

SOCIAL SUMMARY

WORKPLACE ISSUES

For the third consecutive year, Kumba was ranked “best company to work for” in the mining sector in a comprehensive independent survey by Deloitte. Key parameters of the survey reinforce the causal link between the performance of human capital and the financial performance of a company, and support our focus on transforming our group into a high-performance organisation. The results of this survey, in which 121 South African companies participated, were used by our divisions and corporate service departments to formulate their high-performance roll-out plans.

Employment

At 31 December 2005, Kumba had 8 915 permanent employees, excluding those of Tior Limited, Australia. The figure has dropped slightly compared to 2004 due to, among others, non-work related deaths, normal retirement, normal resignations and the Kumba business improvement programme aimed at streamlining operations by reducing costs, increasing production and revenue and improving processes while minimising job losses.

Various contractors and suppliers support Kumba’s operations, creating 4 500 additional jobs, mainly due to the Sishen expansion project. With the extensions to mining operations taking place at Grootegeluk and Sishen, further jobs could be created. Kumba has embarked on reporting net job creation per region as required by GRI and results will be detailed in the 2006 annual report.

Employment equity

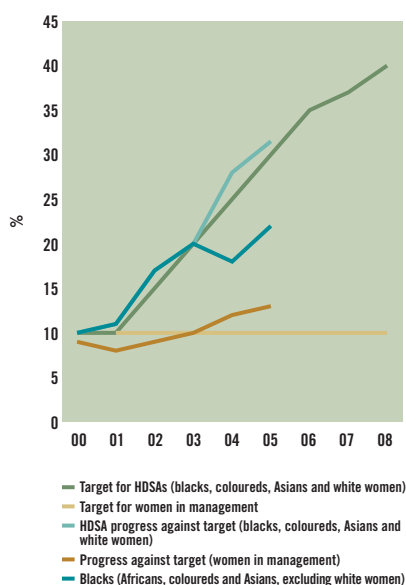
Kumba has an employment equity policy for the development and promotion of historically disadvantaged South Africans (HDSAs), women and people with disabilities. Detailed employment equity plans are in place at every business unit to ensure we achieve our goals. Progress is actively managed, particularly in management categories where 26% of the board and 40% of general managers are currently employment equity candidates. Increasing the number of equity candidates, particularly at middle management levels,

remains a priority. At 31 December 2005, 62% of the workforce was black, coloured and Asian – down from 66% due to unavoidable terminations such as, among others, medical boarding and the business improvement programme.

Kumba reports against the mining charter definition of HDSA, which refers to people from a historically disadvantaged background (ie blacks, coloureds, Asians and white females) and those with physical disabilities. The status of HDSA representation in our management and professionally-qualified categories as well as representation by women (at all levels) is illustrated below.

Firstly, the graph indicates Kumba’s overall performance on progress against employment equity targets in the management category. This has increased steadily each year and is currently at 31,5% compared to 28% in the previous period, despite limited retrenchments resulting from the business improvement programme. Secondly, the graph also indicates Kumba’s overall performance against targets for women. This has increased from 12% in 2004 to 13% in 2005 and is already 3% above the national government target of 10% in the mining charter.

Employment equity progress



HIV/Aids

Kumba’s HIV/Aids initiatives continued steadily at business unit and corporate level during the year. The main objectives of Kumba’s HIV/Aids strategy are to:

- Prevent more people from becoming infected with HIV/Aids
- Extend the lives of those infected for as long as possible to the benefit of the company and society at large
- Ensure the impact of HIV/Aids on the company is managed to enable Kumba to grow and contribute to South Africa’s developing economy.

Acknowledged as one of the most proactive strategies in South Africa, Kumba’s HIV/Aids programme will be an important element for consideration in the transformation process under way in the new financial year. Stakeholders will be informed of progress on Kumba’s intranet and the official Kumba internet site.

Measurement

A knowledge, attitude and practice survey was conducted at all business units in 2002, 2003 and 2004. A financial impact analysis estimated the effect of HIV/Aids on the entire business by using Kumba’s risk management matrix. The analysis showed that significant savings (cumulatively R348 million) could be realised through a prevention and treatment programme. As Kumba is underexposed relative to the mining industry, the impact at this stage is relatively low and expected to remain static while anti-retroviral treatment (detailed below) is distributed to affected groups. Kumba’s awareness initiatives continued during the year and the company’s participation in the United Nations-sanctioned International World Aids Day was a resounding success.

HIV/Aids management

Programmes in place at all business units and the corporate office include voluntary counselling and testing, peer education, wellness programmes and community-based initiatives and treatment of sexually-transmitted diseases.

The successful anti-retroviral pilot programme implemented at selected business units in 2003 and the corporate centre in 2004 has been extended to more operations, including Tigor SA, Zincor and Rosh Pinah. A total of 133 HIV-positive employees have now enrolled on the programme, and 419 on the wellness programme. In 2005, 2 878 employees were voluntarily tested, bringing the total to 4 813.

Community programme

Kumba commissioned an independent study on the status of HIV/Aids programmes and initiatives in the Thabazimbi community in Limpopo in 2003. The intention of the pilot was to strengthen and extend the group's HIV/Aids approach to host communities, with a strategy focused on several key interventions:

- Conducting HIV/Aids prevention programmes in and around the mining community
- Conducting voluntary counselling and testing projects
- HIV/Aids awareness and education programmes
- Initiating comprehensive community home-based care programmes for families whose members are already infected
- Initiating income-generating projects for indigent communities around Kumba mines.

The success of this initiative became more apparent during the year with greater

numbers of community members benefiting from voluntary counselling. Other benefits include improved disclosure cases, increased availability of condoms, effective condom usage, strengthened capacity of community-based organisations, better public-private partnership networks and increased awareness of HIV/Aids. Kumba will continue to fund this initiative in 2006.

Employee management relations

Relationships between the various employers in the Kumba group and recognised trade unions remained sound and positive during 2005 and wage agreements were settled without discord. Kumba's commitment to freedom of association to join a union of choice and constructive engagement of all stakeholders on issues relating to the employment relationship underpins sound employee relations. The following trade unions have recognition, subject to the criteria of respective agreements, at the various operations to bargain on behalf of their members in the bargaining units: United Association of South Africa (UASA); National Union of Mineworkers (NUM); National Union of Metalworkers in South Africa (NUMSA); Solidarity; Building, Allied Mine and Construction Workers Union (BAMCWU) and Mineworkers Union of Namibia (MUN). Employees have the right to elect shop stewards of their choice.

About 60% of Kumba employees are unionised, with the breakdown as follows:

NUM (80%), Solidarity (15%), and NUMSA/BAMCWU/UWASA (5%).

Collective agreements between the various employers in Kumba and the trade unions regulate the relationship. These include:

- Recognition agreements
- Full-time shop stewards' agreement
- Full-time health and safety representative agreements
- Communication and participative structure agreements
- Agency shop agreement.

Conditions of employment for employees in bargaining units are centrally negotiated each year. Through collective bargaining, employees receive several benefits that exceed minimum legislative requirements (Basic Conditions of Employment Act). These include: leave (including a leave bonus), sick leave, maternity leave and family responsibility leave. Allowances are paid for housing, standby, call outs and shift work.

Regular meetings with employee representatives (trade unions) at operations and centrally are held to inform them on relevant issues such as business and financial results.

Trade unions are consulted on any new or revised policies and procedures. Agreements on changes in operations are negotiated or consulted with the respective trade unions centrally, or at the relevant operations.

There is transparent and continuous communication of relevant information to all employees.

Human rights

As a responsible corporate citizen with a stakeholder charter, Kumba complies with all labour legislation in South Africa, eg the Constitution of the Republic of South Africa, Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act, Skills Development Act, Unemployment Insurance Act, Mine Health and Safety Act, Compensation for Occupational Injuries and



Undergoing voluntary HIV/Aids testing at Glen Douglas. From left, Ronel Rossouw, occupational health nurse; Themba Pebe, loader operator; and Phindile Ngwenya, a councillor from the Midvaal Local Authority.

Training and development funding double industry average

Diseases Act. Kumba also complies with International Labour Organisation guidelines.

Kumba ensures that child labour is not tolerated and that forced or compulsory labour is not practiced.

Kumba conducts induction programmes for employees to ensure they are educated about human rights. Policies on discrimination, harassment and racism as well as structures, such as equity committees, are in place to protect employees' human rights in the workplace.

Agreements with security providers aim to ensure that their employees are educated about human rights. Regular meetings are held with security providers and their employees are able to raise human rights issues with Kumba. To date, there have been no incidents relating to human rights issues.

Employee training on human rights is implemented through the Jay Hall Leadership Training programme, diversity management and entrenching foundational and motivational values through the Kumba Way programme.

Work environment

Since listing in 2001, Kumba has regularly been rated by credible, independent publications and institutions as one of the top 40 companies in South Africa on elements such as salary and benefits, incentive schemes, and education, training and development.

