

Remuneration report

for the year ended 31 December 2008

Kumba's remuneration philosophy

The human resources, remuneration and nominations committee ensures that the principles of accountability and transparency are applied and that remuneration is linked to performance and that they support the business strategy.

The following remuneration philosophy is applied by Kumba:

- To motivate and reinforce the performance of individuals.
- To attract and retain talented people.
- To compete in the marketplace with the intention of being a preferred employer is key in supporting the implementation of Kumba's business strategy.
- To apply it equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

The directors and members of the Kumba executive committee are appointed and remunerated based on their ability to contribute to the overall performance of Kumba. The purpose of the policy on directors' fees and remuneration is to ensure that executive directors and senior managers receive remuneration that is appropriate to their scope of responsibility and contribution to the group's overall performance.

Executive directors' remuneration

The remuneration of executive directors consists of a fixed component and a variable component (short and long-term incentives). The long-term incentives comprise grants under the Kumba Management Share Option Scheme, Phantom Share Scheme, the Share Appreciation Rights Scheme, the Long-Term Incentive Plan and Deferred Bonus Plan. Both fixed and variable components ensure that a substantial portion of the remuneration package is linked to the performance of the business. The Share Appreciation Rights Scheme and the Long-Term Incentive Plan were implemented with effect from March 2007 to replace the Kumba Management Share Option Scheme and the Phantom Share Scheme. The Deferred Bonus Plan was implemented for executive directors from 2008.

A portion of the approved cash salary and short-term incentives of the chief financial officer's remuneration are determined and paid in terms of a separate employment agreement concluded between Kumba International BV and the respective executive director. The actual percentage paid is calculated on the basis of the time required to perform services offshore.

Fixed remuneration

The fixed salaries of executive directors are reviewed annually and determined with reference to the scope and nature of an individual's role and his performance and experience.

In addition to a basic cash salary, executive directors receive benefits that include contributions to the membership of a medical health care scheme and a vehicle allowance. Retirement and risk benefits are provided to executive directors subject to the rules of the Kumba Pension and Provident Selector Funds. Contributions calculated as a percentage of the basic cash salary are paid to contributory retirement schemes and are subject to the rules of the pension and provident funds.

Short-term incentives

In addition to fixed remuneration, each executive director participates in a short-term incentive scheme to reward and motivate the achievement of agreed group performance objectives.

The approved principles of the short-term incentive scheme for the 2008 financial year comprise financial, business and strategic performance criteria and metrics. Kumba's financial performance targets are set by the board using earnings before interest and tax and return on capital employed as measures. Actual performance on Kumba's financial targets determined 50% of the executive directors' short-term incentive in 2008. The balance of the short-term incentive is determined by the extent to which strategic and other business performance objectives are achieved.

In total executive directors may earn an annual short-term incentive of up to 60% of fixed remuneration.

Remuneration report continued for the year ended 31 December 2008

On 12 February 2008 the committee considered in respect of 2007 the overall assessment of the performance of the executive directors participating in the short-term incentive scheme against the agreed group financial targets and the levels of achievement against their strategic and other business performance objectives.

Long-term incentives

Executive directors and senior management participate in the following long-term incentive schemes:

Old schemes – transferred to Kumba post-unbundling

1. Kumba Management Share Option Scheme
2. Phantom Share Scheme

New schemes

1. The Share Appreciation Rights Scheme
2. The Long-Term Incentive Plan
3. The Deferred Bonus Plan

On 8 November 2008 the committee considered the adoption of a Bonus Share Plan for executive directors and senior employees to be implemented in 2009. The adoption and implementation of the scheme is subject to approval by shareholders at the annual general meeting (AGM) on 20 March 2009. Detail of the plan is provided in a separate circular to shareholders.

Kumba Management Share Option Scheme

Prior to the unbundling of the then Kumba Resources Limited (Kumba Resources) senior employees participated in the Kumba Resources Management Share Option Scheme. At the time of unbundling in order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been if they remained shareholders of the then Kumba Resources Limited, the schemes continued in Kumba Iron Ore Limited and in Exxaro Resources Limited.

The Management Share Option Scheme was adopted by the group post-unbundling subject to certain amendments that were made to the Kumba Resources Management Share Option Scheme.

As a result the senior employees and directors that participated in the Kumba Resources Management Share Option Scheme subsequently became participants of the new Kumba Iron Ore Management Share Option Scheme.

From the date of the unbundling, no rights in terms of the Kumba Management Share Option Scheme have been granted.

Subsequent to the secondment of EJ Myburgh to South Africa's national electricity supplier, Eskom, no executive directors currently participate in the scheme.

Phantom Share Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executive directors and senior employees who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would have been made in the ordinary course of operations.

From the date of the unbundling, no rights in terms of the Phantom Share Scheme have been granted.

Subsequent to the secondment of EJ Myburgh to South Africa's national electricity supplier, Eskom, no executive directors or senior employees currently participate in the scheme.

