risks and potential impacts at our business and in the broader community. We are a long-standing supporter of the Voluntary Principles on Security and Human Rights (VPs) and comply with the VPs at all our operations. During 2015, 375 employees and contractors who work in areas where human rights are involved – such as security, HR and community development, stakeholder relations, supply chain – continued to receive training on human rights and the VPs.

Formal mechanisms for reporting human rights grievances are in place at all our operations and the corporate office. During 2015, there was one human rights grievance reported to the Human Rights Commission in relation to a clean and healthy environment and particularly around dust from mining activities at Sishen. A meeting took place between the mine and the commission's representatives. The commission requested further information on the resettlement and we await their findings.

MITIGATING SOCIAL RISKS AND IMPACTS

We seek to proactively and timeously identify and effectively respond to social risks and impacts as they arise. The Anglo American Social Way defines Kumba's governing framework for social performance. It provides clear requirements for our sites to ensure that policies and systems are in place to engage with affected communities, to avoid, prevent and mitigate adverse social impacts, and to maximise development opportunities. Each site completes an annual facilitated self-assessment, while in-depth operational reviews are undertaken on a three-year rotation basis. Each site is implementing an improvement plan.

Community complaints and social incidents

We implement an Anglo American group-wide complaints and grievance procedure, using a standardised, web-based approach for recording stakeholder feedback and classifying the nature of the stakeholder, their complaint and the severity of the issue.

In 2015, 242 community complaints were submitted through formal procedures at our various operations. All were assessed, and 150 of them were resolved. The majority of community grievances were related to the Dingleton resettlement and to potential environmental impacts, such as blasting and dust, from Sishen mine's operations.

Our mandatory group-wide social-incident reporting procedure, which includes complaints and grievances, is designed to ensure openness, accountability and respectfulness in our handling of any stakeholder complaints.

Responsible resettlement

Land acquisition and resettlement is one of our most material social issues. Resettlements can have long-term consequences for the social structures and livelihoods of affected peoples and may present significant risks to our capital projects and operations.

All Kumba's resettlement exercises must meet or exceed the requirements set out in the IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement and lead to a demonstrable improvement in livelihoods. In accordance with the IFC Performance Standards, the resettlement must be planned and implemented in a participatory manner.

During the development phase of mines, we plan and design projects in a way that avoids or minimises any resettlement. As such, any resettlement impact associated with our activities is not finalised until a project secures approval.

In collaboration with the people of Dingleton, the Dingleton resettlement working group, the Gamagara local municipality and the Northern Cape provincial government, we continue to make progress with relocating the Dingleton community to Kathu (30km away) in the Northern Cape, to facilitate the expansion of Sishen mine.

The resettlement involves around 500 households accommodating approximately 3,500 people. The project includes building new homes and providing additional schools, sports facilities and public libraries. We resettled

71 families in improved housing in 2014 and a further 182 households in 2015; the remaining 203 households are scheduled to be relocated by the end of 2016. Progress has been protracted and we are working with the local municipality to address housing and public service challenges.

While the majority of Dingleton residents expressed support for the relocation, there is resistance from some residents, particularly those who rent accommodation and are concerned about their position after the relocation. Over the last two years Kumba has implemented interventions such as renters' road-shows and workshops to address negative sentiments and assist renters in practical ways. We are committed to working closely with the community to ensure that the resettlement is less stressful and rather beneficial, and are resolute in finding win-win solutions to outstanding issues.

MANAGING SOCIAL IMPACTS IN OUR SUPPLY CHAIN

There is an increasing expectation of business to demonstrate accountability in ensuring responsible business conduct by all parties in corporate supply chains. Our responsible sourcing programme addresses supplier compliance with local regulations and with Anglo American plc requirements relating to safety, health, the environment, business integrity, human rights and economic development. We work in close partnership with local suppliers to help them achieve the high governance standards we set for ourselves. Each of our mines is providing safety training for local suppliers, though further training may be delayed owing to financial constraints.

The reduction in the number of audits is deliberate and attributable to a revised engagement approach focused on building supplier capacity and building programme efficiency. A new engagement model for 2016 and beyond is predicated on aligning responsible sourcing standards across the mining industry, which will bring about a reduction in supplier cost, duplication of effort and elimination of "audit fatigue". In this regard, we have been working extensively with peer mining companies in South Africa.

Through the awareness sessions, self-assessment and audit process, we have identified supplier compliance issues related to workplace safety (including inadequate preparedness for fire and emergencies, poor training on safe work practices and non-issuance of PPE as well as excessive working hours [over 60 working hours per week]).

Our supplier engagement focuses on building awareness of risk, a better understanding of our corporate expectations, and agreeing corrective action plans between suppliers and our procurement teams to better manage this risk, including through reassessments – to date, all major issues identified through the audit process have been rectified.

RESPONSIBLE MINE CLOSURE

Mine closure is inevitable and can have significant socio-economic and environmental impacts on the communities close to the mine. Our approach to ensuring responsible mine closure emphasises the importance of designing, planning

MANAGING THE SOCIAL IMPACTS OF OUR ACTIVITIES continued

and operating a mine with closure in mind, and planning for post-closure long-term sustainability in consultation with communities and other stakeholders. In doing so, we aim to reduce long-term risks and liabilities to our business from an environmental and socio-economic perspective, and to ensure that we leave a positive legacy.

The Anglo American mine closure toolbox provides a structured approach to closure planning and management. It is aimed at ensuring that the full spectrum of opportunities, risks and liabilities is effectively identified, that plans are fully costed, and that provision is made for the planned operational life of the mine or premature closure. The toolbox is designed to be used in conjunction with our socio-economic assessment toolbox (SEAT) in order to support an integrated approach to mine closure planning.

During 2015, Kumba worked with the Anglo American group closure team at all sites to review alignment of individual closure plans with the mine closure toolbox requirements, as well as the alignment between life of mine planning and environmental management initiatives. The aim is to track the

status of key actions arising from site closure plans and ensure a more structured and integrated approach to mine closure. We are assessing and identifying opportunities to make operational changes that require modest capital investment and will in the longer term result in significantly reduced operational costs and closure liabilities consistent with our statutory obligation on closure and environmental rehabilitation.

The closure in progress at our Thabazimbi mine is Kumba's first mine closure. During 2015, the mine's draft closure plan was updated to detailed closure plan status in line with the Anglo American mine closure toolbox and closure is progressing well. (See case study below.)

Our Sishen and Kolomela mines are long-life operations with current life of mine estimates of 15 and 21 years respectively. During 2015, Sishen mine updated its preliminary closure plan and the associated environmental liability calculations. This included completing a study to update its rehabilitation strategy, which considered the most efficient way of backfilling. In 2016, we will engage the DMR on the proposed updated strategy to ensure compliance.



CASE STUDY: **THABAZIMBI MINE CLOSURE**

In July 2015, a decision was taken to close Kumba's Thabazimbi mine in Limpopo following an extensive review of the mine and in response to a combination of factors that have affected the mine's economic viability. The mine is more than 80 years old and over the past 15 years has had its proposed closure postponed six times through a number of mine life extension plans. Difficult mining conditions due to the inherent geo-technical complexities are now exacerbated by a limited remaining iron ore resource, operating costs that are very high due to high waste stripping requirements, and a slope failure on 6 June 2015 rendering the resources in the one remaining pit uneconomic to mine.

We have conducted extensive consultations with all key stakeholders throughout the process, including officials of the DMR, DoL, DTI and the presidency, Mayor and MEC of Limpopo, Chamber of Mines, local community groups, and labour unions. Issues discussed include the timelines and processes to be followed, concerns regarding job losses, impact on local economy, readiness of employees, social projects, loss of revenue for the municipality, and actions being taken by the Company to remain sustainable in the current market conditions.

The closure of the mine impacts approximately 800 employees and 360 contractors. The Thabazimbi community has grown steadily more dependent on mining in recent years and the lack of employment opportunities in the area presents a risk. The employee consultation process was conducted successfully and an agreement was reached on the provision of housing, training and wellness following closure. A study on the socio-economic impact of the closure was conducted, which, together with all the consultations, will form the social plan that will be finalised in 2016. The social plan will outline social measures to mitigate impacts on the municipality and the community, while promoting local economic development.

Thabazimbi completed its mining activities at the end of September 2015. Progressive rehabilitation is underway, specialist studies were undertaken to assist in meeting all requirements and enabled the updating of the closure plan and the financial provision by the end of 2015. Thabazimbi will apply for approval of the plan once processing activities are completed, during Q2 of 2016.

Image

Thabazimbi mine closure progressing according to plan. A closure function was held in November 2015 as the first group left on 30 November 2015.

MAKING A POSITIVE SOCIAL CONTRIBUTION

Our operations are located in rural areas characterised by limited formal economic activity, high levels of poverty and unemployment, inadequate provision of infrastructure and poor service delivery. Our mines represent a significant centre of socio-economic activity and an important source of welfare for rapidly growing populations.

As a major mining company in South Africa, our responsibility to government and communities extends more widely than simply creating direct jobs and paying taxes. We seek to ensure that the benefits we generate flow more directly to communities around our operations and that we respond effectively to increasing stakeholder expectations. Achieving these objectives depends on collaborative efforts with government institutions, community members and other large corporations. This is essential to effectively manage social risks and maintain our social licence to operate.

MANAGING EXPECTATIONS

The impact of the declining iron ore prices on our profitability has reduced our dividends, taxes, royalties, and the funds available for community development. We anticipate a prolonged period of cost constraints that will continue to impact on employment, capital and procurement spend. To adjust to the market challenges and manage the expectations of many who have benefited from social investment programmes, we need to find innovative ways to deliver a greater social return with substantially less funding. We have been focusing our efforts on engaging with communities, their representatives and other key stakeholders to identify the priority projects that will best address community needs in a sustainable manner, and to establish collaborative partnerships informed by a common vision of the desired outcomes.

Recognising the importance of engaging meaningfully with stakeholders, during 2015 the Company undertook road-shows across our operations in which Company executives met with diverse stakeholder representatives from communities, government, suppliers, unions and political parties. These engagements have helped us enhance our understanding of stakeholders' interests, fostered greater stakeholder appreciation of our activities, and encouraged new thinking about how sustainable development may be promoted in partnership across Kumba's operations and host communities.

OUR APPROACH AND STRATEGY

Our overall aim is to ensure a lasting positive legacy in the areas where we mine, by increasing the benefits of our presence and building local capacity to allow development to be sustained beyond the mining sector, and beyond mine

closure. Our strategic focus is on improving productivity in both local private sectors and public institutions to support sustainable job creation.

Building on the foundation of the economic benefits generated through our core business activities, we strive to support local economies by promoting local procurement, enterprise development and workforce development. To support the delivery of good public services, we concentrate on working with local government to strengthen their capacity, maximise the socio-economic benefits from our own infrastructure and deliver social investment that supports those most in need. Our focus is on implementing a more systematic approach, with more inter-connected programmes. Many of these programmes are implemented through strategic partnerships including with local government, development partners, SIOC-cdt, the Anglo American plc Chairman's fund, communities and non-governmental organisations (NGOs). By focusing on leveraging our value chains and skills, we can have a significantly greater positive impact on host communities at a much lower cost than conventional social investment-led approaches.

Our approach is also informed by regulatory requirements such as those of the South African Mining Charter and our social and labour plans (SLPs). Each operation has an SLP that is developed through a consultative process with local municipalities and through regular interaction with host communities. These are aligned to municipal integrated development plans (IDPs) and Local Economic Development (LED) strategies. We seek to align our initiatives with South Africa's National Development Plan (NDP) and the recently agreed UN Sustainable Development Goals (SDGs). We work closely with the Department of Mineral Resources and the provincial and local authorities, and seek their guidance, advice and support on how best to integrate our efforts into their integrated and local development planning for the region.

All our operations have functioning community engagement forums that meet at least quarterly. We monitor the quality of our engagement and the structures and communication channels in place, especially at community level, to ensure that these are effective. We are increasingly confident that our projects are making their intended positive impacts.

SHARING THE BENEFITS OF MINING

Economic value added

It is through our core business activities – employing people, paying taxes to government and procuring from host communities – that we make our most significant positive contribution to the South African economy. The value distributed directly by Kumba in 2015 amounted to R14,690 million. For a breakdown of this figure, see the table on page 40.

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

MAKING A POSITIVE SOCIAL CONTRIBUTION

continued

| Value distributed | | | | |
|------------------------------|--------------|--------|------|-------|
| | Rand million | | % | |
| | 2015 | 2014 | 2015 | 2014 |
| Employees | 4,666 | 4,580 | 31.8 | 17.2 |
| Providers of finance | 876 | 520 | 6.0 | 1.9 |
| Government | 949 | 5,424 | 6.5 | 20.3 |
| Community spend | 175 | 202 | 1.2 | 0.8 |
| Shareholders | 3,301 | 15,178 | 22.5 | 56.9 |
| Value reinvested | 1,005 | 1,384 | 6.8 | 5.2 |
| Value retained/(distributed) | 3,717 | (599) | 25.3 | (2.3) |

Community and employee share participation

Kumba's neighbouring community members own a part of the Company through the Sishen Iron Ore Company community development trust (SIOC-cdt). The SIOC-cdt holds equity on behalf of the communities around Kumba's mines and in line with our SLPs, invests in community development, with an emphasis on education (especially ECD), skills development and infrastructure projects. For the 2015 financial year, SIOC paid to SIOC-cdt R101 million (2014: R464 million). SIOC-cdt benefits around 360,000 people via a system of five beneficiary trusts. Since these entities operate independently, they are development partners and material stakeholders of Sishen mine, seeking to help communities become empowered and economically active in a way that will be sustainable long after Sishen mine's life has ended.