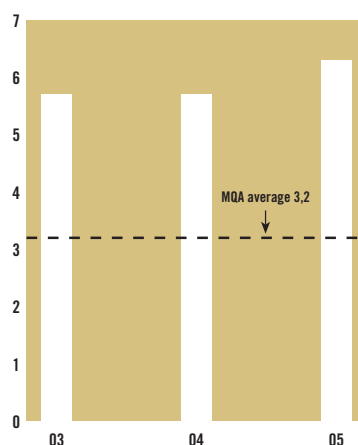
Table 1: Beneficiaries of training (expressed as % of staff in the particular job category)

Job category	Average number of interventions per beneficiary	
	Total	
Legislators, senior officials and managers	98,1%	1,9
Professionals	93,1%	1,7
Technicians and associated professionals	92,9%	2,6
Clerks	79,8%	1,6
Service, shop and market sales workers	60,7%	2,0
Craft and related trade workers	76,9%	3,8
Plant and machine operators/assemblers	89,5%	4,4
Labourers and related workers	31,2%	2,2

Human resources development

The combined figure for investment in human resources development as a percentage of payroll rose from 5,7% to 6,3% (R94,4 million). Research conducted for the Mining Qualifications Authority (MQA) in May 2005 indicates that the average for mining companies is 3,2% of payroll.

Training and development (% of payroll)



From table 1 below it is clear that in Kumba:

- With the exception of services, workers and labourers and related workers, more than 75% of employees were beneficiaries of training during the year
- Beneficiaries of training in all job categories were exposed to more than one training intervention during the period. The number of training interventions is especially high in the

categories of plant operators (4,4), craft and related trade workers (3,8) and technicians and associated professionals (2,6).

Recruitment

A policy of non-discrimination is applied with all staffing and recruitment practices. Generally residents from local communities are employed at business units, except in areas where specific skills are not available. About 70% of employees at the various business units are recruited from local communities.

Housing

Kumba's housing strategy, focused on home ownership, is in place at each division and the current status is summarised below.

Description	Number of employees	%
Home owners	1 360	18
Rental units	1 351	22
Hostels and single quarters	2 940	39
Other	1 066	21
Total	6 717	100

The housing programme complies with the requirements of the mining charter and will be fully implemented by 2008. Rental houses will be sold at market value to employees and, where feasible, hostels converted into single units. Prior to the review period, R17 million was spent on housing to comply with the charter. In 2004, Kumba issued a guarantee of R10 million towards a housing development project (at Sishen). A further R8 million was made available for the development of infrastructure and R5 million was spent on developing services in 2005.

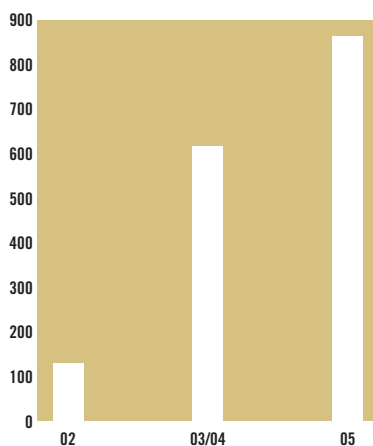
Supply chain management

Kumba's policy of supporting suppliers that, in turn, support transformation is delivering clear benefits, with HDSA procurement (black-owned and black-empowered suppliers only) ahead of the

18% target at 24% of discretionary spend for the year or R863 million compared to R128 million in 2002.

Kumba was a founding member of the South African Mining Preferential Procurement Forum which is proving an important catalyst in helping smaller mining companies meet legislative requirements through their own initiatives and through supplier development. A Kumba representative was appointed chairman of this forum for 2006.

Preferential procurement (Rm)



Communities of practice

Kumba has communities of practice for effective development and sharing of knowledge, best practices and lessons across the group. The focus is primarily on the core competencies required for Kumba's sustainability.

In practice, these communities have lowered the risk of losing key knowledge workers, and brought new people up to speed faster than before. A team of dedicated knowledge management practitioners proactively facilitates and serves these communities of practice, to ensure maximum value from knowledge sharing. The aim of the team is to value Kumba's intangible assets to ensure these are safeguarded into the future.

The ongoing success of Kumba's communities of practice continues to

generate much interest, with many organisations visiting the group to learn about the processes and concepts being implemented. Kumba also hosts relevant forums to bring experts together in an environment conducive to exchanging knowledge.

Professionals-in-training, bursars programme and bridging school

To counter the critical shortage of skills in South Africa, Kumba is working to ensure a steady supply of highly-qualified professional employees by hosting an intensive training and development programme for bursars and professionals in training. Kumba has also funded a bridging school since 1995 where high-potential candidates are given the opportunity to improve their academic school-leaver results. This prepares them for tertiary studies in engineering, geology and related disciplines. From 2006, tuition at the bridging school will be done by the University of Pretoria and form part of the foundation year programme offered by this university.

Bursars are granted bursaries to fund their engineering and geology studies from first year to honours level after which they enter the professionals-in-training programme at Kumba. Trainees embark on a formal three-year programme in which they are intensively evaluated and monitored by a team of coordinators, coaches and the staffing department.

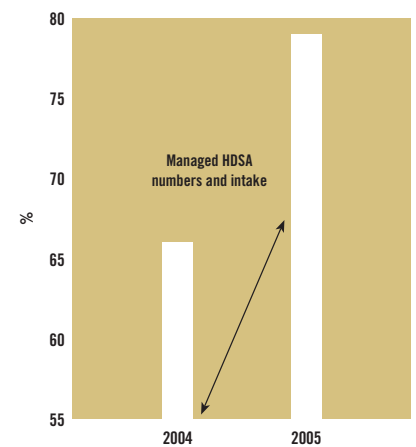
There are currently 108 Kumba bursars studying at South African tertiary institutions. Of these bursary holders, 79% are HDSA of whom 19% are women. The very low drop-out rate of under 6% for Kumba students reflects the success of this initiative and the support given to these students.

Currently, 52 graduates are in the professionals-in-training programme. Of these graduates, 73% are HDSA of whom 23% are women. In 2005, 44 graduates successfully completed the programme and were placed in permanent positions in Kumba divisions.

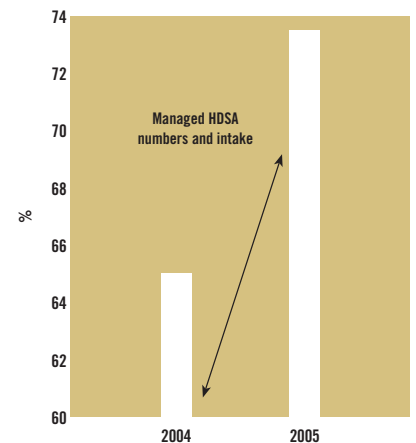
The graphs below illustrate the progress Kumba has made in the advancement of professionals-in-training compared to the previous period.

Comparison: bursary and professionals-in-training pool: 2004 and 2005

HDSA %: Bursars



HDSA %: Professionals-in-training



Learnerships

The total number of learnerships in Kumba in 2005 was 503. For the first time, learners were also trained in mining, plant and skills learnerships. Engineering learnerships (previously apprenticeships) totalled 448. Due to these additional categories, the total number of learnerships rose by 38% against the previous period and represents 26% of all apprentices trained in the mining industry. Of these

Kumba trains 26% of learners in the mining industry

Table 2: Total learnerships in 2005

Number of learners	African		Coloured		Asian		White		Total
	M	F	M	F	M	F	M	F	
Engineering learnerships	203	24	99	3	–	–	118	1	448
Mining learnerships	17	4	1	1	–	–	–	–	23
Plant learnerships	6	–	7	3	–	–	–	–	16
Skills learnerships	7	2	6	–	–	–	1	–	16
Total learnerships	233	30	113	7	–	–	119	1	503

* Total percentage HDSAs (without white women) = 76,3%

learners, 76% are black, coloured or Asian, and 8% are women.

Kumba's technical training centres at Lephalale (Ellisras) and Sishen are accredited as training providers by the MQA. Costs and accommodation, some R40 million per annum, are borne by Kumba.

Kumba's commitment to learnerships exceeds its own requirements – deliberately so to build the pool of skills for the industry and train unemployed people in line with national growth and development targets. The breakdown of learnerships is shown above in table 2.

Kumba is also represented on the sector skills planning committee of the MQA. Several Kumba employees are members of MQA technical reference groups assisting with unit standard and qualifications development.

Leadership development and succession planning

Formal leadership development initiatives and succession planning workshops involving senior management and employees continued during 2005. Building and retaining a pool of current and future leaders is a priority for Kumba and appropriate initiatives include a comprehensive succession planning process and enhancing strategic leadership competencies.

Kumba's suite of leadership competencies is aligned with the company's strategic

imperatives. Divisions contract with service providers to develop these competencies through management programmes, development centres, further education at tertiary institutions and training and workshops in a range of leadership development areas. In 2006, a comprehensive report will be tabled on progress to date.

School of Finance

The Kumba School of Finance is an accredited training organisation with the South African Institute of Chartered Accountants. It provides training to employees studying for the chartered accountant (CA) qualifications. A skilled team of coordinators and coaches ensures

that high standards are set and met in the training and development of these candidates. Twelve trainees are currently enrolled in the programme, of whom ten are black, coloured or Asian.