The Share Appreciation Rights Scheme

Executive directors and senior employees receive annual grants of share appreciation rights, which are rights to receive Kumba shares equal to the value of the difference between the market value of a Kumba share on the day immediately preceding the date of the exercise (exercise price) of the right and the market value of the Kumba share on the day immediately preceding the date of grant of the right (grant price).

The vesting of the rights is subject to specific performance conditions. The duration and specific nature of the conditions as determined by the remuneration committee of Kumba are stated in the letter of grant for each annual grant. The measurement of the performance conditions will be tested after three years. Retesting of the performance condition is permitted on the first and second anniversary of the end of the performance period.

After vesting, the rights will become exercisable. Rights not exercised within seven years will lapse.

With the planned implementation of the Bonus Share Plan in 2009 no rights will be granted under the scheme in future.

The Long-Term Incentive Plan (LTIP)

Executive directors and senior employees receive annual grants of conditional awards of Kumba shares.

The conditional award will vest after the performance period of three years, and to the extent that specific performance conditions have been satisfied. No retesting of the performance conditions is allowed.

The performance conditions for the annual LTIP awards made since the inception of the plan in 2007 are subject to the achievement of stretching performance targets relating to total shareholder return (TSR) and to a financial measure, return on capital employed (ROCE), over a fixed three-year period.

The performance conditions will determine if, and to what extent, the conditional award will vest. Upon vesting the employee will be entitled to shares in Kumba to settle the value of the vested portion of the conditional award. The conditional awards which do not vest at the end of the three year period will lapse.

The Deferred Bonus Plan

The purpose of the plan is to encourage executive directors and senior employees to utilise part of their after tax short-term incentive payment for the purpose of acquiring shares (pledged shares) in Kumba. Participants who own pledged shares are entitled to all rights in respect of these shares including dividend and voting rights. If the pledged shares are held for the pledge period (usually three years) and the participants remain in the employ of the company for the pledge period, then the company will provide a matching award of free shares (matching shares). Executive directors and senior management first participated in this plan from 2008.

With the planned implementation of the Bonus Share Plan in 2009 no pledged shares will be granted under the scheme in future.

The Bonus Share Plan

With ever-increasing importance of attracting and retaining talent, the Bonus Share Plan will be implemented in 2009 (subject to shareholder approval). Participants of the plan will receive forfeitable shares. All previous awards under the Share Appreciation Rights Scheme and Deferred Bonus Plan will be grandfathered. The plan strives to improve the link between performance and reward while promoting share ownership by executive directors and senior employees.

Executive directors' remuneration for the year was as follows:

Executive directors (R'000)	Salary	Short-term incentive ¹	Retirement funding	Other benefits ²	Total 2008	Total 2007
CI Griffith ³	1,518	–	153	102	1,773	–
VP Uren ⁴	2,495	636	228	215	3,574	3,705
EJ Myburgh ⁵	1,512	902	143	89	2,646	2,929
Total	5,525	1,538	524	406	7,993	6,634

¹ Bonus payable for the period 1 January 2008 to 31 December 2008.

² Includes the encashment of leave accrued.

³ The remuneration for 2008 relates to the period 1 July 2008 to 31 December 2008.

⁴ Included in salary above is R437,355 (2007 – R320,744) payable to VP Uren by Kumba International BV in respect of services rendered as director. Included in remuneration for 2007 is R1,145,054 short-term incentive payments received from Anglo Operations Limited (Anglo Operations) for services rendered as an employee of Anglo Operations prior to 20 November 2006.

⁵ The remuneration for 2008 relates to the period 1 January 2008 to 30 June 2008.

Remuneration report continued

for the year ended 31 December 2008

Non-executive directors' fees

The committee recommends fees payable to the non-executive directors for approval by the shareholders. The annual fees payable to non-executive directors for the period commencing 1 January 2008 were approved by the shareholders at the AGM of 28 May 2008. Fees are approved for an annual period commencing on 1 January each year. The revised fees of the non-executive directors will be submitted to the shareholders for approval at the next AGM on 20 March 2009.

Non-executive directors' fees approved for 2008 were as follows:

Board/Committee (R'000)	Jan 2008 to Dec 2008	
	Member	Chairman
Chairman of the Kumba board		600
Kumba board	140	
Audit committee	90	150
Other board committees	60	120

Non-executive directors' fees for the year were as follows:

Non-executive directors (R'000)	Board meeting fees	Committee fees	Total 2008	Total 2007
PL Zim	600	60	660	275
Z Bassa ¹	–	–	NA	NA
PM Baum ²	140	60	200	155
GS Gouws ²	140	–	140	210
DD Mokgatle	140	270	410	235
N Moyo	140	90	230	165
AJ Morgan	140	188	328	190
PB Matlare	140	180	320	225
Total	1,440	848	2,288	1,455

¹ Appointed as non-executive director on 3 December 2008.

² Fees paid to their respective employers and not to the individuals.

Annual financial statements
Kumba Iron Ore Limited

Executive committee members' remuneration

The fixed remuneration of members of the Kumba executive committee, other than executive directors, is reviewed and recommended to the Kumba board by the committee.