Our employees continue to share in the Company's performance through their participation in the employee share ownership plan, Envision.

Payments to government

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

We remain an active participant of the Extractive Industries Transparency Initiative (EITI), and at the forefront of tax

transparency. Since our listing in 2006, Kumba has voluntarily provided information about our tax payments. Tax matters are regularly presented to our board and Audit Committee, who take a particular interest in the extent to which our approach to tax meets our commitments to stakeholders and our ambition of good tax governance. In addition, our tax affairs are regularly scrutinised by our external auditors and by tax authorities as part of the normal course of local tax-compliance procedures.

Our tax payments include corporate income tax, mineral royalties, value added tax (VAT) on purchases, duties on imports and exports, payroll taxes and dividend withholding taxes. We also pay a skills levy of 1% of our employees' pay to the South African Revenue Service (SARS). SARS distributes this amount to the Skills Development Fund, the government's training initiative, and the relevant sector education and training authorities (SETA).

Payments made and collected on behalf of the South African government

| Rand million | 2015 | 2014 |
|----------------------|--------------|--------------|
| Corporate income tax | 594 | 4,165 |
| Mineral royalties | 355 | 1,259 |
| Payroll tax | 834 | 637 |
| Skills levy | 36 | 29 |
| Other | 29 | 25 |
| Total | 1,848 | 6,115 |

Taxes paid and collected in South Africa

| Rand million | | 2015 | 2014 |
|-----------------|---|--------------|--------------|
| Taxes paid | Corporate income taxes, mineral royalties, import and export duties, and other taxes which are a cost to the group | 901 | 5,424 |
| Taxes collected | Payroll taxes, withholding taxes and other taxes that are collected and remitted to government, but are not a cost to the group | 899 | 691 |
| Total | | 1,800 | 6,115 |

LOCAL AND PREFERENTIAL PROCUREMENT

Our local procurement initiatives are a value-adding instrument for the business, and provide the anchor for boosting economic growth in communities around our operations. These initiatives are designed to optimise opportunities to integrate local businesses, in particular small and medium enterprises (SMEs), into our supply chain and assist them in managing costs drivers and competing successfully for new business. Qualifying businesses are market related and within a 100km radius of our operations.

Our operations adhere to Anglo American's group-wide local procurement policy and are implementing local procurement strategies and reporting against targets. Operational efforts are supported by a comprehensive local procurement toolkit and summary guide.

In 2015, we spent R5.67 billion on suppliers based in the communities close to our operations (2014: R4.40 billion).

This represented 29.2% of total supplier expenditure (2014: 21.8%) and exceeded our target of 16%.

In line with the Mining Charter's BEE supply chain targets, we implement a preferential procurement policy aimed at increasing our levels of procurement from HDSA businesses (excluding goods and services procured from the public sector and public enterprises). Our preferential procurement policy includes preference for black woman-owned entities and unbundling of contracts to encourage SMEs to tender for opportunities. In 2015, we spent R15.18 billion on HDSA businesses. We continue to make good progress, exceeding the Charter targets in all areas: capital goods, services and consumables. (See page 64.)

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

BEE procurement spend in 2015

| Rand billion | Total payments | Discretionary* payments | BEE | BEE spend % |
|--------------|----------------|-------------------------|--------------|-------------|
| Capital | 4.46 | 4.46 | 3.38 | 76 |
| Services | 8.04 | 7.78 | 6.10 | 78 |
| Consumables | 7.21 | 7.21 | 5.83 | 81 |
| Total | 19.71 | 19.45 | 15.31 | 79 |

Procurement performance summary

| Rand billion | 2015 | 2014 | 2013 |
|-----------------------------------|-------------|------|------|
| Total payments | 19.7 | 25.2 | 23.7 |
| Discretionary payments | 19.4 | 20.2 | 18.4 |
| BEE payments | 15.3 | 14.4 | 11.1 |
| BEE as a % of discretionary spend | 78.8 | 71.4 | 60.6 |

BEE procurement in 2015

| Rand billion | Capital | Services | Consumables | Total |
|----------------------------|-------------|-------------|-------------|--------------|
| Corporate office | 1.15 | 0.39 | – | 1.54 |
| Saldanha | – | 0.09 | – | 0.09 |
| Sishen | 1.81 | 4.03 | 4.76 | 10.60 |
| Kolomela | 0.40 | 1.39 | 0.90 | 2.70 |
| Thabazimbi | 0.02 | 0.20 | 0.17 | 0.39 |
| Group total | 3.38 | 6.10 | 5.83 | 15.32 |
| Percentage of total | 76 | 78 | 81 | 79 |

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

MAKING A POSITIVE SOCIAL CONTRIBUTION

continued

BEE expenditure in 2015 (% of total discretionary spend per site)

| | Capital | Services | Consumables | Total |
|--------------------|-----------|-----------|-------------|-----------|
| Corporate office | 83 | 57 | 60 | 75 |
| Saldanha | 30 | 88 | – | 83 |
| Sishen | 72 | 80 | 82 | 79 |
| Kolomela | 77 | 83 | 75 | 79 |
| Thabazimbi | 56 | 72 | 77 | 73 |
| Group total | 76 | 78 | 81 | 79 |

SUPPLIER DEVELOPMENT AS WELL AS ENTERPRISE DEVELOPMENT

Our supplier development programmes aim to develop local supplier capacity and market opportunities, as well as a more robust and competitive supply chain for Kumba.

In 2014, we launched an intensive two-year supplier development pilot programme aimed at building local business capacity in the Northern Cape. The programme is currently assisting 19 local businesses and entrepreneurs near our Sishen and Kolomela operations, which collectively created 401 job opportunities in 2015. The initiative is designed to build core business skills while increasing supplier awareness of risk and a better understanding of our corporate expectations.

During 2015, we finalised the project development and feasibility study to establish a mining supplier park in the Kathu area of the Northern Cape. The park is aimed at attracting various private entities that are serving the region's growing mining sector, but that are currently not present in the Kathu region due to the unavailability of industrial space. Specific incubation opportunities for new local BEE business would also arise due to the operational requirements of the park and support required by anchor tenants in the park. However, due to the current economic downturn, the project may have to be put on hold.

Kumba has specific processes and strategies to contract and further develop Dingleton-based SMEs. Although the new settlement has been constructed by major contractors, local businesses have been contracted for smaller jobs such as electrical reticulation, paving and landscaping. Our progress in outsourcing township services to local suppliers has been impacted by financial constraints.

Interconnected with our supplier development initiatives are our enterprise development activities. Through a network of business development hubs that form part of the Anglo American Zimele enterprise development programme, we support SMEs mostly in the mining sector and our supply

chain, providing equity finance or subsidised loans. The hubs provide support services, coaching and mentoring and financial advice to assist the SMEs in being commercially viable and economically sustainable businesses. In 2015, Kumba spent R3.1 million to fund nine SMEs who in turn created around 87 new jobs.

LOCAL WORKFORCE DEVELOPMENT

Our workforce development initiatives aim to address the skills needs of our operations and the employment needs of the communities around our mines. A strategic focus is on youth workforce development. In addition to developing the skills, competencies and abilities of our employees, we are working with partners to develop non-mining jobs in communities. As we can only offer a limited number of jobs in our workforce, diversifying our skills development initiatives to promote broader employment opportunities enables us to play a more productive role in meeting community expectations. During 2015, Kumba continued to run three training centres, at Kathu, Kolomela and Thabazimbi, providing training in skills outside the mining sector, such as welding, plumbing and carpentry, to 209 community members (2014: 454). Kumba also supported 74 employees and community members who attended adult basic education programmes on literacy and numeracy.

EXTERNAL CAPACITY BUILDING

Our presence creates large revenue flows for municipalities that often lack the necessary capacity and skills to deliver good public services to escalating local populations. Supporting local institutions to execute their role more effectively can deliver sustainable value for local communities and the business. Our approach focuses on strengthening the skills, competencies and abilities of municipal staff and empowering community members to exercise their rights more effectively. In the longer term, facilitating more effective municipal investment in social services can reduce expectations on the business to deliver these services

through corporate social investments (CSI). In turn we need to ensure that our CSI efforts do not compromise the role of institutions. This requires engaging with local government and other key stakeholders to determine a strategy for collective efforts to support local capacity building.

In partnership with the Development Bank of Southern Africa, Anglo American is implementing a capacity building programme which has been rolled out at eleven municipalities across five South African provinces, including the Northern Cape and Limpopo. The primary objective is to strengthen municipality capacity to enhance service delivery and ensure sustainability. Kumba's interventions focus on revenue enhancement, developing infrastructure master plans, reduction of water and electricity losses, implementing effective and efficient operations and maintenance strategies.

In total, 230 municipal officials were trained in financial management, credit control, asset management, fixing of water and electricity meters and road repairs. An evaluation on the impact of the project will be done.

SYNERGIES WITH MINE INFRASTRUCTURE

In partnership with local and provincial government, we continue to help alleviate the dire shortage of affordable housing in South Africa that affects employees and community members. We engage in developing properly serviced land to facilitate housing development in areas where services are inadequate or do not exist. All our employees receive a housing benefit and Kumba aims to make home ownership possible for all employees. Our three-pronged housing strategy encourages home ownership, offers housing to support recruitment and retention, and ensures accommodation options are available to employees. Since 2007, Kumba has spent R1.9 billion constructing 4,222 homes for employees.

Kolomela mine, which has been operating at full capacity since 2013, has built 718 houses for employees as part of an

integrated approach that allows the houses to form part of the current community without creating a separate mining town. We invested in building much-needed bulk infrastructure services to boost socio-economic development, in return for land allocated by local authorities for housing development. The housing project relies on an award-winning subsidised housing model, which was designed to ensure that both management and lower-level employees have access to similar housing.

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

CORPORATE SOCIAL INVESTMENT

Kumba's social investment strategy is aimed at supporting government in addressing the focus areas of improving education and skills, health and social welfare, youth employment, enterprise development and infrastructure development in the local areas around our operations. Our community healthcare initiatives are reviewed on page 34. Other investments include institutional development, sports, arts and culture, food security, and environmental issues.

Our community development budget is determined by 1% net profit after tax; our expenditure has consequently been decreasing since 2012 in line with the persistent decline in export iron ore prices. In 2015, we spent R175 million (2014: R202.3 million). This trend is in the face of rising expectations from communities and government for mining companies to deliver social change.

Most of our development initiatives contribute directly to progressing our SLP commitments. Some of our SLP projects carry over into the following year due to various challenges with the municipalities involved.

CED expenditure

| Rand million | 2015 | 2014 | 2013 |
|--|--------------|-------|-------|
| Corporate office (including Chairman's fund) | 62.2 | 63.4 | 87.8 |
| Sishen | 70.9 | 81.3 | 105.3 |
| Kolomela | 31.4 | 48.1 | 51.7 |
| Thabazimbi | 10.1 | 9.5 | 8.9 |
| Group | 174.6 | 202.3 | 253.7 |

MAKING A POSITIVE SOCIAL CONTRIBUTION

continued

Areas of CED expenditure

| Rand million | 2015 | | 2014 | |
|---|--------------|------------|--------------|------------|
| | Amount | % | Amount | % |
| Education and skills development | 30.5 | 17 | 32.3 | 16 |
| Health and welfare | 38.0 | 22 | 26.8 | 13 |
| Enterprise development and poverty alleviation | 10.7 | 6 | 19.8 | 11 |
| Infrastructure | 36.9 | 21 | 45.0 | 22 |
| Institutional capacity development, and donations | 34.5 | 20 | 49.3 | 24 |
| Sports, arts, culture and heritage | 24.0 | 14 | 29.1 | 14 |
| Total | 174.6 | 100 | 202.3 | 100 |

BENEFICIATION

Beneficiation is the processing of ore for the purposes of regulating the physical properties of the finished product, removing impurities and improving product quality. We use dense medium processing and jigging technologies to achieve this. We beneficiate our ore to sell niche products domestically and at a premium to international markets.



CASE STUDY: KOLOMELA PARTNERS IN CONSTRUCTING A PRIMARY HEALTHCARE CLINIC IN POSTMASBURG

According to the Kolomela SEAT report the influx of people into Postmasburg town due to extensive mining developments put additional strain on the already poor local public healthcare system. In response to the increasing demand for quality access to healthcare services, Kolomela mine partnered with the Northern Cape Department of Health and the local municipality to construct a primary healthcare facility in Postmasburg. Kumba contributed to the funding, medical equipment and joint project management of the initiative, the Department of Health is responsible for the staffing and day-to-day operations of the facility, while the municipality is providing bulk services. The project is aligned with the Department of Health's drive towards achieving the goals of the new National Health Insurance (NHI) to ensure quality healthcare for all South Africans.