MQA involvement

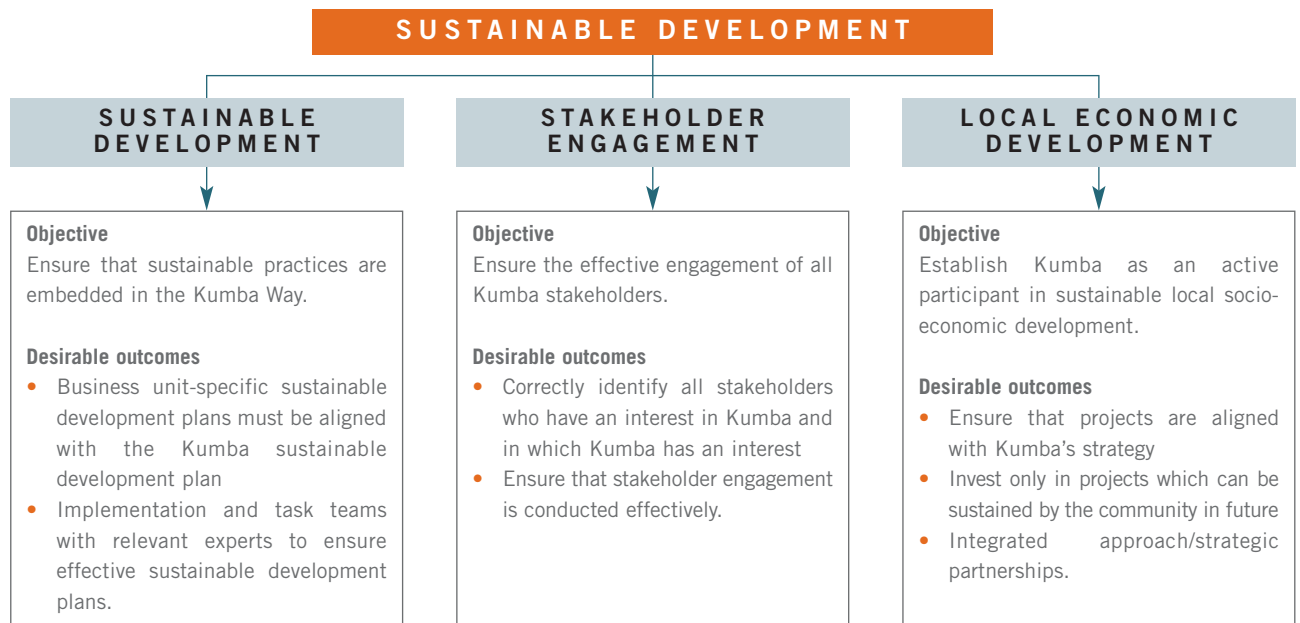
Kumba's human resources development professionals are contributing significantly to the national and sectoral transformation process through membership and participation in bodies such as Business Unity, Chamber of Mines' committee for education and training, and the MQA sector skills planning committee. Kumba professionals also play a prominent role in the MQA's unit standards generation and qualification design processes.

1. Fish Rithuri, at the controls of a reclaimer at Glen Douglas.

2. Kumba is a leader in the training and development of its employees. It has also made good progress in exceeding the industry target for women employees. Lucia Naiduwa, apprentice diesel mechanic at Rosh Pinah, is seen here with Ernest Witbooi, maintenance foreman.



SUSTAINABLE DEVELOPMENT: FOCAL AREAS



WHAT IS SUSTAINABLE DEVELOPMENT?

Sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainable development encompasses a balance between three pillars, namely economy, environment and society. The requirements of each must be considered and integrated into all activities to achieve sustainable development.

Drivers for sustainable development

International guidelines and standards, including:

- Organisation for Economic Co-operation and Development (OECD) guidelines
- Extractive Industry Transparency Initiative announced at the World Summit on Sustainable Development in 2002
- International Standards Organisation Environmental Management Standard (ISO 14001)
- Global Reporting Initiative (GRI)
- AA1000 series and framework

- Social Accountability 8000 (SA8000) – a voluntary international standard for auditing and certifying labour practices
- United Nations codes on labour and environment
- World Bank social and environmental protocols for its projects
- The level of activism directed at mining companies
- Reputation management to maintain our social licence to operate, access new mineral wealth, finance and other business opportunities
- The need to attract investors. International banks and financing institutions are concerned with the social risk of investment decisions.

South African drivers

- *Legislation on human rights and labour relations, including:*
 - Constitution of the Republic of South Africa
 - Employment Equity Act
 - Skills Development Act
 - Promotion of Equality and Prevention of Unfair Discrimination Act

- Legislation on health and safety which mandates employers to create working environments that are safe and risk-free to the health of employees
- Occupational Health and Safety Act
- Mine Health and Safety Act.
- The mining charter, issued under the Mineral and Petroleum Resources Development Act, stipulates the requirements for mines to retain their mining rights, including environmental, social and empowerment issues
- The SAEF Excellence Model for managing performance, including employees, customers and society as stakeholders, and suppliers
- The King Reports on Corporate Governance (1994, 2002)
- The JSE Socially Responsible Investment Index provides a way to identify best practice in corporate social responsibility and measures constituents' share price performance in a benchmark index. Selection criteria include environmental sustainability, positive relationships with stakeholders and upholding universal human rights.

Sustainable development is a group-wide commitment at Kumba

Building on the substantial progress made since 2002, Kumba has refined its approach to sustainable development and incorporated local economic development as an integral part of the process of accountability to stakeholders. Accordingly, our reporting for 2005 concentrates on the policies and structures being put in place to achieve these goals.

Our approach to sustainable development is summarised on p72. Case studies of our approach in action appear on p91-101.

Kumba has committed considerable expenditure to the management of the sustainable development elements (p5), and local economic development expenditure for 2005 totalled R15 million. In future reports, detailed expenditure on other elements will be reported.

SUSTAINABLE DEVELOPMENT

Sustainable development is a group-wide commitment at Kumba. At senior executive level, we liaise with national and provincial government departments to ensure our initiatives align with national priorities. Our business units liaise with their municipal counterparts in implementing these strategic plans and feedback is given to senior management to ensure that stated objectives are met.

STAKEHOLDER ENGAGEMENT

Identifying and communicating with stakeholders was prioritised during the year to ensure open dialogue on issues of common interest. Feedback has been positive and constructive and will form an important part of our actions in the future.

At Kumba, stakeholder engagement is the process of ensuring that we create a transparent dialogue between ourselves and internal and external parties about our operations and the consequences of those operations. Our stakeholder engagement policy defines the concept of stakeholders and the nature of engagement with those stakeholders, and applies to all employees

at all Kumba centres, including corporate and international operations.

Drivers for stakeholder engagement

Building long-term, stable and mutually-beneficial relationships with stakeholders is a business imperative for Kumba. Stakeholder engagement is therefore governed by the following protocols:

- The King II Report on Corporate Governance
- Global Reporting Initiative (GRI)
- The Mineral and Petroleum Resources Development Act.

Effective stakeholder engagement is designed to:

- Provide Kumba with an opportunity to explain at local, regional and national level the nature of its decisions and the financial, environmental and social consequences of those operations
- Sensitise Kumba to concerns that may exist within the communities or investor bodies, and to address those issues
- Enable Kumba to influence government and other stakeholders
- Provide the opportunity to brand Kumba externally and facilitate more accurate and favourable reporting in the media
- Facilitate the ability to raise capital for projects by providing investors with better information and understanding
- Facilitate decision-making inside and outside Kumba by ensuring the flow of accurate information.

STAKEHOLDER IDENTIFICATION

A stakeholder is defined as any person or body with a direct or indirect interest in Kumba operations, or with the ability to affect Kumba operations, or who is required to be informed of our operations.

Internal stakeholders

- **Employees** – All employees and their representative bodies
- **Kumba board** – Kumba's board is required to make strategic decisions on

direction, and must be well-informed on factors which may affect its decisions and impact on represented interests.

External stakeholders

- **Local, provincial and national government bodies**
 - National government bodies make decisions and formulate policies that impact directly on our operations
 - Provincial government bodies develop regional growth and development strategies with consequences for Kumba centres in that region
 - Local government bodies are primarily concerned with the impact of Kumba operations in the local community. These bodies affect our operations as they control land zoning and service provision, including water and electricity supplies
- **Media** – Greatly influences the image of Kumba in the outside community, making it imperative to ensure the media has accurate information on our operations
- **Investors** – Include shareholders, fund managers and analysts. Investors have a direct financial interest in our revenue and profitability, and are thus concerned about the sustainability of operations, making it crucial that they are well informed of our policies, strategy and operations
- **Customers** – Prefer to deal with a company with a good track record in product stewardship. An understanding of our policy and strategy helps to develop long-term relationships with customers
- **Suppliers** – Prefer to work with a company that will deal responsibly with their products and services. Stakeholder engagement ensures we inform suppliers of our ethical and governance standards and avoid potential damage to our reputation
- **Business partners** – Companies need to understand the strategy, ethics and governance of their partners to develop a business relationship. Inaccurate

information can result in failed partnerships with damaging consequences

- **Local communities** – Are directly affected by Kumba operations (work opportunities, environmental impact and development opportunities). Interaction is essential
- **Non-government organisations** – NGOs include charities, pressure groups, environmental groups and other non-profit structures whose objective is to influence policy and decisions on a particular subject. Interaction with NGOs ensures we are aware of each other's concerns
- **Other industry players** – Organised business chambers, competitors, employer associations, research organisations and standards-generating bodies. Industry players need to interact with one another on standards, benchmarking, lobbying and other activities of mutual interest.