Similar to the executive directors the members of the Kumba executive committee participate in the short-term incentive scheme as set out above and in the various long-term incentive schemes. Awards in terms of these schemes are under the same terms as detailed above.

The aggregate remuneration of members of the Kumba executive committee (excluding that of the executive directors disclosed separately above) for the year was as follows:

Executive committee members (R'000)	Salary	Short-term incentive	Retirement funding	Other benefits	Total 2008	Total 2007
Aggregate total ¹	11,500	1,677	1,305	2,320	16,802	10,203
Number of members					8	7

¹ Includes the encashment of leave accrued.

Long-term incentive schemes

Kumba long-term incentive schemes

The interests of the directors in shares of the company provided in the form of share options, rights, conditional awards and pledged shares are shown in the tables below.

No variations have been made to the terms and conditions of the schemes during the year, including the performance conditions to which the granting and vesting of the options, rights and conditional awards are subject.

Management Share Option Scheme	Number			Rand	R'000		
	Balance at beginning of year	Share options exercised	Share options forfeited		Balance at end of year	Weighted average exercise price	Share-based payment expense
						2008	2007
Executive committee members	186,990	28,150 ¹	15,650	143,190	78.39	2,293	2,132

¹ 28,150 share options with a weighted average exercise price of R38.30 per share were exercised during the period 1 January 2008 to 31 December 2008 on which a gain of R7,605,561 was realised.

Share Appreciation Rights Scheme	Number			Rand	R'000		
	Balance at beginning of year	Rights granted	Balance at end of year		Weighted average exercise price	Share-based payment expense	
						2008	2007
Executive directors							
CI Griffith	–	7,540	7,540	259.87		155	–
VP Uren	10,530	5,624	16,154	201.40		260	118
Total	10,530	13,164	23,694	220.01		415	118
Executive committee members	17,820	23,604	41,424	240.32		770	200

Remuneration report continued

for the year ended 31 December 2008

	Number			Rand	R'000	
	Balance at beginning and end of year	Conditional award granted	Balance at end of year	Weighted average exercise price	Share-based payment expense	
Long-Term Incentive Plan					2008	2007
Executive directors						
CI Griffith	–	7,548	7,548	–	275	–
VP Uren	10,548	5,267	15,815	–	361	233
Total	10,548	12,815	23,363	–	636	233
Executive committee members	17,866	23,009	40,875	–	1,170	399

	Number			Rand	R'000
	Balance at beginning of year	Pledged shares granted	Balance at end of year	Weighted average exercise price	Share-based payment expense 2008
Deferred Bonus Plan					
Executive directors					
VP Uren	–	648	648	–	46
Total	–	648	648	–	46
Executive committee members	–	140	140	–	11

Anglo American plc group long-term incentive schemes

CI Griffith and VP Uren through their employment at Kumba, a member of the Anglo American plc group, retained of the awards granted whilst participants of the Anglo American plc group long-term incentive schemes. CI Griffith and VP Uren no longer receive awards under these schemes.

As at 31 December 2008 the following awards under the Anglo Platinum long-term incentives schemes were held by CI Griffith:

	Number	Rand
	Balance at beginning and end of year	Weighted average exercise price
Anglo Platinum Share Option Scheme	5,693	233.24
Anglo Platinum Executive Share Appreciation Scheme	8	230.21
Anglo Platinum Executive Share Option Scheme	2,987	677.84

	Number
	Balance at beginning and end of year
Anglo Platinum Long-Term Incentive Plan	2,991

As at 31 December 2008 the following awards under the Anglo American long-term incentives schemes were held by VP Uren:

	Number			Rand
	Balance at beginning of year	Conditional awards released	Balance at end of year	Market price release date
Anglo American Executive – LTIP	18,000	(11,200)	6,800	379.10

	Number	
	Balance at end of year – bonus shares	Balance at end of year – enhancement shares
Anglo American Executive – Bonus Share Plan	2,727	2,222

	Number
	Balance at end of year
Anglo American Executive – Restricted shares	2,734

Remuneration report continued

for the year ended 31 December 2008

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2008 of the directors of the company and their immediate families (none of which have a holding greater than 1%) in the issued shares of the company are detailed below. There have been no material changes in these shareholdings since that date.

Beneficial interest	2008			2007		
	Number of shares	Long-term incentive schemes ¹	Total beneficial interest	Number of shares	Long-term incentive schemes ¹	Total beneficial interest
Executive directors						
CI Griffith	–	15,088	15,088	–	–	–
VP Uren	4,250	32,144	36,394	–	21,078	21,078
EJ Myburgh	NA	NA	NA	635	138,722	139,357
Total	4,250	47,232	51,482	635	159,800	160,435

¹ Granted under the Kumba Management Share Option Scheme, Kumba Share Appreciation Rights Scheme, Long-Term Incentive Plan and Deferred Bonus Plan as disclosed in the tables above.