At a total investment of R9.5 million, the fully equipped Postmasburg District Clinic was launched in April 2015 by the DMR Minister, Ngoako Ramatlhodi, Northern Cape Premier,

MEC of Health and the Kumba Chief executive. Today the clinic provides critical primary healthcare needs; post-natal care; HIV counselling and testing (HCT) services; and TB-related services. The clinic is in line with the Health Department's latest standards and treats up to 5,000 cases a month. This relieves congestion at other healthcare facilities, improving the turnaround time for patients, and promoting the privacy of patients.

A local BBBEE-compliant joint venture was appointed to construct the clinic. During the 14-month construction phase, 92 local jobs were created, including bricklayers trained at the Kolomela Community Skills Training Centre. Special features assisting the quality of the clinic's services include a 5,000 litre water tank with pressure pumps to ensure uninterrupted water supply, reinforced security at the pharmacy to prevent burglaries, and energy-efficient lighting installed throughout the clinic.

Image

Kolomela mine has contributed R9.5 million towards the construction of a new primary healthcare facility in Postmasburg as part of the expansion of the local district hospital.



ENVIRONMENT

Our activities result in the unavoidable disturbance of land, the consumption of resources such as water and energy, and the generation of waste and atmospheric and water pollutants. We recognise that we have a legal and social responsibility to minimise our planned impacts on the environment, and to strive to eliminate unplanned events, such as unsanctioned water discharges and exceeded air emission standards. We seek useful opportunities to offset our impacts through effective rehabilitation measures, the provision of alternative energy and water services, and the responsible delivery of long-term socio-economic benefits.

IN THIS SECTION

Our 2015 performance and practices on environmental issues is summarised in our reviews:

- Our environmental management approach
- Resource stewardship: water, energy and land
- Climate change mitigation and adaptation
- Air quality and waste management

DRIVING CHANGE

One significant

'medium-impact' (Level 3) environmental incident

Exceeded

our energy, water and greenhouse gas emissions targets

Dust emission

challenges remain at our Sishen operation

Land rehabilitation

delays in reaching our targets

Achieved 'A' band

performance in CDP Water and CDP Climate Change

DEFINING OUR FUTURE

Rehabilitation of Thabazimbi mine following the closure of the mine

Continued reduction of environmental footprint

Continued engagement with regulators to ensure compliance



Image

Karel Page and Werner Voigt, environmental specialists involved in the dump rehabilitation project at Sishen mine. This project involves the grassing of slopes and planting of indigenous trees from the Sishen nursery in Kathu.

OUR ENVIRONMENTAL MANAGEMENT APPROACH

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

OUR STRATEGIC APPROACH

Our environmental performance risks and activities are managed in line with the mandatory Anglo American Environment Way performance requirements on social and environmental impact assessments, water, air quality, mineral and non-mineral waste, hazardous substances, biodiversity, rehabilitation and mine closure. Our approach is supported by our safety, health and environment (SHE) policy.

The Environment Way and Projects Way make specific provision for ensuring we consider the right things, up front. The Anglo American mine closure toolbox provides a structured approach to closure planning and management. The 'precautionary principle' is integrated throughout our environmental performance standards.

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

We implement environmental improvement plans (EIP) that are designed to address material issues, and we review our progress on these twice a year at management review forums. Our focal areas in 2015 were on: improving levels of environmental awareness and incident reporting; pollution prevention and remediation; energy and greenhouse gas (GHG) emissions management; water stewardship; and land management (biodiversity and rehabilitation). We set and track measurable goals for our performance, including targets on energy use, GHG emissions and water-use efficiency.

Our principal risks and mitigation measures

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

Our primary operational unwanted environmental events are excessive dust generation, inadequate hydrocarbon management and potential depletion of groundwater resources due to dewatering. Our risk-mitigation controls include: dust suppression, using 'dust-a-side' for roads and

mist spraying for ore stockpiles; storage of hydrocarbons in properly designed areas; treatment of hydrocarbon contaminated soil at bio-remediation facilities; and an aquifer recharge project at Kolomela to minimise the impacts of dewatering.

LEGISLATIVE DEVELOPMENTS

At the end of 2014, the National Environmental Management Act (NEMA) saw the introduction of the 'One Environmental Management System', aimed at aligning the authorisations of all mining-related environmental applications. The DMR is now responsible for issuing all these authorisations, with the exception of water use licences. The new process seeks to expedite the time taken to issue environmental authorisations to within 300 days. During 2015, a lag in effecting transition arrangements and supporting regulations resulted in uncertainty and delays impacting on pending authorisations. Kumba has maintained engagements with regulators to emphasise the financial and broader economic implications associated with the authorisation delays, and to seek to resolve these delays.

During 2015, Group Legal facilitated discussions regarding the new environmental impact assessment (EIA) audit regulations, with the aim of ensuring a structured and common Anglo American approach to compliance, including with requirements for making audit reports publicly available. At the end of 2015, new NEMA financial provision regulations were published. The regulations prescribe how operations must determine and provide financially for the undertaking and management of their rehabilitation obligations throughout the life of mine. Work is currently being undertaken to ensure that all our operations are aligned with the new requirements within the prescribed period.

We engage regularly with all relevant authorities and we participate in the Chamber of Mines of South Africa and other bodies to ensure that we stay abreast of changes and to submit comments on proposed legislation and policies.

Compliance and certification

We monitor and drive compliance with all relevant legislation regulating the management of environmental impacts. Key pieces of legislation include in particular, the requirements of the Minerals and Petroleum Resources Development Act (MPRDA), the NEMA, and the National Water Act.

In 2015, no fines, directives or non-monetary sanctions for non-compliance with any environmental regulations, licences or permits were imposed by authorities on any of our operations.

All Kumba's mines are certified to the requirements of the ISO 14001 environmental management systems standard, with compliance assessed annually by an independent certification body, Bureau Veritas.

External audits in 2015

| Site | Number of external audits | Type of audit | Auditor | Number of major non-conformances* |
|------------|---------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Sishen | 7 | Regulatory: ISO 14001, OHSAS 18001 | Bureau Veritas, PwC, DMR, Shangoni | 8 |
| Kolomela | 2 | Regulatory: ISO 14001 | Bureau Veritas, DMR | – |
| Thabazimbi | 2 | Regulatory: ISO 14001, OHSAS 18001 | Bureau Veritas, PwC | – |

* Major non-conformances include section 54 and 55 notices, environmental directives and major non-conformances raised by Bureau Veritas. Corrective action plans to prevent recurrence were implemented and shared with the respective auditors.

INCIDENT MANAGEMENT

In line with the Anglo American group-wide approach, we report five levels of environmental incident severity according to potential consequence and impact on the receiving environment. All incidents are investigated internally, and steps are taken to remediate any negative impacts and prevent repeat incidents. Level 3-5 incidents are reported both internally and externally to Anglo American plc and authorities, in line with our incident management procedure and licence conditions. Although the reporting and investigation of environmental incidents at our operations has improved, the level of reporting remains low; addressing this is an ongoing focus. Incident trends are tracked in order to monitor performance and progress. During 2015, we introduced a system to track our expenditure on environmental remediation in response to incidents.

This year, Kumba recorded 113 low impact (Level 1) incidents, relating mostly to water, hydrocarbon contamination, waste management and excessive dust. We experienced one significant medium impact (Level 3) incident, involving a pit slope failure at Thabazimbi mine (see page 52). No high impact (Level 4 and 5) incidents were reported.

During 2015, our incidents were mostly Level 1, with the majority being oil spills. These are considered expected incidents considering the nature of our business.

Regular forums are held with stakeholders, including meetings with farmers, at which concerns and grievances are raised. All environmental-related grievances and complaints from external parties are logged in a complaints register and investigated. Feedback is provided to the complainants and remedial action is taken where required. During 2015, we received 23 complaints at Sishen and Kolomela (2014: 18). These related to receding groundwater levels, contaminated borehole water, dust and illegal hunting.

Image

George Appiah, a contractor at the Thabazimbi water reticulation system recording flow rates from one of the replaced meters at the pump station. Kumba commissioned a team of contractors to repair the main reservoir, and supply pipes and chlorination systems to supply the town with a reliable and safe supply of water.



RESOURCE STEWARDSHIP: WATER, ENERGY AND LAND

Growing regulatory and social pressure, increasing demands for limited natural resources, and the increased costs of energy and water all highlight the business imperative of demonstrating responsible stewardship of the resources we share with the communities in which we operate. This involves taking measures not only to address security of supply, but also to actively minimise our impacts on resources and neighbouring communities. This has direct benefits in terms of reduced costs and liabilities, enhanced resource security and improved security of licence to operate.

WATER SECURITY

We require high volumes of water for our activities; this is of increasing significance given that our operations are in water-stressed areas. To maintain our licence to operate, we take all reasonable steps to ensure that we do not degrade water quality or compromise the access rights of other users. In the Northern Cape, arid conditions and municipal potable water supply constraints underscore the need for responsible water management.

Our strategic approach

Our water strategy, introduced in 2010, is aligned with the Anglo American group strategy and reflects our aspiration to demonstrate leadership in water stewardship. It includes a commitment to make our operations water-resilient, invest in water treatment and relevant technological innovation, build water infrastructure for mutual benefit, and partner proactively with key stakeholders to ensure security of supply for our operations and surrounding communities.

Progress in implementing our strategy is driven through our water management programme, which is supported by a mandatory group water standard and delivered via operational water-action plans. Each of our mines work towards water use reduction targets that are based on projected business-as-usual (BAU) consumption. Kumba has a Company-wide water target to reduce water consumption by 34% by 2020. We use water management KPIs and track our water use and progress using the Anglo American water efficiency target tool (WETT), which is used to forecast the projected BAU demand of individual operations and also register water saving projects.

We continually assess our direct and indirect water risks. The operational risk management programme assists with the classification and prioritisation of our top risks. At a departmental level we undertake a bow-tie risk assessment to determine water risks, root causes and mitigation controls. All our operations have site-specific water action plans and dedicated resources to deal with water issues.

We participate annually in the CDP's water disclosure project. In 2015 we achieved band 'A' performance for leadership in respect of the CDP Water programme. Our CDP submission is available at www.cdproject.net.

Water consumption, discharge and quality

We have continued to make good progress in reducing our water demands. Kumba's total new-water consumption for primary activities in 2015 was 10,088,930m³, up from 8,734,000m³ in 2014. Additional water saving projects have been implemented, notably relating to dust suppression efforts, achieving 8,574,684m³ of water saving against our projected water usage, exceeding the full year target of 6,005,000m³. Our water use intensity deteriorated from 181 litres per tonne of ore processed in 2014, to 221 litres per tonne of iron ore produced in 2015 because water could not be recovered from the slimes dams to be used in the plant, thus leading to losses. Water was therefore used from the Kathu pipeline to refill the return water dam. Our level of water recycling decreased by 17% in comparison to 2014, although Sishen maintained its particularly high level of recycling.

Groundwater is our primary water source, accessed through dewatering boreholes. The deeper we mine, the more groundwater has to be pumped through ingress from the mine pit to ensure safe working conditions. Kumba also makes use of municipal water. Our operations reduce their dependency on high-quality water through the use of lower-quality treated sewage water. We minimise water losses by using a closed-loop water system and capture rainwater for use in dust suppression. Clean and dirty water separation at Sishen ensures that most of the clean water dewatered from the aquifers is discharged into a regional water supply network. The mine effectively recycles mine-affected water for use in the process plant.