1. Trainees develop bricklaying competency at Thabazimbi's Iterileng Skills Centre. Members of the local community are trained in various skills each year.
2. Enterprise development is one of Kumba's local economic development goals and the Kgalagadi Fire Wood project at Sishen is an example of how a new business can be developed to create jobs and a sustainable and independent future.
3. Learners from a local school examine one of the exhibits at a mobile science centre, partly sponsored by Ticor SA.
4. The Iterileng Crèche in the Marapong area near Grootegeluk was built and equipped by Kumba, and its staff were trained by the company. Here Janet Peletona, a caregiver at the crèche, teaches children the basics of numeracy.



Identifying and communicating with stakeholders is prioritised

MULTI-STAKEHOLDER MODEL

Kumba's approach to sustainable development rests on a multi-stakeholder model, acknowledging that our primary responsibility is to investors but that this duty cannot be fulfilled without a considered regard for the interests of other stakeholders, including:

Stakeholder	Representative/s	Primary issues
National government	Department of Minerals and Energy Department of Trade and Industry Department of Education Department of Agriculture Department of Labour	<ul style="list-style-type: none"> • Compliance with mining charter • Alignment with national growth and development strategies • Partnerships in enterprise development • Employment opportunities through local economic development • Partnerships in formal education support • Employment equity and other labour-related issues
Provincial and local government	Regional Department of Minerals and Energy office Department responsible for growth and development	<ul style="list-style-type: none"> • Compliance with mining charter • Partnerships/assistance with local economic development • Employment opportunities created through local economic development
	Land Bank	<ul style="list-style-type: none"> • Agricultural local economic development projects
	Local municipality	<ul style="list-style-type: none"> • Local economic development
Media	National broadcasters Media groups, including financial press	<ul style="list-style-type: none"> • Newsworthy items, particularly empowerment activities • Reputation management • Financial performance from investors' perspective
Investors	Anglo American Minority shareholders	<ul style="list-style-type: none"> • Sale of iron ore assets • Return on investment
Customers	Eskom	<ul style="list-style-type: none"> • Major coal purchaser
Suppliers	Transnet Other vendors	<ul style="list-style-type: none"> • Major supplier • Transportation of raw material • Any developments that affect Kumba requirements and thus their own income • Sole suppliers • Preferential procurement
Business partners and industry participants	Chamber of Mines Chamber of Commerce	<ul style="list-style-type: none"> • Economic development in southern Africa
Communities, non-governmental bodies and community organisations		<ul style="list-style-type: none"> • Socio-economic development • Environmental issues
Internal stakeholders	Employee representatives	<ul style="list-style-type: none"> • Service conditions, employer relations, socio-economic development

COMMUNICATING WITH STAKEHOLDERS

Kumba initiates numerous activities to engage stakeholders at a national level.

	Description	Audience	Frequency	Distribution/location
National Kumba stakeholder engagement forum	National forum chaired by senior manager, covering sustainability focus areas	All national and regional stakeholders	Quarterly	Kumba Corporate Centre
Stakeholder forum reports	Summarised report of topics and discussions from stakeholder engagement forum	All national and regional stakeholders	Quarterly	Posted/emailed one week after forum meeting
Kumba internet site	Stakeholder forum reports Share prices News releases	All stakeholders	Ongoing	Electronic www.kumbaresources.com
One-on-one meetings	Meetings with specific stakeholders on pertinent issues	Determined by requirement	As needed	As needed
Annual report	Publication that covers progress in all areas of sustainability for the preceding year	All national and regional stakeholders	Annual	Posted

LOCAL ECONOMIC DEVELOPMENT

In line with our strategy, national government imperatives and international protocols, we are establishing Kumba as an active participant in sustainable local socio-economic development. Our approved policy applies to all employees at all business units. It sets out Kumba standards and guidelines on local economic development in:

- Formal education
- Skills development
- Enterprise development, including small-scale mining
- Health and welfare
- Environment
- Infrastructure
- Agriculture
- Tourism
- Sports and recreation.

All local economic development projects are guided by predetermined principles, regardless of the focus area:

- Sustainability
- Project management
- Branding
- Partnerships
- Selection of vendors.

Local economic development forums

It is the responsibility of local government to establish a local economic development (LED) forum in each area. The purpose of the forum is to engage all local community stakeholders to assist local government in meeting its mandate for creating economic growth.

Kumba's LED managers are mandated to play an important role in participating on this forum. Where a forum does not exist, or local government does not have the capacity to create one, Kumba's LED manager will facilitate the establishment of the forum.

LED forums include representatives from:

- Local and district municipality
- Chamber of commerce
- Provincial government bodies, eg tourism
- Large industries in the area
- Labour representatives
- Non-government organisations.

Our initiatives, segmented in line with our triple bottom-line approach, are detailed on p91-101.

Balancing the needs of the economic, social and environmental pillars

KUMBA FOUNDATION

The Kumba Foundation is a trust controlled by a board of trustees with the objective to ensure effective management of funds allocated for community development by monitoring progress through the project-monitoring system and procedures.

The foundation also funds learners through Kumba's bridging school (p83).

MONITORING AND EVALUATING TO ENSURE SUSTAINABLE PROJECTS

We believe sustainability is a process of development – one that is dynamic, ongoing and guided by community involvement in decision-making. We focus on building capacity but have set entry and exit points, and the process is driven by a formal project management system.

By emphasising collaborative local economic development, we align our initiatives to national priorities to ensure we build meaningful partnerships with all stakeholders.

THE WAY FORWARD FOR SUSTAINABLE DEVELOPMENT

In recent years, we have crystallised many elements of our approach to sustainable development – from an approved framework that guides all our operations to the creation of a focused, centralised unit to maximise the beneficial impact Kumba has on its stakeholders.

There have been significant achievements and some signal lessons. Most importantly, we have developed a deeper understanding of the different elements that must combine to produce real

transformation for present and future generations.

As we enter our own transformation phase, these lessons will guide us as we distill our best practices and well developed elements and then re-combine these with the best practices of our new partners to create a world-class approach to sustainable development and stakeholder reporting.

Empowerment is a fundamental prerequisite for the long-term development and sustainability of the South African economy. This firm belief underpinned our decision to split a successful company into two, knowing that separately there would be greater benefit and economic prosperity for more stakeholders and, by association, more people of our nation.



1. Members of the Rosh Pinah Community Development Centre produce concrete bricks which are used in the construction of houses for mine employees and other stakeholders.
2. Computer-based induction classes at the Tshikondeni Training Centre.
3. Mike Hood of the Grootvaly/Blesbokspruit Conservation Trust which is involved in the environmental education of local children, in discussion with Isaac Tlali of Zincor. Zincor supports the trust, which is also involved in the conservation of the Grootvaly/Blesbokspruit site, a wetland of international importance and acknowledged by Ramsar.

PROGRESS ON ELEMENTS

The case studies that follow highlight our response to many of the group's key sustainable development elements, some group-wide and others focused at business units.

- **Stakeholder engagement** – *Implementing effective and transparent engagement, communication and independently-verified reporting arrangements with stakeholders (p86)*

Effective stakeholder engagement at Ticor

Ticor SA is the result of a joint venture between an established Australian company and a fledgling South African business. As a mineral sands operation, Ticor SA understood from the outset that its business strategy had to meet the expectations of all stakeholders and maintain quality of life for future generations by integrating economic development with environmental and social considerations. The company challenged its operating units to integrate those principles into their day-to-day operations and to align their businesses with the commitments set out in a sustainable business strategy.

Accordingly, development partnerships have been pivotal in integrating Ticor SA's business and social values. The company's experience in working with local people to address their health, education and development needs highlights the importance of:

- Integrating social and community issues into local business models and cultures
- Establishing effective local partnerships based on common business and community interests
- Developing practical skills and capacity to address local community development needs
- Developing management systems – including performance drivers, accountabilities, and information and communications systems – which enable business units to interpret

corporate sustainability strategy in the specific circumstances confronting local operations

- Demonstrating positive business and development outcomes.

In assessing the communities around Ticor SA's Hillendale mine and Empangeni central processing complex in KwaZulu-Natal, the high incidences of HIV/Aids, low levels of education and limited local business capacity clearly impact negatively on both community sustainability and the company's ability to operate successfully. Ticor's education, health and business development programmes – developed in partnership with regional communities and government agencies – address critical community needs while supporting the company's business and operational objectives.

- **Natural environment** – *Understanding our impact on the physical environment and conforming to nationally- and internationally-recognised standards, policies and measures to negate or address detrimental environmental effects, to ensure sustainable development of our operations. Kumba's management of environmental issues is well structured, both by legislated requirements and the internal systems established to manage these*

Better than before

Working with the North West University, Kumba is implementing an extensive set of rehabilitation experiments at the Sishen mine. The outcome will ultimately form the framework for rehabilitation and mine closure plans.

Sishen has been mining iron ore in the remote Kathu region of the Northern Cape for over 50 years. Part of its commitment to mining in a socially acceptable and ecologically sustainable manner is now legislated, but Sishen made the original commitment in 1950.

Acknowledging that current rehabilitation trials were not delivering the desired result of zero ecological impact because the material being used to encourage new vegetation lacked sufficient suitable organic matter, Sishen began producing its own organic compost in 2003.

Currently, all compost used during the trials is supplied by an organic plant constructed on the mine. The compost consists of a mixture of sewerage sludge, chipped invader plant species, horse manure and shredded paper. Earthworms are used to accelerate the biological breakdown process. For the experimental phase, over 700m³ of compost was made.

Special attention is also being paid to aspects that could influence the success of rehabilitation, including different forms of surface water run-off control, alternative types and formulations of fertiliser and methods of seed application. Current trials are being repeated on slopes angled at 18, 24 and 35 degrees.

By removing exotic plant species which have to be eradicated by law, Sishen is now fully conforming to environmental legislation for complete rehabilitation while ridding the area of unwanted alien vegetation.

Biodiversity management at Grootegeluk

The first black rhino calf to be born at the Manketti Biosphere at Grootegeluk arrived in July 2005. This conservation project is a good example of Kumba's commitment to responsible mining and the protection of biodiversity. The Grootegeluk mine lies within the transition zone of the Manketti Biosphere and is an intrinsic component of the long-term sustainability of both this zone and the biosphere as a whole.

Black rhino, an endangered species, is extremely difficult to breed successfully in captivity. Manketti is one of very few private conservation areas in South Africa that has black rhino and currently houses six black and 36 white rhinos. It is a 22 000-hectare social responsibility and

Social impact assessments identify socio-economic and environmental needs

conservation project formed in 1995 with the primary goal of conserving biodiversity. The biosphere is a self-contained habitat with very little management interference. One of its purposes is to breed endangered species and make them available for reintroduction to suitable habitats.

- **Social impact management –**
Kumba's direct and indirect effects on community and society (operations, social stability and influence on family life, housing and living conditions)

By conducting comprehensive social impact assessments at all operations, Kumba has a clear understanding of its impact on the immediate socio-economic and environmental circumstances. This has guided the development of its social and labour plans submitted to the authorities. The case studies shown here are some examples of how Kumba is addressing the identified needs.

Dust control at Sishen

Following the successful implementation of dust suppression trials at its Northern Cape mine, Sishen extended testing processes to Transnet's Port of Saldanha operation, working with a division of the parastatal, SAPO-BTS. Significant improvements in dust levels have led to the project's implementation by the port authorities.

Water management at Hlobane

Last year, we reported that the Hlobane waterfall near Vryheid in KwaZulu-Natal was flowing again following Kumba's restorative work to address decades of underground activity by a variety of mining companies.

Rain that mingled with water run-off from Hlobane mountain became contaminated after seeping into massive mining-induced cracks and through three coal seams before decanting into nearby water catchments. With that, the 40-metre Hlobane waterfall stopped flowing.

On closing Hlobane mine some six years ago, Kumba devised a solution to minimise mine-related water pollution. After rejecting easier options because of their environmental implications, Kumba opted for a more complex solution: to plug the cracks with a flexible, durable and non-toxic seal, underlined with a mixture of available soil and bentonite clay (the bitumen film seal is non-toxic and bentonite is a naturally occurring substance). The seal was covered with rocks and soil and vegetated to prevent erosion, marking the first time this kind of project had been successfully carried out anywhere in the world and attracting interest from global water management experts. Uniquely, it is also part of an integrated water management system.

South African law requires the minimisation or prevention of water pollution prior to the issue of a mine closure certificate. Kumba went well beyond legal requirements in its restorative work at Hlobane mountain.

To date, Kumba has sealed one kilometre (or 1 200 hectares) of cracks. During 2005, Kumba achieved its objective of keeping clean water clean for local communities by minimising the exposure of Hlobane mountain's water to pollutants. Ongoing monitoring will maintain that status and keep the waterfall flowing.

Mmebane upgrading

Thabazimbi's programme for converting traditional hostels into single or family units is making good progress. In the process, traditional hostels with 60 employees living in one block are converted into 14 two- and three-bed flats or family units. In total, five of 16 planned conversions have been completed. The balance will be converted by 2007.

Refuse removal at Vukuzenzele informal settlement

Vukuzenzele is an informal settlement close to Zincor where some of the refinery's employees live. As the settlement is not a proclaimed residential area and the local municipality does not provide refuse removal services, Zincor

assists in the removal of refuse for this community to provide a cleaner, healthier environment.

- **Natural resource management –**
Responsible use of non-renewable mineral and other natural resources

Energy efficiency

Most of the world's energy comes from burning fossil fuels, such as coal, oil or natural gas. This results in high levels of air pollution, particularly greenhouse gases, which contribute to climate change. Since 1971, global energy use has increased by 70% and is expected to rise by 2% per year over the next 15 years.

In 2005, Kumba signed the Department of Minerals and Energy's energy efficiency accord, part of a broader national planning and management process towards optimal energy use. The vision of this strategy is to contribute to affordable energy for all and to minimise the negative effects of energy use on human health and the environment by encouraging sustainable energy development and use through efficient practices.

The national strategy sets a target for energy efficiency improvement of 12% by 2015. This target is expressed in relation to forecast national energy demand at that time and allows for current expectations of economic growth.

Our goal is therefore to reduce our baseline energy use in line with national targets. In 2004, we defined baseline energy use per operation, with cumulative electricity, diesel and gas use as our selected performance indicator being by far the major source of energy for operations. Based on these values, Kumba has set an internal savings target of 0,5% per annum.

Kumba's 2004 cumulative energy and cumulative tonnage of product produced gave a baseline figure of 0,11275Gj per

tonne. The group's comparative ratio for 2005 is 0,18639Gj.

Missing the target since signing the accord was disappointing and largely due to limited awareness about energy consumption across the group. Over the next few months, the E-team (the Kumba team focused on energy efficiency) will use these results to raise awareness at divisional level on the imperative to reduce energy used per product, supported by the introduction of government incentives for energy-efficiency programmes.

Income from invader plants

The Kgalagadi charcoal and firewood project was started in partnership with commercial farmers in the Deben area near Sishen in 2003 to eradicate the invader black thorn that reduces grazing capacity on farms. The project comprises a depot responsible for marketing and management and work teams for cutting down and processing the black thorn wood into different products. Contracts are in place to supply charcoal to a leading supermarket chain and wood to merchants in Springbok and Upington. Contracts are currently being negotiated with merchants in the Cape and Gauteng.

There were initially two teams of disadvantaged people working on two different farms. These teams were trained in removing the plant according to regulations from the Department of Forestry, as well as safety regulations to prevent injury. Sishen supplied safety equipment and assigned a safety officer to ensure that safety issues were addressed. The teams, with six people each, were self-employed and worked on a contract basis, determining their own working hours and income per week. After the necessary training, existing teams were split up to lead new teams. By January 2005, there were 109 people generating products and 12 in the distribution depot.

- **Business sustainability** – *Ensuring our long-term financial viability; contributing value to all stakeholders; and accounting for the distribution of value created through business activities*

Partnership in action – Sishen South

A new iron ore mine near Postmasburg in the Northern Cape has been on Kumba's drawing board for some time. In 2005, the reality began to unfold with the development of Sishen South. Together with expansion of Kumba's nearby Sishen mine, the intent is to double the volume of iron ore exported from the Northern Cape. The effect for Postmasburg and neighbouring communities will be substantial.

Sishen South will be an important element in the new Kumba Iron Ore – one of the companies to be unbundled from the existing Kumba – the world's first pure iron ore company with an international shareholder in Anglo American plc and the empowerment credentials to participate in numerous opportunities for iron ore in South Africa.

The first phase of Sishen South is a R1 billion investment in the Postmasburg region – a greenfields opencast mine with a confirmed resource base of over 424Mt, meaning a life of mine of over 22 years – and opportunities for the local community. The mine will produce 3Mt of export iron ore in phase 1, ultimately rising to 9Mtpa.

Sishen South is planned to start in 2006, with mining operations beginning in 2007 and full production by 2012. The project is expected to create some 1 660 direct, indirect and induced job opportunities by the end of phase 1, of which over 300 will be permanent positions. Job creation will translate into significant amounts of money flowing from wages into the local economy each month, which Kumba estimates at some R30 million per annum at full production.

Working smarter

Zincor has in the past used lime to neutralise spent magnesium electrolyte bleed (a solution containing acid) and to treat all effluent streams before they reach the tailings dam.

Using lime as a neutralising agent, however, is extremely expensive due to the transport and slaking costs involved. Towards the end of 2003, Zincor management decided that the smelter would now use calcium carbonate for these processes. CSIR-developed technology indicates that, with simple operational adjustments, calcium carbonate is as effective as slaked lime and a two-phase project to switch from lime to calcium carbonate was initiated in 2003 and completed in 2005.

This technology has resulted in significant cost savings and confirmed Zincor's position as one of the top global zinc companies in cost efficiency and technological advancements.

- **Mine closure** – *Ensuring we leave good infrastructure, skilled people and self-sufficient communities after mine closure*

Social plan for Durnacol closure

As the chief employer in a remote rural area in KwaZulu-Natal, Kumba understood the importance of developing a far-reaching social plan to mitigate the impact of mine closure for Durnacol from 2001.

The R24,4 million social plan encompassed jobs (a combination of redeployment, alternative employment and a R3 million training programme to develop skills), developing a self-sustainable town and a home-ownership programme.