The volume and quality of the water that is allowed to be discharged by our operations is predetermined through regulatory processes. Any unplanned discharges that breach legal agreements and/or licence conditions are reportable as environmental incidents and addressed. Kumba discharges most of its water for treatment at local water utilities; no water is discharged to fresh surface water sources. The quality of the water discharged at all of Kumba's operations is closely monitored. Changes in weather and climate extremes can impact on water quality. Our approach to managing climate related risks is discussed on page 55.

| Water consumption | | | |
|---|---------------|--------------|--------------|
| | 2015 | 2014 | 2013 |
| New water used for primary activities (000m³) | | | |
| Sishen | 7,829 | 6,250 | 5,402 |
| Kolomela | 1,149 | 1,194 | 2,276 |
| Thabazimbi | 1,110 | 1,290 | 1,141 |
| Group | 10,088 | 8,734 | 8,819 |
| New water used for non-primary activities (000m³) | | | |
| Sishen | 976 | 833 | 1,291 |
| Kolomela | – | – | – |
| Thabazimbi | 661 | 794 | 767 |
| Group | 1,637 | 1,627 | 2,058 |
| Water reused/recycled in processes (000m³) | | | |
| Sishen | 3,418 | 4,443 | 4,021 |
| Kolomela | 312 | 325 | 448 |
| Thabazimbi | 250 | 133 | 124 |
| Group | 3,980 | 4,901 | 4,593 |
| Water intensity (water used in primary activities in litres per tonne of production) | | | |
| Sishen | 246 | 176 | 198 |
| Kolomela | 93 | 103 | 117 |
| Thabazimbi | 773 | 1,189 | 1,912 |
| Group | 221 | 181 | 203 |
| Percentage of water reused/recycled in relation to water used for primary activities (%) | | | |
| Sishen | 43 | 71 | 65 |
| Kolomela | 27 | 27 | 36 |
| Thabazimbi | 2 | 10 | 10 |
| Group | 39 | 56 | 53 |
| Water abstraction by source (000m³) | | | |
| Potable water from external source | | | |
| Sishen | 36 | 32 | 36 |
| Kolomela | – | – | – |
| Thabazimbi | 37 | 89 | 80 |
| Group | 73 | 121 | 116 |
| Non-potable water from external source | | | |
| Sishen | 7 | 0.06 | 1 |
| Kolomela | – | – | – |
| Thabazimbi | – | – | – |
| Group | 7 | 0.06 | 1 |

RESOURCE STEWARDSHIP: WATER, ENERGY AND LAND

 continued

Water abstraction by source (000m³) continued

| | 2015 | 2014 | 2013 |
|--------------------------------------|---------------|---------------|---------------|
| Wastewater/second class water | | | |
| Sishen | 1,321 | 1,525 | 1,410 |
| Kolomela | – | – | – |
| Thabazimbi | – | 26 | 61 |
| Group | 1,321 | 1,552 | 1,471 |
| Groundwater | | | |
| Sishen | 14,497 | 6,793 | 7,220 |
| Kolomela | 17,334 | 5,508 | 1,265 |
| Thabazimbi | 1,180 | 1,180 | 1,111 |
| Group | 24,867 | 13,481 | 9,596 |
| Total | | | |
| Sishen | 15,818 | 8,350 | 8,667 |
| Kolomela | 17,334 | 5,803 | 1,265 |
| Thabazimbi | 1,180 | 1,294 | 1,251 |
| Group | 33,332 | 15,477 | 11,183 |

Compliance and incident management

The rapidly changing regulatory environment can result in delays in obtaining water licences. We continue to engage with the Department of Water and Sanitation (DWS) to mitigate licensing delays and ensure that all water use licences (WULs) are in place.

An important achievement this year was the issuing of some long-awaited integrated water use licences following extensive engagement with regulators. Two water licences remain outstanding and have resulted in delays in the implementation of Sishen storm-water infrastructure and Kolomela aquifer recharge projects. We are working towards implementing all measures prescribed by our licensing conditions as soon as reasonably practicable, given our capital constrained environment. We are focusing on constructing the most critical infrastructure first.

The principal water-related risks we focused on managing during 2015 were: the risk of a spillage of dust suppression water, which contains chemicals, with likely contamination of underground water; the risk of spillage of potable water into storm-water channels at Sishen; and Kolomela's increase in production resulting in more water being spilled into the environment owing to the local water service provider Sedibeng Water being unable to accommodate the current volumes.

Our Sishen and Kolomela mines continue to manage issues of concern among local farmers regarding mine dewatering that potentially affects the availability of groundwater.

Supporting community water security

Our Kolomela and Sishen mines pump groundwater that is in excess of operational needs to Sedibeng Water. In 2014, we finalised a sales agreement with the water authority to supply bulk water to farmers, to compensate for their potential losses from private boreholes. In 2015 we made progress with implementing new projects, including a new water pipeline at Sishen and using treated effluent (grey water) from the Kathu wastewater treatment works, to increase the export of groundwater to the Sedibeng reservoir.

Kolomela mine's innovative pilot initiative to artificially recharge mine water to the underground aquifers that its operations traverse is progressing well. The project has been in operation for over a year with an average of 36,000m³ a month recharged, approximately 10-15% of the excess water from the mine. Local farmers have responded positively and we have identified opportunities to expand the project with the aim of ultimately accommodating all excess water.

During 2015, we also upgraded the pump station and pipelines at the Thabazimbi municipality.

ENERGY SECURITY

We are dependent on an adequate and reliable source of energy for our core mining and transport activities. Insecurity of supply has the potential to compromise our production goals as well as the safety of our employees. Fossil fuels account for about 84.2% of our total energy consumption and electricity about 15.8%. The unit cost of both is expected to continue to increase; the former is amplified through impending climate change policy measures.

Our strategic approach

Energy management is integrated with carbon management as part of our response to climate change risks, reviewed on pages 55 to 57. Our approach to energy management focuses on three areas: reducing energy consumption; recovering and reusing some of that energy; and using alternative energy. Achieving our long-term milestones in energy management hinges on identifying and implementing innovative, step-change technologies.

Progress on operational energy and carbon management is driven through the Anglo American energy- and carbon-management programme, ECO2MAN. The programme enables us to analyse our activities and identify opportunities to reduce energy consumption and carbon emissions, and report performance in a consistent manner. ECO2MAN is supported by a mandatory carbon and energy standard and supporting guidance.

Given the constraints and pressures resulting from the energy supply challenges in South Africa, and the low commodity price internationally, during 2015, we focused on improving energy efficiency and prioritising the implementation of new energy saving projects.

Responding to supply constraints

South Africa's electricity supply is vulnerable to unplanned power station outages, requiring users to reduce demand. Even though the first unit at the new Medupi coal fired power station came online during the year, the power system is expected to remain constrained over the medium term. This has necessitated a range of responses to mitigate risks. All our operations have emergency preparedness plans in place, including protocols to minimise the impact of load curtailment. During 2015, this was managed effectively to avoid material impacts on production. The risk of load curtailment remains and will continue to be managed in accordance with existing plans.

We have supported the market with an independent power project 100MW Kathu concentrated solar thermal plant with energy storage capability.

Our energy consumption

Kumba's total energy consumption in 2015 was 11,135,712GJ, which is 3.1% higher than in 2014 (10,802,488GJ). The increase is mainly due to a 10.4% net increase in waste stripping on 2014 levels.

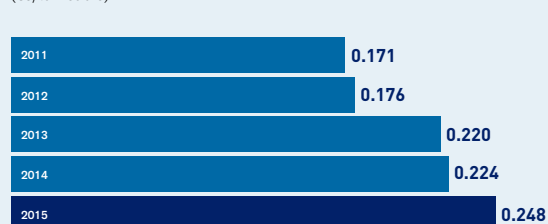
Energy savings were primarily achieved through diesel savings from payload management of trucks at both Sishen and Kolomela. Capital constraints have impacted on the implementation of planned energy saving initiatives. During 2015, we focused on initiatives based on plant process control optimisation (automation), such as reducing the unnecessary running of plant equipment, which require no capital funding. By raising awareness through using energy management consultants around energy saving, our workforce has noticeably reduced our energy usage through behavioural changes.

In 2015, we started measuring diesel usage savings and achieved savings of 4,936,726 litres at Sishen and 563,958 litres at Kolomela. Both operations have started to measure contractor miners' diesel consumption. The implementation of a payload improvement project at Sishen has notably improved energy efficiency. The dump location change at Sishen is also expected to result in a significant improvement in energy efficiency.

In 2015, we defined our new five-year energy and GHG emissions targets. Kumba had a 2015 energy consumption reduction target of 4% against business-as-usual (BAU) (amounting to 11,373,355GJ), and a GHG emissions reduction target of 5% against BAU (amounting to 1,244,016tCO₂e). Consistent with the previous cycle, the target constitutes a reduction against current business plans, which take into account known factors that influence performance, such as stripping ratios, ore hardness, haul distances, expansions and closures. One of the benefits of this approach is that performance is driven through the implementation of discrete projects which reduce the operational energy and emissions intensity.

The cumulative forecast 2015 savings reported at the end of December 2015 was 4.69% for energy (314,848GJ) and 5.13% for GHG emissions (23,252tCO₂e). These 2015 targets were set as intermediate targets with the goal to fully implement and embed the ECO2MAN programme at all operations and then set further targets for 2020 to align with government commitments.

Energy intensity (GJ/tonnes ore)



RESOURCE STEWARDSHIP: WATER, ENERGY AND LAND

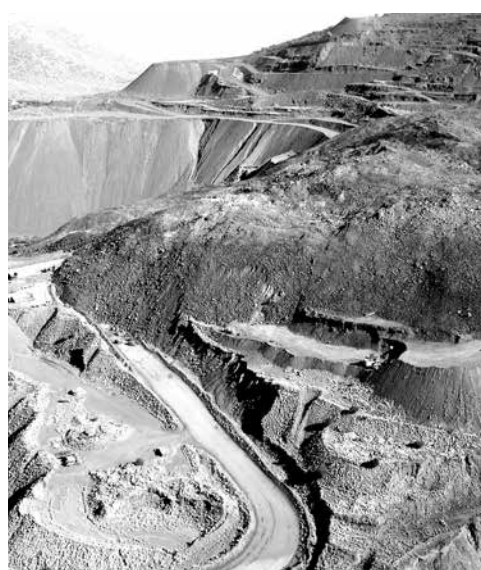
 continued

| Energy consumption (million GJ) | | | |
|--|--------------|--------------|-------------|
| | 2015 | 2014 | 2013 |
| Energy consumed from fossil fuels (direct) | | | |
| Sishen | 7.77 | 6.75 | 5.92 |
| Kolomela | 1.42 | 1.83 | 1.23 |
| Thabazimbi | 0.16 | 0.39 | 0.39 |
| Group | 9.35 | 8.97 | 7.54 |
| Energy consumed from electricity purchased (indirect) | | | |
| Sishen | 1.48 | 1.54 | 1.52 |
| Kolomela | 0.21 | 0.18 | 0.18 |
| Thabazimbi | 0.08 | 0.11 | 0.10 |
| Group | 1.77 | 1.82 | 1.80 |
| Total energy consumed (direct and indirect) | | | |
| Sishen | 9.25 | 8.29 | 7.44 |
| Kolomela | 1.63 | 2.01 | 1.40 |
| Thabazimbi | 0.24 | 0.50 | 0.50 |
| Group | 11.12 | 10.80 | 9.34 |

LAND STEWARDSHIP

We own large areas of land and our operations are in environmentally sensitive areas. Ensuring responsible land stewardship through all the life-cycle stages of an operation can influence our future access to land and capital, our legal and social licence to operate, and reduce operational risks and mine-closure liabilities. Our approach to land stewardship focuses on rehabilitation, which is a key regulatory and financial risk for us, and on minimising the degradation of natural capital and damage to ecosystems.

Land stewardship risks and activities are managed in line with the mandatory Environment Way performance requirements. These environmental standards, which apply throughout the mining life cycle, are underpinned by rigorous pre-development social and environmental impact assessments to ensure that we consider social and environmental matters in our planning.



CASE STUDY: MANAGING THE THABAZIMBI MINE SLOPE FAILURE

We experienced one significant land management incident in 2015: a Level 3 pit slope wall failure at Thabazimbi mine on 6 June 2015. Although some equipment was buried, no harm was caused to people as the pit had been evacuated as a precaution. The slope failure resulted in approximately 250,000m³ of water being ejected from the pit, which exceeded the storm-water catchment capacity and flowed into the Crocodile River, impacting the river and its flood plain. We responded timeously to mitigate the negative impacts and conducted an impact assessment of the river, which indicated that there was no immediate change to the fish or invertebrate community. Water quality monitoring and a fish health assessment study have been completed and indicated no harmful impacts. The assessments were submitted to the local authority and annual bio-monitoring surveys will be conducted to determine if there are any long-term effects. The affected storm-water channels were de-silted and a new storm-water management plan developed.

Image

A view of the Thabazimbi mine slope failure that took place on 6 June 2015.

Rehabilitation

All our mines are opencast operations. This makes rehabilitation of the land we disturb, to the level of post-mining land-use agreed with stakeholders, a particularly material issue. Our approach to land rehabilitation is increasingly integrated with other mine planning activities. Rehabilitating available land concurrently, results in significant financial and environmental benefits and can reduce closure liabilities.

Kumba has 98,847 hectares of land under its management control (2014: 104,846 hectares), of which 16,674 hectares have been disturbed by mining, processing and mineral-waste disposal, and supporting infrastructure (2014: 10,904 hectares). Not all land that has been disturbed is available for rehabilitation. From 2016, we will report the total area of land rehabilitated as a proportion of land available for rehabilitation. Where possible, mineral residue is placed into mined-out areas/pits. This provides increased containment safety and reduced overall footprint of the disturbed land.

Our operations set rehabilitation targets for 2015. Progress in addressing backlogs was, however, limited during 2015. There has been a backlog against our rehabilitation target of 61 hectares due to cash preservation. Our operational performance against targets is provided in the operational footprint table below. Rehabilitation efforts at Sishen have

been delayed owing to challenges working in certain dumps. Additional dozers have been procured and usage of bigger dozers is being explored to accelerate progress. Kolomela mine's outsourced rehabilitation efforts were significantly curtailed in the second half of the year due to financial constraints.

Due to changes in mining plans (as updated annually) and the discovery of ore formations, Sishen mine has had to adapt its approach to backfilling and rehabilitation. Approval was issued this year for an amended environmental management plan (EMP) for Sishen Western waste rock dump and extension of the Protea waste rock dump with a condition to backfill as much as possible. During 2015, we completed a study of the viability of implementing this condition and we will engage with authorities early in 2016 to discuss options. Other requested amendments are still under consideration by the DMR.