To realise its goals, Kumba has worked closely for almost 10 years with the Department of Minerals and Energy, the National Union of Mineworkers, the DNC Community Forum (a section 21 company focused on the interests of residents), the



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1. An extensive set of rehabilitation tests are being conducted at Sishen mine in conjunction with the North West University. A unique compost developed on the mine, different forms of surface run-off control, and alternative types of seed application form part of the trials.
2. The Kgalagadi Fire Wood project near Sishen mine provides employment for local disadvantaged people while at the same time helping to eradicate the invader black thorn tree.
3. Calcium carbonate mixing at Zincor – the slurry is used as an environmentally friendly neutralising reagent.
4. Kumba has sealed one kilometre of cracks in Hlobane mountain which has ensured that water remains clean for local communities.



Mineworkers Development Agency and the Dannhauser Transitional Local Council. In September 2003, Durnacol was proclaimed a town, with attractive assets – from buildings and equipment to sports and medical facilities – donated by Kumba. In the process, over 400 people are now homeowners, some assisted by the government's RDP fund, with the proceeds of sales of Kumba-owned mine houses reinvested in community projects.

Kumba also funded infrastructural upgrades required for a functioning town, from the electricity network, sewage plants and water treatment works to roads and storm-water drains.

Mine closures can have a devastating impact on communities, given that operations are often in remote areas with little or no other economic activity. Durnacol proves this does not have to be the case. Apart from the skills training that has enabled many people to start their own businesses, a cultural village is being planned, the business plan for a welding workshop has been approved and an agricultural project is under way on 200ha of land donated by Kumba, in conjunction with the Department of Agriculture.

Kumba is finalising the appointment of a development company to provide an integrated development plan for consideration and approval by all stakeholders in Durnacol. Durnacol is today a vibrant community, capitalising on the many opportunities identified, and energised about its future.

- **Social development/national social priorities** – *In balancing our interests with those of our various stakeholders, specific areas are guided by the social needs of the community, and by the national social priorities of society at large, including:*
 - Education, training and skills development
 - Healthcare promotion, particularly HIV/Aids programmes
 - Job creation
 - SMME and other business opportunity development
 - Conservation of environment, including awareness programmes
 - Infrastructure development, including schools, clinics, etc

EDUCATION, TRAINING AND SKILLS DEVELOPMENT

Ticor maths and science improvement project at high schools

Ticor SA implemented a programme in 1999 at eight rural high schools in its operational area to counter the lack of science laboratories in local schools. In association with Kumba and the University of Johannesburg/Somerset Education, Ticor SA developed micro-science kits that can be easily transported to remote rural schools. With these kits, learners can execute any basic science experiment on the class desk. Manuals for guiding teachers and learners alike are included.

Teacher workshops and training are part of the programme to ensure a better quality of education in these fields. Teacher skills are improved through workshops in partnership with the local education department.

In a separate initiative, a science academy has been established in partnership with a local private school to give high achievers a chance to excel. Twenty-six learners are part of the academy and are tutored by teachers of the private school. Learners' performance grades at their respective schools are monitored and improvements are recorded annually. Problem areas are

identified through feedback sessions with teachers and the education department and follow-up sessions are arranged to address these areas.

Furthering maths and science education in rural communities

Grootegeeluk operates near the 110 000-strong town of Lephalale in Limpopo. As one of only three major employers in an area with an unemployment rate of about 45%, Grootegeeluk has concentrated on job creation and education, specifically maths and science.

There is high demand at Grootegeeluk for school leavers who have passed maths and science, key subjects for further training in engineering and other disciplines at the mine. In line with the requirements of the mining charter, Grootegeeluk also has targets for employing black graduates, and these are the school leavers it aims to train further. Faced with the challenge of creating local employment with a severely limited local pool of skills, the mine is working with the regional education department and other partners to build this pool of qualified matriculants every year.

Maths Olympiad

In 2004, Grootegeeluk and the Department of Education launched a Maths Olympiad for grade 4 to 11 learners in 91 surrounding schools. Simplistically, the Olympiad is a process of prepared and supplied revision and support material culminating in tests to determine the standard of maths education.

This was the first project of its kind in the region, and the results offered valuable lessons for both Grootegeeluk and the Department of Education. For the Maths Olympiad 2005, Grootegeeluk's participation will increase to include training teachers. Based on audits of the surrounding schools, Grootegeeluk has supplied some with computer and laboratory equipment, and will also offer managerial training to headmasters.

Winter School

This Grootegeeluk flagship project is run in

Various projects are geared to improve maths and science potential

partnership with the local Department of Education to improve the quality of teaching material available to schools, and to complement learning with practical and laboratory work to which learners wouldn't ordinarily have access.

Established in 1998, the project aimed to set up a joint resource and learning school that would be a shared asset for surrounding schools. As an initial contribution, Grootegeluk provided a building on one of its existing properties, and donated seed capital to set up the programme, now a teaching facility, known as the Bosveld Education Resource Centre, supplying material for maths, science and biology.

While the pass rate of schools in Limpopo has been increasing steadily over several years (from 32% in 1997 to 70% in 2002), schools in the Palala district now achieve a pass rate of 80%. Although it is difficult to measure the results of the Bosveld Centre project directly, they appear to have played a role in these improved results.

Tshikondeni winter school

Tshikondeni has been running an educational winter enrichment programme for the past eight years, which has helped many schools in Limpopo, especially those with very low pass rates.

Pass rates have now improved to 90% to 100% and learners are encouraged to register for mathematics and science to bridge the gap in these disciplines. With a better understanding of the importance of these subjects in the working world, interest and enrolments have risen sharply. Learners are informed about opportunities available through the Kumba bridging school when they register for Winter School classes.

The Department of Education is playing an important role in encouraging all learners to attend the Winter School. With increased enrolments, additional Winter School centres have been introduced.

Iterileng Skills Development Centre

The Iterileng Skills Development Centre, in the town of Thabazimbi (Limpopo) and near Kumba's mine of the same name, has been running since 2003 and is focused on improving local capacity and promoting preferential development by empowering residents, creating jobs and improving qualifications. Training for predominantly unskilled and unemployed people ranges from general training such as life skills, adult basic education and computer literacy to specialised technical skills and entrepreneurship.

In the life skills area, basic training is provided in pottery, découpage and jewellery while the clothing factory produces overalls to SABS standards. In the technical area, students receive basic training in welding, civil construction, plumbing and carpentry. All Iterileng students complete a basic entrepreneurial course to learn the skills needed to start their own businesses.

JOB CREATION

Local economic development in KwaZulu-Natal

Around 45% of people in KwaZulu-Natal, now the country's most populous province, are jobless. Ticor SA employs just 364 permanent employees and approximately 256 contractors, and can only assist indirectly to create more job opportunities. By creating indirect job opportunities through implementing sustainable small, medium and micro enterprises (SMMEs), Ticor SA demonstrates the value of its role as a responsible corporate citizen.

Various small businesses have been established with the assistance of Ticor SA. One of the most successful is the Dube Village project for women. In 2002, the company started with eight women who had no business knowledge. Since then, a successful, professional company has been built with a directorate of the eight original women and a profit base of R200 000 per annum. The main products include items made of beads, sewing and catering. The company has now bought a 40% share of an enterprise producing

safety and mine uniforms, which could lead to a contract with Ticor SA to provide work clothing in future. A factory has been established that permanently employs 30 people and Dube Village is employing another 20 women in beading production. In only three years, the success of this business is remarkable, attracting new investments from other established companies.

Local development through tourism

Limpopo province has great potential for tourism, particularly as a springboard to the world-famous Kruger National Park. Recognising the initiative shown by local youths who wanted to create a community cultural village in the Bend Mutale region near the park, Tshikondeni mine enlisted the support of the Kumba Foundation and the participation of local authorities in a project that supported local economic development and job creation. The young people involved had all completed their schooling but were unable to find employment in the area.

With four traditional huts now constructed and fencing under way, the seven young entrepreneurs behind the cultural village will also receive training from the Department of Tourism on project management to give life to their dream of a marketable accommodation attraction on the north-eastern border of the Kruger National Park.

Tshono turns leather into profits

Sishen's Tshono leather craft and tannery project has progressed from struggling start-up to a self-sustaining project with money in the bank. The project was launched near the mine in Deben, Northern Cape, in 2002 to stimulate regional job creation by training women in leather-making.

Initially, the women battled to generate profits in a remote rural area. Following a market study in 2005, the main production line was shifted from souvenirs to décor products and the breakthrough came when they exhibited their handiwork

at Decorex, South Africa's biggest interior décor show. Increased awareness about these designer products translated into greater demand and a rush of orders that has tested productivity to its limits. With a talented craft facilitator at their side, and plans to expand the capacity of the tannery, these women are now able to design, manufacture and market their new product range and Sishen was able to proudly hand over the Tshono project to the crafters, who will run it as a privately owned business.

Working their own land

The Manyeding agricultural farming project, driven by Sishen, is aimed at disadvantaged people living in very poor conditions in the Manyeding area near Kuruman, North West. The agricultural land earmarked for the development belongs to the Baga Jantje tribe whose members will be the sole beneficiaries in the joint venture between Kumba, Kgalagadi District Municipality, North West Department of Agriculture, Moshaweng Municipality, Siyathusa Consultants, Northern Cape Department of Agriculture and Rand Merchant Bank as governing body. The business plan provides for 200 permanent jobs and up to 450 part-time jobs during harvesting.

Jewels in the crown

The benefits of public-private partnerships are epitomised in the Kgabane programme in Northern Cape – supported by the Kumba Foundation and the Department of Minerals and Energy and spearheaded by Sishen – which is teaching 15 unemployed locals to make jewellery in an accredited learnership. Learners use precious and semi-precious stones mined in the province.

Boitirelo Jewellery (meaning handmade) recently had the opportunity to display their jewellery – already known for its stylishness and affordability – at an exhibition held in parliament. Boitirelo pieces were later modelled at a prestigious function at Spier Estates in Stellenbosch.

With effective marketing and partnerships based on identified community needs, the

inherent talent of the most rural communities can, indeed, be harnessed and developed to reach metropolitan stages.

SMME AND OTHER BUSINESS DEVELOPMENT

Makuya multi-purpose centre

When Tshikondeni and the Limpopo local development forum identified the need for a multi-purpose centre in the village of Hamakuya, the strength of their business plan secured seed funding from the Kumba Foundation and additional funds from the Vhembe District Municipality of over R4 million.

Launched by the premier of Limpopo in February 2006, the centre will serve the community in many ways: providing offices for home affairs, social and labour departments to facilities for internet access and training in computer literacy.

The Vhembe district municipality will provide security and appoint an interim centre manager. Future plans include establishing small infrastructures for SMME development. The centre demonstrates an effective public-private partnership between the mine and other stakeholders, reflected in good relationships with effective governance underpinned by sustainable development.

Springs Business Linkage Centre

As part of its commitment to developing business enterprises, Zincor supports the Springs Business Linkage Centre which focuses on:

- Developing the capacity of business enterprises through training and related development initiatives
- Establishing business linkages and developing opportunities with bigger business
- Implementing systems to support business enterprises.

Clay time at Sishen

Turning waste into business, having fun and generating income at the same time is proving possible at Sishen where waste

clay is being used to build a viable business for students in the area.

Vuk'uzenzele Art & Craft Enterprise is a trendy cultural business producing upmarket clay, art and concrete products. It is part of a creative initiative by the Kathu Technical College in which 32 learners are being trained in fine arts and different techniques of making ceramic products. These learners will also provide services and skills training in surrounding communities. The project is focused on using natural clay from Sishen to produce a range of items, from functional to decorative, and provides an outlet for the students' fine art.

A project to establish a brick-making factory near Sishen mine is under way.

Strategic local and economic development forum

Thabazimbi initiated a strategic local and economic development forum which includes local government and representatives from the following sectors: mining, tourism, manufacturing, agriculture, health and welfare education, sport and recreation. The primary objective is to assist local government in the greater Thabazimbi area to promote local economic development.

Thabazimbi projects in the community currently include:

- Sponsorship of first-line managerial and leadership interventions to principals and deputy principals of surrounding schools and municipal directors
- Sponsoring transformational leadership and team-building interventions for schools
- Appropriate software courses for the mayor and councillors of Thabazimbi municipality
- Sponsoring a science/maths schools programme and supplying two schools with water.

Iterileng Mining

Iterileng Mining is a vehicle to accelerate transformation and empowerment processes in the local community around



1. The Iterileng Skills Development Centre at Thabazimbi is focused on training predominantly unskilled and unemployed members of the local community.

2. Grootegeluk supports the development of maths skills among local learners, and together with the Department of Education, launched a Maths Olympiad in the area.

3. Tigor SA is active in developing the maths and science potential of local learners. Besides sponsoring a mobile interactive exhibition as pictured here, Tigor SA also runs a programme in eight rural high schools and a science academy established in partnership with a local private school.

4. Limpopo province has great potential for tourism and the natural environment such as the Unwa Dam pictured here, in the Tshikondeni region, is being marketed to this end.



Thabazimbi mine through a small-scale mining project that ensures jobs to some 50 people annually. The project is an agreement between Thabazimbi's controlling shareholder, Sishen Iron Ore Company, and Iterileng Mining which will supply 6kt of previously surplus ore per month. Reclaiming surplus ore increases the annual tonnage sold to clients and generates significant revenue for the mine and the project.

Iterileng Mining will have 26% or more black ownership in a self-sustainable project with a lifespan of six to eight years. Employees have been recruited from the local community through union consultation and local government and will be sponsored in MQA learnerships to ensure the development of skills and entrepreneurial ability.

CONSERVATION OF ENVIRONMENT

This includes supporting transfrontier conservation areas for sustainable economic development, such as the Peace Parks Foundation. Kumba has committed to donating R10 million over ten years for the development of the transfrontier parks initiative.

Development through Ticor's gardening project

Soil and water conservation and correct planning methods in rural areas are lacking largely due to people who have never been educated in this field. Ticor SA has implemented a garden programme at 12 primary schools in its area. The focus is to educate learners and teachers on soil and water conservation and instill improved agriculture techniques through the development of vegetable garden programmes at the schools. The second phase of the project focuses on entrepreneurship, teaching product marketing and basic financial management. The money generated pays the school fees of underprivileged children, buys school clothes and provides fresh vegetables to HIV/Aids sufferers. The ultimate aim is that the knowledge will be taken home to

educate parents and that community vegetable gardens will be implemented. To date, three successful community vegetable gardens have been established.

Poverty alleviation is one of the main drivers of the local development plan, and positive partnerships have been formed between Ticor SA and local government with this project. The district municipality is a partner in the establishment of nurseries at the same schools to encourage the entrepreneurship stage of the project. Ultimately, improved farming techniques will provide a positive legacy for local communities long after Ticor operations have ceased.

Grootvaly Blesbokspruit Conservation Trust

With mining and other industrial activities in the area and the resultant pollution, wildlife in the Blesbokspruit sanctuary, near Springs (Gauteng) was threatened to the point of extinction. In support of sustainable development initiatives in the area, Kumba's Zincor refinery and other stakeholders teamed up to restore the environment.

Today, the Blesbokspruit sanctuary has been given international status as a RAMSAR site. Birdlife has been restored and a variety of bird species – some rare, others migratory – inhabit the site. Indigenous fauna and flora has also been restored. The Grootvaly Blesbokspruit Conservation Trust now boasts an educational centre to cater for local schools, youth groups, environmental bodies and members of the public. Some jobs have been created and the centre is becoming a popular tourist attraction.

INFRASTRUCTURE DEVELOPMENT

Learning curve for crèche

A few years ago, Grootegeluk helped establish Iterileng Crèche in Marapong, near Lephalale, Limpopo. Although the crèche filled an important need in the area, the building has slowly deteriorated as the level of poverty in the area reduced support for the project from the local community.

After re-evaluating the need and the project's status, Grootegeluk initiated a comprehensive programme to completely revitalise the crèche. In line with Kumba's collaborative approach, the principal and parent committee were consulted. Their support was secured and they are all now actively involved in the programme. Maintenance issues have been addressed and a training provider appointed for teacher training and support. Management systems were installed and new teaching aids and classroom furniture acquired. By the end of 2005, the crèche was again fully functional and self-sufficient.

The lesson for the mine was that capacity building, as with most sustainable development initiatives, is an essential element to ensure long-term success and that corporate support must remain in place until this increased capacity is well established.

Safe house opened

In remote rural areas, with serious unemployment and the rampant social problems that brings, the need for facilities usually found only in metropolitan areas becomes much starker.

"Can you imagine what it must feel like to try to hang onto a counter in a police station with nowhere to go while struggling to cope with the trauma you have experienced?" This was the question posed by Captain Mabote, on behalf of the Lephalale Police Station and the station commander, when he thanked Grootegeluk for creating a facility to assist victims of abuse, most commonly domestic violence. The safe house was officially opened in February 2005 to temporarily accommodate people while the Department of Welfare assists in creating a safer environment for them. It has operated at capacity almost since then, underscoring the real need in the community.

This "proudly Lephalale" project was implemented using upcoming black economic empowerment contractors, which also introduced the local labour force to the Kumba tender process. Grootegeluk's sustainable development

Kumba operations initiate projects to support the immediate environment

team managed the project and was actively involved with the materials list, skills training and quality assurance.

Nstwe Tshipi Nursery School

Although a nursery school for pre-primary children has been running from the community hall for three years, Thabazimbi's newly built facility provides care and education for over 60 children from the community, under the guidance of two trained teachers.

HIV/AIDS

Bayethe Aids programme sponsored by Ticor

With 6,3 million HIV-positive South Africans at the end of 2004, including 3,3 million women and nearly 11 000 babies, HIV/AIDS is a national pandemic in South Africa and the highest percentage of HIV-positive people (40,7%) live in KwaZulu-Natal. The majority of those testing positive to the virus are between 15 and 35 years – the age of young adults studying and entering the business world.

In 2002, a partnership was formed between Ticor SA and King Goodwill Zwelithini to educate communities at grassroots level through cultural awareness. Selected community representatives were trained to educate the maidens (young girls) in the communities who, in the traditional cultural values of the Zulu, are subservient to men. Education includes knowledge about HIV/AIDS, prevention, addressing cultural values and how to take care of their bodies.

In 2005, Kumba funded the initiation of a second phase of the programme, training boys in the communities on the dangers of unprotected sexual intercourse and how to prevent HIV/AIDS.

The king annually facilitates important cultural events which are attended by thousands of maidens and young boys from all over KwaZulu-Natal. These events provide the ideal platform to promote the programme and distribute education manuals. The king's address enhances the message of the education programme.