Thabazimbi mine completed its mining activities at the end of November 2015, with the plant due to cease running by March 2016. Technical studies to support the Thabazimbi closure plan progressed well and rehabilitation requirements are being managed by dedicated mine closure resources. A seed ecology study is underway, which will inform how re-vegetation of the long slopes will be managed.

Operational footprint (Ha)

| | Managed land | Private or state-owned land above company mineral/mining rights | Land altered for mineral extraction activities | Land altered for standalone industrial/commercial/service activities | Land rehabilitation target for 2015 | Land fully rehabilitated |
|--------------|---------------|---|--|--|-------------------------------------|--------------------------|
| Sishen | 40,621 | 2,827 | 11,963 | – | 13 | 15 |
| Kolomela | 47,255 | – | 3,000 | – | 20 | – |
| Thabazimbi | 10,971 | – | – | – | 28 | – |
| Group | 98,847 | 2,827 | 16,674 | – | 61 | 15 |

Rock mined and ore processed (Mt)

| | Total tonnes mined | | Waste mined | | Final product | |
|--------------|--------------------|--------------|--------------|--------------|---------------|-------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Sishen | 261.4 | 252.2 | 222.2 | 187.2 | 31.4 | 35.5 |
| Kolomela | 60.6 | 75.4 | 45.7 | 55.5 | 12.1 | 11.6 |
| Thabazimbi * | 10.5 | 32.8 | 8.9 | 31.6 | 1.4 | 1.1 |
| Group | 332.5 | 360.4 | 276.8 | 274.3 | 44.9 | 48.2 |

* Mining activities at Thabazimbi ceased in September 2015.

RESOURCE STEWARDSHIP: WATER, ENERGY AND LAND continued

Biodiversity

Our Sishen and Kolomela mines are situated in the southern part of a protected woodland in Northern Cape province. The region hosts several protected plant species, such as camelthorn and shepherd trees, that may not be damaged or removed without permits.

As members of the ICMM, we are committed to the Mining and Protected Areas Position Statement, to respecting legally designated protected areas, and to not exploring or mining at any World Heritage sites.

Given the potential of mining activities to affect habitats through land disturbance, land-use change and pollution, as well as the specific risks and opportunities presented by the biodiversity-sensitive areas where we operate, our Sishen and Kolomela mines implement biodiversity action plans (BAPs). This is in addition to the basic biodiversity management activities that are a requirement within all our operational management systems. The BAPs seek to balance ecological considerations and community needs. The BAPs are used in conjunction with land management plans to address top risks, including the effects of mine

dewatering, alien and invasive species, bush encroachment and the relocation of protected species to offset areas. Research and biodiversity monitoring protocols are used to understand and measure long-term biodiversity trends. Our operations have set targets to deliver positive biodiversity conservation gains, working towards our longer-term goal of achieving no net loss of significant biodiversity and ecosystem services.

Our operations' expansion activities result in large areas of woodland having to be cleared. Permits have been issued on condition that an additional biodiversity offset area is provided for long-term conservation purposes. During 2015, Sishen submitted a proposal to the Department of Agriculture, Forestry and Fisheries to extend its biodiversity offset area by a further 2,500ha to a total 5,000ha. A meeting was held in July with the DMR, Department of Environment and Nature Conservation Northern Cape (DENC) and Department of Agriculture, Fisheries and Forestry (DAFF) to discuss the farms identified to provide the additional biodiversity offset areas, as well as a more extensive biodiversity offset strategy for Kolomela and Sishen. Discussions are ongoing.

Image

Islay-Jane Sparks, hygiene technician, and Percy Nxumalo, a project engineer, at the aquifer recharge pump station at Kolomela mine, where water pumped from the mining pits is fed back into an adjacent aquifer.



CLIMATE CHANGE MITIGATION AND ADAPTATION

Climate change presents complex global challenges, and threatens to exacerbate problems such as food insecurity and competition for water and land, and undermine health and livelihoods. It has potentially significant implications for our activities, in the form of more stringent governmental policy measures, changing expectations regarding our products, and the physical and social impacts of a changing climate, such as water scarcity and more frequent extreme weather events. We recognise our responsibility to contribute towards addressing the causes of climate change and to protect our employees, assets and host communities against its potential impacts.

OUR STRATEGIC APPROACH

Our climate change strategy seeks to reduce our exposure to emerging carbon regulation and increases in energy costs by reducing our operational GHG emissions. We also strive to promote greater resilience to the physical impacts of climate change within our business and host communities. Kumba's operations are vulnerable to extreme weather events. A priority is to ensure that we have plans in place at our sites to reduce their exposure to climate risks. Kolomela and Thabazimbi have each conducted a climate and risk adaptation study aimed at providing a better understanding of the risk that climate change might pose for our operations and help us to plan for different scenarios. A similar study will be conducted at Sishen.

We are now halfway through our 10-year climate change strategy. The strategy, which is aligned with the Anglo American group strategy, has three main focus areas: driving operational excellence; investing in technology; and engaging and partnering with our stakeholders for climate resilience. While we have continued to make good progress,

our performance has been hampered in some areas by operational and market-related challenges.

We participate annually in the CDP's South Africa Climate Change Report. In 2015, we achieved band 'A' performance for leadership in respect of both CDP Climate Change and CDP Water. Our CDP submissions are available at www.cdproject.net.

OPERATION EMISSIONS MANAGEMENT

In 2011, Anglo American plc launched a group-wide operational energy and carbon management programme, ECO2MAN, following increased recognition over our responsibility to reduce operational GHG emissions, as well as growing concern over the potential business impacts of policy responses to climate change. Through ECO2MAN, we have been able to analyse our activities and identify opportunities to reduce energy consumption and carbon emissions. ECO2MAN is supported by a mandatory carbon and energy technical standard and related guidance.

In 2015, Kumba was responsible for 1,203,597 tonnes of CO₂-equivalent emissions (tCO₂e), down from 1,210,277tCO₂e in 2014. Kumba had a 2015 energy consumption reduction target of 4% against business-as-usual (BAU) (11,373,355GJ), and a GHG emissions reduction target of 5% against BAU (1,244,016tCO₂e). The cumulative forecast 2015 savings reported at the end of December 2015 was 4.69% for energy (314,848GJ) and 5.13% for GHG emissions (23,252tCO₂e). These 2015 targets were set as intermediate targets with the goal to fully implement and embed the ECO2MAN programme at all operations and then set further targets for 2020 to align with government commitments.

Additional data on our direct and indirect GHG emissions can be found on page 56 of this report.

New carbon reduction targets, based on our expected consumption in 2020, are being finalised. As with our energy and water reduction targets, the projected consumption takes into account current business plans and factors that influence performance, but are not within our control (such as ore depths). The new targets have been set in the context of capital constraints and market complexities and uncertainties.

CLIMATE CHANGE MITIGATION AND ADAPTATION

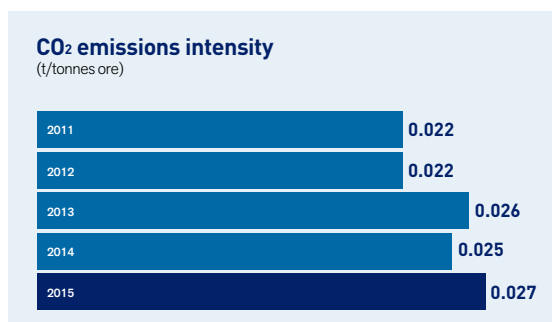
continued

| CO ₂ e emissions (Mt) | | | |
|---|-------------|-------------|-------------|
| | 2015 | 2014 | 2013 |
| Total Scope 1 emissions (direct – fossil fuels) | | | |
| Sishen | 0.58 | 0.50 | 0.44 |
| Kolomela | 0.10 | 0.14 | 0.09 |
| Thabazimbi | 0.01 | 0.03 | 0.03 |
| Group* | 0.69 | 0.67 | 0.56 |
| Total Scope 2 emissions (indirect – electricity purchased) | | | |
| Sishen | 0.42 | 0.46 | 0.44 |
| Kolomela | 0.06 | 0.05 | 0.05 |
| Thabazimbi | 0.03 | 0.03 | 0.03 |
| Group* | 0.51 | 0.54 | 0.52 |
| Total Scope 1 and 2 emissions | | | |
| Sishen | 1.0 | 0.95 | 0.88 |
| Kolomela | 0.16 | 0.20 | 0.14 |
| Thabazimbi | 0.04 | 0.06 | 0.06 |
| Group* | 1.20 | 1.21 | 1.08 |

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

| Scope 3 emissions* (tonnes CO ₂ e) | | | |
|---|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Source | | | |
| Purchased goods and services | 395,718 | 297,712 | 300,118 |
| Capital goods | 3,228 | 8,510 | 20,460 |
| Fuel and energy related emissions not included in Scope 1 and Scope 2 | 211,949 | 164,927 | 179,093 |
| Upstream transportation and distribution | 4,996 | 5,375 | 172 |
| Waste generated in operations | 9,819 | 8,024 | 102 |
| Business travel | 2,120 | 2,101 | 1,337 |
| Employee commuting | 3,259 | 6,517 | 8,014 |
| Downstream transportation and distribution | 3,723,427 | 3,745,453 | 4,006,340 |
| Processing of sold products | 118,010,122 | 112,557,984 | 100,220,022 |
| End-of-life treatment | 759,324 | 719,209 | 631,486 |
| Total | 123,152,181 | 117,515,812 | 105,367,144 |

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



ADAPTATION

Climate risks are considered during the exploration and evaluation stages of a project, and are integrated into our risk management and project development processes. We continue to improve our ability to assess our exposure to future climate change and extreme weather risks, and to respond effectively.

Recognising that climate change has the potential to alter the rainfall patterns, and potentially cause shortages of easily accessible groundwater or rain water in our host communities, our Sishen and Kolomela mines are providing supporting water infrastructure to build resilience in the communities (see page 50).

We continue to engage with climate change research teams, both in the public and private sector and with academic institutions, to better understand the impacts that climate change could have on our operations. In undertaking climate and risk adaptation studies, our approach relies on data availability and sophisticated climate modelling capabilities in developing substantiated climate scenario projections.

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

The climate projections will be considered along with mine operational information and insights from line managers and other stakeholders, to inform our understanding of climate and energy risks and opportunities. These will be used to

inform our mine planning with the aim of reducing our exposure to climate risks.

MARKET RISKS AND OPPORTUNITIES

Carbon pricing is shifting consumer behaviours and driving the need for good quality iron ore with a high lump-to-fine ratio, as this generates fewer GHG emissions in the steelmaking process. In 2015, Kumba's product lump ore to fine ore ratio was the same as 2014 at 65:35. This reduces the amount of sintering required on the product and consequently increases the efficiency in the steelmaking process and reduces the emissions generated by our clients.

Kumba is one of the largest iron ore producers that beneficiates its ore prior to sale. In 2015, we beneficiated approximately 73% of our ore (2014: 76%). Through beneficiation, the physical properties of the finished product are enhanced, removing impurities and improving product quality, which in turn reduces downstream emissions associated with steelmaking.

We support the development of low-carbon technologies through partnerships, including with the IDC and government and as an industry partner in university research projects. In the last two years we have identified and implemented various carbon-offset projects. These have included donating land for a bamboo plantation, installing domestic solar water heaters in houses, and undertaking a camelthorn tree preservation project aimed at creating an offset area to preserve vegetation.

The Kathu solar project has been transferred to GDF Suez, but Kumba will still benefit from the carbon credits associated with the project.

POLICY ENGAGEMENT

In addition to tightening legislation on climate change issues, we face continuing policy uncertainty in this area. In November 2015, the South African government released a draft carbon tax bill for comment, which points to 1 January 2017 for implementation.

We participate in various policy discussions pertaining to climate change and climate change readiness. This is facilitated through Anglo American's membership of Business Unity South Africa, the Energy Intensive User Group and the Industry Task Team on Climate Change.

CLIMATE CHANGE MITIGATION AND ADAPTATION continued



CASE STUDY: CDP AND WDP PERFORMANCE

Kumba at the forefront of environmental performance disclosure

The international, not-for-profit CDP initiative (formerly known as the Carbon Disclosure Project) works with the backing of 822 institutional investors, with assets of US\$95 trillion, to motivate companies to disclose their impacts and activities on

climate change, water and forestry, and to stimulate these companies to take action. The CDP holds the most comprehensive dataset of publicly available corporate climate change, water and forest risk information collected on behalf of investors. Kumba participates annually in the initiative, and we are proud to have achieved band 'A' performance for leadership in both CDP Climate Change and CDP Water in 2015. This achievement is in recognition of our leading actions to mitigate climate change and to improve water security. The Company was one of 113 companies globally on the 'Climate A List', and one of only eight companies on the 'Water A List', launched this year as the first global ranking of corporate water stewardship. In 2015 the World Economic Forum ranked global water crises as the greatest threat facing the planet over the next decade in terms of impact. There is growing interest among institutional investors in water-related risk, opportunity and disclosure, with over four times the number of investors backing the CDP request this year compared with the programme's first year in 2010.

Image

At the entrance of Kolomela mine stand a number of 300 year old wild fig trees which were removed from the mining area prior to operations starting in 2011.



AIR QUALITY AND WASTE MANAGEMENT

We generate significant quantities of mineral waste as well as some non-mineral and hazardous substances, and our operations generate particulate emissions. We strive to manage our impacts effectively in order to prevent potential harm to the environment and human health, and to ensure that we adhere to tighter legislation.

Our waste and air-quality risks and activities are managed in line with the mandatory requirements of the Anglo American Environment Way performance standards on air quality, mineral residue, non-mineral waste, hazardous substances, rehabilitation and water.

AIR QUALITY

We strive to minimise the negative impact of our operations on air quality and to ensure that our emissions to air remain within legal limits. We mine in arid areas and our most material air quality issue relates to excessive dust (particulate emissions). Prolonged dry periods coupled with increased temperature and winds increase the amount of dust generated at our operations. All our operations have real-time dust-monitoring and control programmes in place, and air-quality management plans that are regularly reviewed and updated as necessary.

Stricter legal limits of dust emissions came into effect in January 2015. The more stringent PM10 (particles smaller than 10µm) standard requires the reduction of dust to

75µg/m³. All our sites have stepped up efforts to improve dust suppression initiatives, to ensure compliance.

New PM10 standards became effective in 2015. The allowable limit is now 75µg/m³ and operations are allowed four exceedances per year per monitoring site. In 2015, PM10 dust emission levels remained within the legally allowable limits at Kolomela and Thabazimbi, however, dust emission levels, specifically PM10 emissions, continue to pose a challenge at Sishen, where there have been a number of exceedances. We are currently implementing various dust suppression measures. These include the usage of 'dust-a-side' and ICAT on our primary and secondary roads, the installation of dust extraction systems in the plant, and water cannons and mist foggers on our stockpiles and conveyor belts. We are also working with the regulators to address this issue and as a result an investigation into the dust sources and the impacts on neighbouring communities was completed in 2015. This has helped us to improve our dust management plans and develop detailed action plans outlining roles and responsibilities. We continue to engage with the regulator and are committed to the regional initiatives on air quality management plan development.

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

WASTE MANAGEMENT

The waste we generate results in impacts on land through the establishment of tailings dams and waste-rock dumps and may also result in water impacts if not managed effectively.



CASE STUDY: **EXPLORATION GOES GREEN** (solar energy in Heuningkranz)

Kumba's most recent discoveries of high-grade haematite deposits have been in Heuningkranz. The exploration team duly moved its base from outside the Kolomela mining right to a farmstead in Heuningkranz ideally situated for exploration on the highest priority targets in the area between Sishen and Kolomela. A suitable location was identified to construct a core shed to serve as a geological sample processing and storage facility; however, there was an insufficient supply of electricity to run the diverse equipment needed to run the project successfully. A sustainable option was needed and options for "green" power were investigated.

The team, with key members of the engineering and supply chain departments, designed and constructed a world class integrated system, which utilises 200 solar panels and 72 battery packs. The system supplies enough electricity to run every aspect of the core processing facility, as well as the exploration offices, safely and sustainably. The existing generator is connected to the system to automatically supplement the system, as and when needed. Full construction of the core shed, with its array of solar panels, battery room and overhead distribution network is now complete and the exploration team has been proudly 'off the grid' since December 2015.

Image

A view of the solar energy core shed in Heuningkranz, with its array of solar panels, battery room and overhead distribution network.

AIR QUALITY AND WASTE MANAGEMENT

continued

We apply the 'avoid, reduce, reuse and recycle' management hierarchy to ensure the least possible impact on human health and the environment, during both the operational and post-closure phases. Given the nature of our business, our efforts are focused on mineral residue as our most material waste-related risk.

The management of waste is guided by the National Waste Act and the conditions of each mine's waste licence. Legal risks associated with waste management continue to increase. All mine residue deposits and stockpiles are now governed by the National Waste Act, and are subject to a broad range of licensing requirements, regulations and standards. During 2015, our operations conducted a gap analysis against the new National Waste Act provisions and by year-end had addressed all their identified gaps.

We have programmes in place to separate our non-mineral waste streams and well-established internal reporting parameters for all key waste streams. Reduction and recycling targets will be set and tracked in 2016. Our goal is to achieve zero mineral hazardous and general waste to landfill by 2020. Although the elimination of waste will not be feasible, we aim to reach a point where waste recovery, reuse and recycling, and alternative disposal technologies overtake landfills as the preferred method of disposal.

The management of hazardous waste is strictly regulated and controlled at our operations. It is sorted on-site and analysed to determine the appropriate hazard ratings and the disposal methods. Waste-disposal specialists remove the hazardous waste and are monitored for compliance. We have implemented bio-remediation facilities at all our operations to treat some of our hazardous waste (hydrocarbon polluted soil). (See case study.) None of our waste is exported outside South Africa. Each mine records the amount of waste disposed, and associated certificates are retained.

Paper and metal waste at all our operations is recycled. In response to regulations concerning waste tyres and in order to address stockpiles at our operations, we are aligning with the government's plan to manage the recycling of waste tyres. We are in discussions with the Recycling and Economic Development Initiative of South Africa (REDISA) to identify opportunities to treat our waste tyres.

| Mineral waste in 2015 (kilotonnes) | |
|-------------------------------------|--------|
| Mineral waste accumulated | |
| Tailings dams (active and inactive) | 8,231 |
| Rock dumps | 13,693 |
| Non-mineral waste generated | |
| Hazardous to landfill | 1.41 |
| Hazardous bio-remediated | 17.97 |
| Non-hazardous to landfill | 3.31 |



CASE STUDY: BIO-REMEDIATION AT KUMBA

Kumba has a bio-remediation facility at each of its operations to treat hydrocarbon contaminated soils which would otherwise be taken to a hazardous landfill site.

The principal sources of contamination are soils from washbays and hydrocarbon spills from the mine and workshops. At each facility the contaminated soil is received in impermeable bays where it is mixed with compost, woodchips or zorb. It is then covered with a chemical powder and water which activates a bacterial reaction. The soil is left for three weeks after which the mixture is turned and water and air is re-introduced, which further activates bacteria. After a period of six to twelve weeks the treated soil is tested by a soil laboratory for the presence of any hydrocarbons. If the results comply with prescribed standards, the material can be stockpiled for later use.

In 2015, Kumba's operations treated about 17,970 tonnes of contaminated soil, achieving an estimated cost saving of about R90 million a year and contributing to the government's objective of "zero waste to landfill by 2020".

Image

Jaco Lambrechts, an environmental specialist at Kolomela mine inspecting rehabilitated soil at the bio-remediation facility where the hydrocarbon contaminated soil collected is mixed with organic material which breaks down the hydrocarbons.

MATERIALS STEWARDSHIP

Systems are in place to ensure compliance with the European Union registration, evaluation, authorisation and restriction of chemicals (REACH) regulations. We do not transport any waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII; nor do we ship waste. Major markets such as China and India are rapidly developing more robust regulation to evaluate hazards of transported cargoes. The global harmonised system (GHS) is a UN-driven global framework for classification and labelling of chemicals and compounds according to hazard categories.

Process materials purchased

| | Diesel (MI) | | | Explosives (000t) | | |
|--------------|--------------|--------------|--------------|-------------------|--------------|-------------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Sishen | 212.3 | 186.2 | 163.1 | 94.7 | 61.0 | 57.0 |
| Kolomela | 39.1 | 50.4 | 33.8 | 54.6 | 41.7 | 16.6 |
| Thabazimbi | 4.6 | 10.9 | 10.9 | 6.1 | 6.1 | 7.5 |
| Group | 256.1 | 247.5 | 207.8 | 155.4 | 108.8 | 81.1 |

| | Lubricants (000l) | | | Tyres (t) | | |
|--------------|-------------------|-----------------|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| Sishen | 3,045.55 | 4,867.07 | 6,095.0 | 2,624.7 | 1,929.0 | 1,890.0 |
| Kolomela | 572 | 1,253.81 | 500.3 | 337.0 | 443.2 | 241.0 |
| Thabazimbi | – | – | 173.5 | 150.5 | 174.0 | 146.6 |
| Group | 3,617.55 | 6,120.88 | 6,768.8 | 2,807.0 | 2,546.2 | 2,277.6 |

Image

Contractors, Joseph Ditsele, George Appiah and Herbert Tause at the Thabazimbi water reticulation system doing repairs. Kumba commissioned a team of contractors to repair the main reservoir, supply pipes and chlorination systems to supply the town with a reliable and safe supply of water.



OUR SUSTAINABILITY PERFORMANCE

KEY PERFORMANCE DATA

| Key performance indicators | Results | |
|--|------------|------------|
| | 2015 | 2014 |
| Safety and health | | |
| New cases of occupational health | 28 | 14 |
| Lost time injury frequency rate (the number of lost time incidents per 100 employees (LTIs/total hours worked*200,000) | 0.23 | 0.23 |
| Fatalities | – | 1 |
| Percentage of permanent workforce employees participating in HIV counselling and testing (HCT) | 90 | 91 |
| Percentage of HIV-positive employees participating in HIV wellness programmes | 56 | 54 |
| Environment | | |
| Energy consumption (million gigajoules) | 11,135,712 | 10,802,488 |
| Greenhouse gas emissions (million tonnes of CO ₂ -equivalent emissions) | 1,203,597 | 1,210,277 |
| Water used for primary activities (000m ³) | 10,088 | 8,734 |
| Socio-political | | |
| CED expenditure (Rand million) | 175 | 202 |
| People | | |
| Gender diversity – workforce (% women) | 18 | 19 |
| Gender diversity – management (% women) | 19 | 20 |
| Employee training and development spend (Rand million) | 275 | 285 |
| Production | | |
| Production volumes (Mt) | 44.9 | 48.2 |
| Waste volumes (Mt) | 296.7 | 274.3 |
| Tonnes railed | 42.4 | 42.2 |
| Cost | | |
| Sishen unit cash costs (R/tonne) | 311 | 272 |
| Kolomela unit cash costs (R/tonne) | 178 | 208 |
| Financial | | |
| Earnings before interest and tax (EBIT) (Rand billion) | 2.6 | 19.2 |
| Cash from operations (Rand billion) | 13.8 | 21.8 |
| Normalised earnings per share (Rand) | 13.02 | 34.32 |

VALUE ADDED STATEMENT

Salient features for the year ended 31 December 2015

| Rand million | 2015 | % | 2014 | % | 2013 | % |
|---|---------------|------|----------|-------|----------|------|
| Value added by operating activities | 14,425 | 98.2 | 26,605 | 99.7 | 35,677 | 99.7 |
| Revenue | 36,138 | | 47,597 | | 54,461 | |
| Less: Cost of material and services | (21,713) | | (20,992) | | (18,784) | |
| Value added by investing activities | | | | | | |
| Finance income | 265 | 1.8 | 84 | 0.3 | 117 | 0.3 |
| Total value added | 14,690 | 100 | 26,689 | 100 | 35,794 | 100 |
| Value distributed | | | | | | |
| Distributed to employees | 4,666 | 31.8 | 4,580 | 17.2 | 3,674 | 10.3 |
| Salaries, wages, medical and other benefits | 4,073 | | 3,937 | | 3,039 | |
| Share-based payments | 593 | | 643 | | 635 | |
| Distributed to providers of finance | | | | | | |
| Finance costs | 876 | 6.0 | 520 | 1.9 | 278 | 0.8 |
| Distributed to the state | 949 | 6.5 | 5,424 | 20.3 | 8,782 | 24.5 |
| Income tax | 594 | | 4,165 | | 6,625 | |
| Royalties | 355 | | 1,259 | | 2,157 | |
| Communities | | | | | | |
| CED expenditure | 175 | 1.2 | 202 | 0.8 | 254 | 0.7 |
| Distributed to shareholders | 3,301 | 22.5 | 15,178 | 56.9 | 13,707 | 38.3 |
| Dividends to owners of the Company | 2,490 | | 11,450 | | 10,500 | |
| Dividends to non-controlling interests | 811 | | 3,728 | | 3,207 | |
| Value reinvested | 1,005 | 6.8 | 1,384 | 5.2 | 2,506 | 7.0 |
| Depreciation, amortisation and impairment | 3,323 | | 2,636 | | 2,039 | |
| Deferred stripping capitalised | (2,852) | | (1,838) | | (832) | |
| Net discounting finance cost | 129 | | 141 | | 118 | |
| Share of profit/(losses) of associates and joint ventures | 6 | | (5) | | 46 | |
| Deferred taxation | 399 | | 450 | | 1135 | |
| Value retained/(distributed) | 3,717 | 25.2 | (599) | (2.3) | 6,593 | 18.4 |
| Attributable to owners | 2,863 | | (461) | | 4,946 | |
| Non-controlling interest | 854 | | (138) | | 1,647 | |
| Total value distributed | 14,690 | 100 | 26,689 | 100 | 35,794 | 100 |