To date, 50 000 people have been educated and 20 000 education manuals distributed by 10 permanent HIV/AIDS trainers. Ticor's workforce is informed about the training programme, providing a platform for employees to share knowledge on HIV/AIDS with their families and communities. Volunteering programmes, where employees interact with communities in sharing knowledge, have also been implemented.

Although a solution to the HIV/AIDS pandemic is not imminent, the Bayethe campaign is raising awareness and understanding of the disease in rural communities and is seen as a key element in the fight against Aids in KwaZulu-Natal. The partnership with the king plays an important role in the image Ticor SA portrays as a good corporate citizen in rural communities and his authority gives credence to the programme and its aim.

- **Health and safety in the work environment – *Going beyond legislative compliance on workplace conditions for employees to facilitate greater workplace satisfaction, efficiency and productivity***

Ticor's I Care safety project

During commissioning and ramp-up phase, Ticor SA had an exemplary safety record, reaching 3,2 million lost-time injury-free hours in December 2002 and 483 days worked without a lost-time injury.

Then injuries increased significantly, causing the 12-month rolling injury ratio to rise from zero in December 2002 to 1,19 in December 2004, the worst performance since inception despite a number of measures implemented by Ticor's senior management to bring injuries under control.

At the end of 2004, Ticor management decided a new approach was necessary to establish the causes for the operation's poor safety performance, the so-called *I Care* breakthrough project. A team was assembled from operational and maintenance personnel to investigate the causes of the problem

using a three-phase approach: analysis, idea generation and implementation over a period of seven weeks.

During the analysis phase, safety performance was broken down into the key drivers that impacted on performance and indicators developed. Information gathered during this phase formed the basis of the idea-generation phase. Ideas were gathered from site visits, sessions with plant personnel and from brainstorming sessions.

Since the implementation of *I Care*, safety performance has improved from the low of 1,19 in December 2004 to 0,61 in October 2005, Ticor's best performance in two years.

A top-down commitment to safety, the willingness to try new methods and the understanding that safety is a daily concern has paid off for Ticor, with lessons learned being rolled out throughout the group.

Zincor safety stacks up

Zincor recently commissioned the first of four auto-stackers to increase the safety of employees and reduce costs. Until recently, stacking zinc sheets after stripping them from the cathodes was done manually, which often led to hand and back injuries. This technological improvement has significantly reduced risk, increased productivity and reduced energy use.

Tshikondeni – safety first

For one million shifts – or eight million hours – the teams at Tshikondeni focused on safety. That's two years and eight months of unrelenting concentration – by 1 100 people, most of whom work underground in this Limpopo coal mine.

One million shifts without a fatality is "an outstanding achievement in a challenging operating environment", as acknowledged by the chief inspector of mines for the Department of Minerals and Energy who presented the *Millionaire* floating trophy to the mine in June 2005. Tshikondeni also received the Safety Achievement Flag

from the department as the winner of the coal mines division for most improved safety performance over three years.

These achievements clearly reflect the ability of the Tshikondeni team to manage their considerable underground challenges exceedingly well to ensure that the mine is a safe place to work. It is also a good example of Kumba's commitment to safety excellence which is a non-negotiable part of our business performance.

- **Supplier relations/developmental procurement** – *Managing procurement processes and, in South Africa, nurturing small enterprises and disadvantaged individuals, and developing suppliers through preferential procurement*

South African Mining Preferential Procurement Forum

When the mining charter was released, little was said about procurement although four elements were reflected as requirements:

- Determine current levels of HDSA spend
- Actively encourage existing suppliers to transform
- Indicate commitment to progression of procurement from HDSA companies
- Assist HDSA companies to develop.

Ready to comply, mining companies soon recognised the need to clarify definitions and adopt a unified approach to make reporting more meaningful. A process that sounds simple was immeasurably complicated by the different interpretations applied by individual companies to items as diverse as discretionary spending to classifying spare parts. This was the genesis of the SA Mining Preferential Procurement Forum of which Kumba was a founding member and which includes most of the major and minor mining houses.

The forum's community involvement goes beyond including members on the panel. Provincial forums share opportunities in other provinces, provide links to

empowerment partners and a network for interacting with mine procurement officers.

The forum has made considerable progress in just three years, but still faces significant challenges including its own transformation from a narrow mining-based approach to a national database for accredited suppliers. Kenneth Kgomo, Kumba's manager of commercial equity developments, was elected chairman of the forum for 2006, and tasked with restructuring the forum to reflect its empowerment status and preference for doing business with empowered companies, as well as clarifying legislative terminology with government.

Supplier development

Kumba's supplier development programme has helped small companies tender to supply goods and services to large groups. It has trained suppliers in ways to run effective businesses. Just as importantly, it has been the catalyst for the transformation of much larger, established businesses in its operational areas.

In 2004, some 150 entrepreneurs were trained in the Northern Cape, Gauteng, Limpopo and North West. In 2005, 26 suppliers were trained in the Lephalale district (Grootegeluk mine's area of operation). The majority of these companies are small enterprises. Through workshops, meetings, lectures, seminars, conferences and information sessions, topics ranged from starting a business, marketing, tendering and business administration to dealing with failure.

Kumba's supplier development programme has shown excellent incremental growth since its establishment, with preferential procurement spending rising from R128 million in 2002 to R863 million in 2005.

Valuable lessons have been learned through this process:

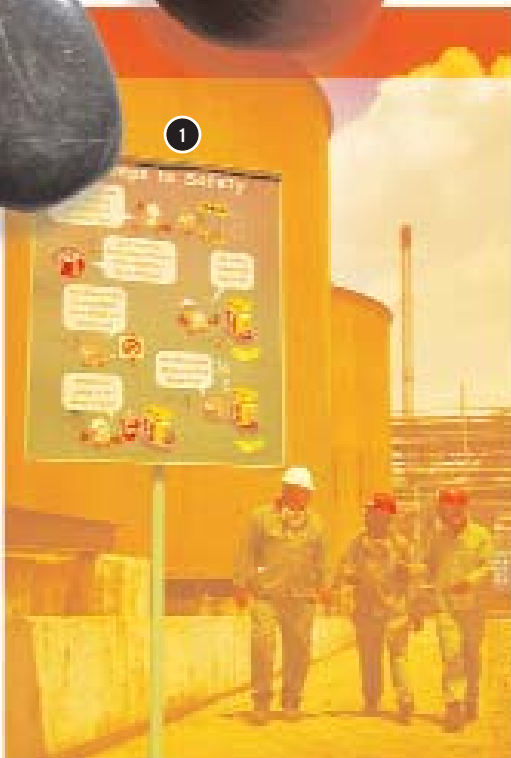
- Supplier development programmes that combine central and divisional skills and resources are most effective

- Emerging entrepreneurs benefit more from personal interaction combined with workshops and lectures
- Multilingual facilitators make interactions more meaningful
- Companies must accept that many of the entrepreneurs trained are not necessarily looking for opportunities in the mining industry. In addition, some are only looking for jobs
- Access to funding continues to be a barrier, especially in rural areas
- There are not enough opportunities for all entrepreneurs
- Many expectations have been created with the promulgation of empowerment laws, and these must be carefully managed.

To generate direct benefit through supply opportunities and training on business-related issues to community members around the mine, Kumba has engaged local municipalities in its operating areas in the process. Community members become involved in the programme through their local municipal office, organised forums and structures as well as through community leaders.

- **Leadership in sustainability** – *Demonstrating our leading role in promoting and implementing corporate citizenship and sustainability as a business philosophy in our industry peer group, in our sector of operation, in our country and against international benchmarks and standards*

At industry, regional and societal level, Kumba participates in a number of initiatives to develop common standards for measuring effective and sustainable development projects. It was the first company to submit its integrated annual report for critical review by an independent industry NGO. Kumba is an active member of the Chamber of Mines' sustainability committee.



1. The I Care safety project is supported throughout the group. At Zincor from left, are Danie Oosthuizen, electrical artisan; Daniel Mthombeni, electrical aide; and Jabulani Ncubame, boilermaker assistant.

2. The auto-stackers at Zincor increase the safety of employees.

3. Grootegeluk helped establish Iterileng crèche in Marapong, near Lephalale.



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Reporting period	1 January 2005 – 31 December 2005
Date of most recent previous report	Published March 2005 for period ended 31 December 2004
Boundaries of report and any specific limitations on the scope	Kumba's non-financial reporting is currently limited to southern African operations. It does not include the heavy minerals operations of Titor Limited in Australia nor the base metals operations of Chifeng Zinc Smelter in China. Reporting is in English only, given that this language accommodates the majority of Kumba's stakeholders.
Significant changes in size, structure, ownership or products/services since previous report	In October 2005, Kumba announced that it will be split into two companies: Kumba Iron Ore and Newco (p16). Kumba's approach to sustainable development reporting is aligned with those adopted by its major shareholder Anglo American plc.
Basis for reporting on joint ventures, partially-owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organisations	Fully disclosed in notes 2 and 17 in the annual financial statements on p143 and p157 respectively or available on www.kumbaresources.com
Explanation of the nature and effect of any restatements of information provided in earlier reports, reasons (eg change of base year/periods, measurement methods)	International Financial Reporting Standards improvements effected 1 January 2005.