MINING CHARTER SCORECARD

| Indicator | 2015 compliance target | Performance | | | Page |
|--|---------------------------------------|---|---------------|-----------------|-----------------|
| | | Sishen mine | Kolomela mine | Thabazimbi mine | |
| Human resource development | | | | | 22 |
| Human resource development expenditure as a percentage of the total annual payroll (excluding the mandatory skills development levy) | 5% | 5% | 5% | 8% | |
| Employment equity | | | | | 24 |
| Top management | 40% | 50% | 50% | 50% | |
| Senior management | 40% | 38% | 45% | 62% | |
| Middle management | 40% | 53% | 59% | 59% | |
| Junior management | 40% | 60% | 67% | 57% | |
| Core and critical skills | 40% | 89% | 92% | 84% | |
| Housing and living conditions | | | | | 43 |
| Employees in hostels (one person per room) | Occupancy rate of one person per room | 100% | 100% | 100% | |
| Employees in family units | Family units by 2014 | All employees reside in family units | | | |
| Mine community development | | | | | 43 to 44 |
| Local economic development (LED) programmes | Implement approved community projects | 100% | 100% | 75% | |
| Development forums in major labour sending areas | | N/A | N/A | N/A | |
| Procurement | | | | | 41 to 42 |
| Percentage of procurement spend allocated to black owned or empowered companies | Capital goods: 40% | 54% | 68% | 80% | |
| | Services: 70% | 82% | 83% | 81% | |
| | Consumable goods: 50% | 74% | 75% | 74% | |
| HDSA ownership | | | | | 4 |
| Employee share scheme | 29% in total | 6% allocated to Envision Share Scheme | | | |
| Community-owned | | 3% owned by the (SIOC – CDT) | | | |
| HDSA-owned | | 20% owned by Exxaro | | | |
| Reporting | | | | | |
| Submit reports to the DMR | Report to the DMR | Annual Mining Charter reports submitted | | | |
| Sustainable development and growth | | | | | |
| | | Target | Sishen mine | Kolomela mine | Thabazimbi mine |
| Implementation of approved EMPs | | 100% | 100% | 100% | 100% |
| Implementation of the tripartite action plan on health and safety | | 100% | 100% | 100% | 100% |
| Percentage of samples analysed in South African facilities | | 100% | 98% | 100% | 100% |

* Up to 29% empowerment achieved with the rollout of the second phase of Envision.

SUMMARY GRI TABLE

We report in line with the requirements of the Global Reporting Initiative (GRI). Based on our internal assessment, we believe the 2015 report is compliant with the 'core' option of the G4 Guidelines.

(SR) See the corresponding pages in this report

(IR) See the corresponding pages in our Integrated Report 2015

| Strategy and analysis | | |
|--|---|--|
| Indicator | | Disclosure (page) |
| G4-1 | CEO / Chair statement | (SR) : 2 to 3 |
| G4-2 | Provide a description of key impacts, risks, and opportunities | (SR) : 10 to 15 (IR) : 34 to 37 |
| Organisational profile | | |
| Indicator | | Disclosure (page) |
| G4-3 | Report the name of the organisation | Kumba Iron Ore |
| G4-4 | Report the primary brands, products, and services | (SR) : 12 to 13 |
| G4-5 | Report the location of the organisation's headquarters | (SR) : IBC |
| G4-6 | Countries of operation | (SR) : 5 |
| G4-7 | Report the nature of ownership and legal form | (SR) : 4 |
| G4-8 | Report the markets served | (SR) : 13 |
| G4-9 | Report the scale of the organisation | (SR) : 5 |
| G4-10 | Workforce scale and split | (SR) : 20 to 21 |
| G4-11 | Percentage of total employees covered by collective bargaining agreements | (SR) : 25 |
| G4-12 | Describe the organisation's supply chain | (SR) : 37, 41 to 42 |
| G4-13 | Significant changes to organisation (size, structure, ownership, etc) | (SR) : 20 |
| G4-14 | Report whether and how the precautionary approach or principle is addressed | (SR) : 46 |
| G4-15 | List external initiatives signed up to | (SR) : 17 to 18, 33 |
| G4-16 | List association memberships/participation | (SR) : 18 |
| Identified material aspects and boundaries | | |
| Indicator | | Disclosure (page) |
| G4-17 | List all entities included in reporting scope | (SR) : IFC |
| G4-18 | Explain implementation of Principles for Defining Report Content | (SR) : IFC |
| G4-19 | List material Aspects identified in the process for defining report content | (SR) : IFC |
| G4-20 | For each material Aspect, report the Aspect Boundary within the organisation | (SR) : IFC |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organisation | (SR) : IFC |
| G4-22 | Report effect of, and reasons for, any restatements of information | None |
| G4-23 | Report significant changes in the Scope and Aspect Boundaries | None |

SUMMARY GRI TABLE continued

| Report profile | | |
|----------------------|--|--|
| Indicator | | Disclosure (page) |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided | 2015 |
| G4-29 | Date of most recent previous report | 2014 |
| G4-30 | Reporting cycle | January to December |
| G4-31 | Provide the contact point for questions regarding the report or its contents | (SR) : Feedback form insert |
| G4-32 | Report the 'in accordance' option, content index, external assurance | (SR) : IFC |
| G4-33 | External assurance policy, practice and scope | (SR) : IFC, 70 |
| Governance | | |
| Indicator | | Disclosure (page) |
| G4-34 | Report the governance structure of the organisation | (IR) : 79 |
| G4-35 | Process for delegating authority for SHEC from the highest governance body to senior executives and other employees | (SR) : 17 |
| G4-36 | Executive leadership structures around SD | (SR) : 17 (IR) : 16 to 17 |
| G4-38 | Composition of the highest governance body and its committees | (IR) : 14 to 17; 80 to 85 |
| G4-39 | Report whether the chair of the highest governance body is also an executive officer | (IR) : 14 |
| G4-40 | Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members | (IR) : 82 |
| G4-41 | Report processes for the highest governance body to ensure conflicts of interest are avoided and managed | (SR) : 18 (IR) : 82 |
| G4-42 | Report the highest governance bodies' and senior executives' roles in BPs, policies and strategies | (SR) : 17 (IR) : 83 to 84 |
| G4-44 | Report the processes for evaluation of the board and steps taken to address findings | (SR) : 17 (IR) : 83 |
| G4-45 | Report the board's role in the identification and management of SD issues and the role of external consultation | (SR) : 17, 73 (IR) : 83 |
| G4-46 | Report the board's role in reviewing the effectiveness of the organisation's risk management processes for SD | (SR) : 17 |
| G4-47 | Report the frequency of the board's review of SD | (SR) : 17 |
| G4-48 | Report the highest committee or position that formally reviews and approves the organisation's SD report | (SR) : IFC |
| G4-49 | Report the process for communicating critical concerns to the highest governance body | (SR) : 17 |
| Ethics and Integrity | | |
| Indicator | | Disclosure (page) |
| G4-56 | Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | (SR) : 18 (IR) : 86 |
| G4-58 | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines | (SR) : 18 (IR) : 86 |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | (SR) : 18 |
| G4-SO5 | Confirmed incidents of corruption and actions taken | None |
| G4-SO6 | The total value of political contributions by country and recipient/beneficiary | None |

SPECIFIC STANDARD DISCLOSURES

✓ Permitting and compliance

| Indicator | Disclosure (page) |
|--|-------------------|
| G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for social non-compliance with laws and regulations | None |
| G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for environmental non-compliance with laws and regulations | None |

🌐 Stakeholder relationships

| Indicator | Disclosure (page) |
|---|---|
| G4-24 List stakeholder groups engaged by the organisation | (SR) : 14 to 15 (IR) : 28 |
| G4-25 Basis for identification and selection of stakeholders with whom to engage | (IR) : 28 |
| G4-26 Report the organisation's approach to stakeholder engagement | (SR) : 14 (IR) : 29 |
| G4-27 Report key topics and concerns raised and how they have been addressed | (SR) : 14 to 15 (IR) : 30 to 31 |

👤 Employees

| Indicator | Disclosure (page) |
|---|--|
| G4-LA1 Employee turnover | (SR) : 20 |
| G4-MM4 Number of strikes and lock-outs exceeding one week's duration, by country | None |
| G4-LA10 Programmes for skills development and lifelong learning that support the continued employability of employees and assist them in managing career endings | (SR) : 22 |
| G4-LA11 Percentage of employees receiving regular performance and career development reviews by gender and employee category | (SR) : 22 |
| G4-LA12 Composition of governance bodies and breakdown of employees by employee category, according to gender, age, minority group | (SR) : 20, 21, 24, 65 (IR) : 80, 83 to 85 |
| G4-LA15 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken | (SR) : 37 |
| G4-LA16 Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms | (SR) : 36 |
| G4-HR3 Number of incidents of discrimination and corrective actions taken | None |

+ Safety and health

| Indicator | Disclosure (page) |
|---|--------------------------------|
| G4-LA6 Injury rates for occupational disease; lost days and absenteeism; total number of work-related fatalities | (SR) : 23, 26, 31 to 32 |
| G4-LA7 Workers with high incidence rate or high risk of diseases related to their occupation | (SR) : 31 |

👤 Human rights

| Indicator | Disclosure (page) |
|--|----------------------|
| G4-HR5 Operations and suppliers identified in which child labour is a risk and measures implemented to address this | None |
| G4-HR6 Operations and suppliers identified in which forced labour is a risk and measures implemented to address this | None |
| G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments | (SR) : 23, 36 |
| G4-HR10 Suppliers that were screened using human rights criteria | (SR) : 37 |

SUMMARY GRI TABLE continued

Human rights continued

| Indicator | Disclosure (page) |
|--|-------------------|
| G4-HR12 Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms | (SR): 23 |
| G4-MM5 Total number of operations taking place in or adjacent to IPs' territories, and number and percentage of operations or sites where there are formal agreements with IPs' communities | (SR): 37 |
| G4-MM6 Number and description of significant disputes relating to land use, customary rights of local communities and IPs | (SR): 37 |
| G4-MM7 The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and IPs, and the outcomes | (SR): 37 |
| G4-MM9 Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process | (SR): 37 |
| G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken | (SR): 37 |
| G4-SO11 Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms | (SR): 37 |

Socio-economic development

| Indicator | Disclosure (page) |
|--|-----------------------|
| G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes | (SR): 36 |
| G4-EC1 Direct economic value generated and distributed | (SR): 39 to 40 |
| G4-EC4 Financial assistance received from government | None |
| G4-EC8 Significant indirect economic impacts including the extent of impacts | (SR): 41 to 44 |
| G4-EC9 Proportion of spending on local suppliers at significant locations of operation | (SR): 41 to 42 |

Environmental impact management

| Indicator | Disclosure (page) |
|--|-------------------|
| G4-EN11 Operational sites owned, leased, managed in, or adjacent to protected areas (PAs) and areas of high biodiversity value outside PAs | (SR): 54 |
| G4-EN12 Description of significant impacts of activities, products etc. on biodiversity in protected areas, and areas of high biodiversity value outside PAs | (SR): 54 |
| G4-MM1 Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated | (SR): 53 |
| G4-MM2 The number and percentage of total sites identified as requiring biodiversity management plans, and the number (percentage) of those sites with plans in place | (SR): 54 |
| G4-EN21 NOx, SOx and other significant emissions | (SR): 59 |
| G4-EN24 Total number and volume of significant spills | (SR): 47 |
| G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken | (SR): 37 |
| G4-EN34 Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms | (SR): 47 |
| G4-MM10 Number and percentage of operations with closure plans | (SR): 38 |

Water

| Indicator | Disclosure (page) |
|---|--------------------|
| G4-EN8 Total water withdrawal by source | (SR): 49 |
| G4-EN9 Water sources significantly affected by withdrawal of water | (SR): 48,50 |
| G4-EN10 Percentage and total volume of water recycled and reused | (SR): 49 |
| G4-EN24 Total number and volume of significant spills | None |

Climate change

| Indicator | Disclosure (page) |
|--|-------------------|
| G4-EN15 Scope 1 emissions | (SR): 56 |
| G4-EN16 Scope 2 emissions | (SR): 56 |
| G4-EN19 Reduction in GHG emissions | (SR): 55 |
| G4-EN3 Energy consumption within the organisation | (SR): 52 |
| G4-EN6 Reduction of energy consumption | (SR): 51 |
| G4-MM11 Programmes and progress relating to materials stewardship | (SR): 61 |

INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF KUMBA IRON ORE LIMITED

We have been engaged by the directors of Kumba Iron Ore Limited ("the Company" or "Kumba") to perform an independent assurance engagement in respect of Selected Sustainability Information reported in the Company's Sustainable Development Report for the year ending 31 December 2015 (the "Report"). This report is produced in accordance with the terms of our contract with the Company dated 4 September 2015.

INDEPENDENCE, QUALITY CONTROL AND EXPERTISE

We have complied with the independence and other requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

Our engagement was conducted by a multi-disciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

SCOPE AND SUBJECT MATTER

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

REASONABLE ASSURANCE

- The following Selected Sustainability Information in the Report was selected for an expression of reasonable assurance:
 - Total scope 1 emissions (MtCO₂e) (page 56)
 - Total scope 2 emissions (MtCO₂e) (page 56)
 - Total energy used in million GJ (page 52)
 - Total number of Level 3, 4 and 5 environmental incidents reported (page 47)
 - Total work-related fatal injuries (page 26)
 - Fatality injury frequency rate (FIFR) (page 26)
 - Total Recordable Case Frequency Rate (TRCFR) (page 26)
 - Total number of New Cases of Occupational Diseases (page 31)

LIMITED ASSURANCE

- The following Selected Sustainability Information in the Report was selected for an expression of limited assurance:
 - Total water used for primary activities in million m³ (page 49)
 - Company managed land in Hectares (page 53)
 - Number of employees participating in HCT (page 33)
 - Total amount spent on corporate social investment (CSI) projects in ZAR (page 43)

We refer to this information as the Selected Sustainability Information.

We have carried out work on the data reported for 31 December 2015 only and have not performed any procedures with respect to earlier periods, except where specifically indicated, or any other elements included in the Sustainable Development Report 2015 and, therefore, do not express any conclusion thereon. We have not performed work in respect of future projections and targets.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND PRICEWATERHOUSECOOPERS INC.

The directors are responsible for selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out on pages 26 and 74 of the Report, referred to as the "Reporting Criteria". The directors are also responsible for designing, implementing and maintaining of internal controls as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the Selected Sustainability Information for reasonable assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Sustainability Information for limited assurance has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2015, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

ASSURANCE WORK PERFORMED

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Selected Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Sustainability Information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our work consisted of:

- reviewing processes that Kumba have in place for determining the Selected Sustainability Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Sustainability Information;
- conducting interviews with management at the sampled operations and at head office;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing control walkthroughs;
- testing the accuracy of data reported on a sample basis for limited and reasonable assurance;
- reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends;
- reviewing the consistency between the Selected Sustainability Information and related statements in Kumba's Report

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

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

INDEPENDENT ASSURANCE REPORT continued

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

Conversion factors used to derive 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.

CONCLUSIONS

Reasonable assurance

Based on the results of our reasonable assurance procedures, in our opinion, the Selected Sustainability Information for the year ended 31 December 2015, has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our limited assurance procedures nothing has come to our attention that causes us to believe that the Selected Sustainability Information for the year ended 31 December 2015, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other Matters

The maintenance and integrity of Kumba Iron Ore's Website is the responsibility of Kumba Iron Ore's Directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Kumba Iron Ore Website.



PricewaterhouseCoopers Inc.

Registered Auditor

Director: Jayne Mammatt

Johannesburg

18 March 2016

REPORT OF THE EXTERNAL REVIEW PANEL

As part of our commitment to transparent disclosure on our sustainability performance, Kumba once again convened an independently facilitated external review panel. Representatives were invited from organised labour, investors, business peers, regulators, civil society and our principal community development partner.

OBJECTIVES

The panel was convened with the following specific objectives:

- To assess the extent to which a first draft of Kumba's Sustainability Report 2015 sufficiently addressed issues of most material interest to the Company's key stakeholders
- To identify specific opportunities for improving the sustainability report
- To comment on the nature of the external review process

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

PANEL MEMBERS

Kumba wishes to thank the following panellists who voluntarily gave their time and expertise:

- **Mr Albertus Viljoen** – Tshiping Water User Association
- **Professor Caroline Digby** – Centre for Sustainability in Mining & Industry (Wits University)
- **Mr Daryn Munnik** – Kagiso Asset Management
- **Mr Dorian Emmett** – Anglo American plc
- **Mr Leigh McMaster** – Solidarity Workers' Union
- **Mr Lucas Phiri** – National Union of Mineworkers
- **Mr Mziwakhe Nhlapo** – National Union of Mineworkers
- **Mr Vusani Malie** – Sishen Iron Ore Company community development trust (SOIC-cdt)

Unfortunately the invited government representative was unable to attend. Each participant nominated a registered charity to which Kumba made a donation of R10,000. Kumba also offered to refund travel and subsistence expenses borne by participants. No other payment was made to any panel member. Kumba was represented by Alex Mgadzah (Executive head: safety, health and environment), Sindiswa Gaven (Principal: stakeholder manager) and Lucia Chauke (Principal: environment). Jonathon Hanks (Incite) facilitated the meeting.

Summary of key recommendations and our responses

| Panel recommendation | Our response |
|---|--|
| Panellists support retaining a separate sustainability report, which is seen to have a broader set of targeted stakeholders and stakeholder interests than the integrated report (IR). While this does not necessarily mean printing a separate report, it does require the provision of more detailed performance information than provided in the IR. | In addition to publishing our integrated report, we will continue to provide a separate, more detailed annual review of our sustainability performance. |
| Panellists agreed that Kumba's draft Sustainability Report 2015 covers what they identified as the most material issues. Some suggestions were provided, however, on how Kumba could enhance disclosure on some of these issues. It was recommended, for example, that a more detailed account be provided of Kumba's activities on responsible mine closure, energy efficiency and climate mitigation, water stewardship and the management of dust emissions at Sishen. | We have provided some additional details on these issues in our revised report. Looking to the future, we recognise the potential value in providing a more detailed review of our mine closure activities. |
| Numerous specific recommendations were made on elements of the draft report. These included specific requests for further clarity, suggestions for more detailed information and more creative presentation, as well as recommendations on elements of the draft report that could be shortened or deleted. | All these comments were considered in revising our Sustainability Report 2015. While most of these have been addressed, with some significant edits made, not all have been fully integrated in the revision. These recommendations will inform our future reporting activities. |
| Panellists considered the role of the external review panel and the independent assurance and audit processes. While recognising that these serve separate functions, it was suggested that Kumba consider providing for external representation in future assurance processes. | We will review the implications of this recommendation for our future reporting processes. |

Panellists expressed their appreciation to Kumba for convening the panel, and agreed that there is continued value in this process. Recognising that some similar panels undertake these discussions without company representatives present, it was advised that Kumba retain its current approach with Company representation throughout the process.

GLOSSARY OF TERMS AND ACRONYMS

| | |
|---------------------------------------|---|
| ABET | Adult basic education and training |
| AIDS | Acquired immune deficiency syndrome |
| AMCU | Association of Mineworkers and Construction Union |
| ART | Anti-retroviral treatment |
| BAMCWU | Building Allied Mining and Construction Workers Union |
| BAP | Biodiversity action plan |
| BAU | Business-as-usual |
| BEE | Black economic empowerment |
| CCMA | Commission for Conciliation, Mediation and Arbitration |
| CDP | Formerly Carbon Disclosure Project – now known as CDP |
| CEP | Community engagement plan |
| CFR | Cost-and-freight |
| CO₂ | Carbon dioxide |
| COAD | Chronic obstructive airway disease |
| Company-managed land | Area of land under the direct management of the Company, and includes "Company-owned land", land managed/ mined on behalf of third parties, land leased from third parties, Company land leased to third parties, land under servitude, land set aside for biodiversity offsets, etc., as at the end of the reporting period. The parameter excludes "privately/state-owned land above Company mineral/mining rights" areas and undeveloped projects/prospects where the land does not yet fall under the direct management or ownership of the Company. This also excludes prospecting licences and claims, which are captured under a different parameter |
| CSI | Corporate social investment |
| CED expenditure | The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development) |
| DAFF | Department of Agriculture, Fisheries and Forestry |
| DEA | Department of Environmental Affairs |
| DENC | Department of Environment and Nature Conservation Northern Cape |
| DMR | Department of Mineral Resources |
| DMS | Dense medium separation |
| DWS | Department of Water and Sanitation |
| EAP | Employee assistance programme |
| EBIT | Earnings before interest and tax |
| EE | Employment equity |
| EIA | Environmental impact assessment |
| EIP | Environmental improvement plans |
| EITI | Extractive Industries Transparency Initiative |
| EMP | Environmental management plan |
| Employees participating in HCT | Number of employees who have participated in HIV voluntary counselling and testing (VCT) during the reporting period and who, through this process, have established or re-established their HIV status. If VCT has been obtained outside of a Company operated or approved facility, then reasonable proof of compliance with the Company definition of VCT must be produced. Participation in VCT includes those who are known to be HIV positive and participate in HIV wellness programmes, regardless of whether they actually test or not. Individuals of unknown status who refuse testing should not be counted. Employees who no longer work at the Company must be removed from statistics. |

| | |
|---|---|
| EXCO | Executive Committee |
| FIFR | Fatal injury frequency rate |
| FOB | Free-on-board |
| FY | Financial year |
| GHG | Greenhouse gas |
| GRI | Formerly Global Reporting Initiative – now known as GRI |
| HCT | HIV counselling and testing |
| HDSA | Historically disadvantaged South African |
| HFA | Human factor analysis |
| HIV | Human immunodeficiency virus |
| HPH | High potential hazard |
| HPI | High potential incident |
| ICMM | International Council on Mining and Metals |
| IDC | Industrial Development Corporation |
| IDP | Integrated development plan |
| IFC | International Finance Corporation |
| IFRS | International Financial Reporting Standards |
| IIRC | International Integrated Reporting Council |
| IOEC | Iron ore export channel |
| IOP | Injury on duty |
| IR | Integrated report |
| IWUL | Integrated water use licence |
| JSE | Johannesburg Stock Exchange |
| Level 3, 4 and 5 environmental incidents | Environmental incidents are unplanned or unwanted events that result in negative environmental impacts. A Level 1 incident results in minor impact; a Level 2 incident results in low impact; a Level 3 incident results in medium impact; a Level 4 incident is considered to be a significant incident, that results in high impact; and a Level 5 incident is considered a significant incident that has a permanent impact on the environment |
| LTI | Lost time injury |
| LTIFR | Lost time injury frequency rate |
| LTISR | Lost time injury severity rate |
| MDR | Multi-drug resistant |
| MENA | Middle East and North Africa region |
| MHSC | Mine Health and Safety Summit |
| MMSS | Mining and Metals Sector Supplement (GRI) |
| MPRDA | Mineral and Petroleum Resources Development Act |
| Mtpa | Million tonnes per annum |
| NDA | National Development Agency |
| NEMA | National Environmental Management Act |
| New cases of occupational diseases | Sum of occupational diseases due to asbestosis, NIHL, silicosis, coal-workers' pneumoconiosis, pneumoconiosis due to other fibrogenic dusts, chronic obstructive airways disease, occupational tuberculosis, occupational asthma, hand-arm vibration syndrome (HAVs), musculoskeletal disorders, dermatitis, occupational cancers and other occupational diseases |

GLOSSARY OF TERMS AND ACRONYMS

continued

| | |
|---|---|
| NGO | Non-governmental organisation |
| NIHL | Noise-induced hearing loss |
| NUM | National Union of Mineworkers |
| OEL | Occupational exposure limits |
| OMP | Occupational medical practitioner |
| ORM | Operational risk management |
| ORMR | Ore reserves and mineral resources |
| PIT | Professional in training |
| PPE | Personal protective equipment |
| SARS | South African Revenue Service |
| SDG | Sustainable Development Goals |
| SEAT | Socio-economic assessment toolbox |
| SET | Social, ethics and transformation |
| SETA | Sector education and training authorities |
| SHE | Safety, health and environment |
| SHER | Safety, health, environment and risk |
| SIB | Stay in business |
| SIOC | Sishen Iron Ore Company Proprietary Limited |
| SIOC-cdt | Sishen Iron Ore Company community development trust |
| SLP | Social and labour plan |
| SME | Small and medium enterprise |
| SMME | Small, medium and micro enterprise |
| SR | Sustainability report |
| STI | Sexually transmitted infections |
| Total CO₂ emissions – Scope 1 | Total CO ₂ emissions from fossil fuels – sum of diesel, petrol, liquid petroleum gas, natural gas, heavy fuel oil, light fuel oil, coal for heat and energy generation, coal for metallurgical processes, coal for directly reduced iron, used oil for combustion, paraffin, petcoke, tailgas and non-renewable waste fuel |
| Total CO₂ emissions – Scope 2 | Total CO ₂ emissions from electricity purchased |
| Total energy used | Sum of total energy from electricity purchased and total energy from fossil fuels |
| TRCFR | Total recordable case frequency rate |
| UGM | Ulysses Gogi Modise (wellness clinics) |
| UNGC | United Nations Global Compact |
| VCT | Voluntary counselling and testing |
| VFL | Visible felt leadership |
| VPSHR | Voluntary Principles on Security and Human Rights |
| Water used for primary activities | Total new or make-up water entering the operation and used for the operation's primary operational activities |
| WIM | Women-in-mining |
| Work-related fatal injuries | A fatality is a death resulting from a work-related injury |

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JSE share code: KIO
ISIN code: ZAE000085346

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FORWARD-LOOKING STATEMENTS

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


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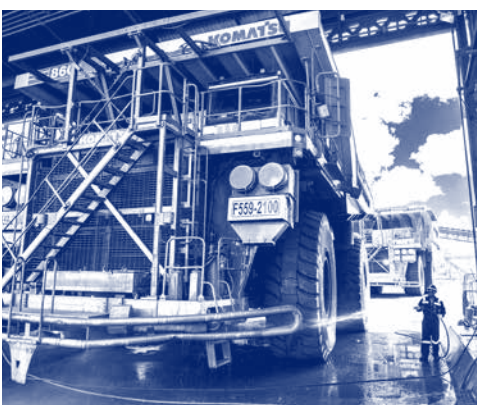
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