

Corporate governance statement

1. Statement of compliance

Kumba is fully committed to the principles of the Code of Corporate Practices and Conduct (the code) set out in the King II Report on corporate governance (King II). The directors ensure that the affairs of the company are conducted within acceptable norms of ethical corporate conduct. The directors are therefore of the opinion that Kumba complied with, and has applied the requirements of King II during the 2009 financial year.

2. Application of the code

The code applies to all entities within the Kumba. The board annually reviews compliance with the spirit of the code and the company's corporate governance system. The board has noted the publication of the King III Report on corporate governance (King III) which will come into operation in March 2010 as well as the new provision of the Companies Act 61 of 1973 (Act). The board is currently reviewing all aspects of compliance with King III and is confident that compliance in all material respects will be achieved during 2010. The audit and risk committee of the board has completed a review of its terms of reference and work plan to incorporate its statutory duties in terms of the Act as well as the provisions of King III with respect to audit committees.

3. Changes to the board during 2009

There were no changes to the board during 2009. Subsequently to 31 December 2009, Dr Nkosana Moyo and Mr Philip Baum resigned as non executive directors on 12 January 2010. Mr David Weston was appointed as a non-executive director on 10 February 2010.

Non-executive directors on the Kumba board are appointed on a permanent basis. A third of the directors retire by rotation annually. If eligible, the names are submitted for re-election at the annual general meeting, accompanied by appropriate biographical details set out in the annual report. The board as a whole appoints directors including the chief executive on the recommendation of the human resources, remuneration and appointment committee (Remco).

A formal procedure applies to all appointments, which are subject to confirmation by the shareholders at the annual general meeting. Prior to the appointment, the prospective board appointee is subjected to a "fit and proper" test as required by the Listings Requirements of the JSE.

4. Role of the board

The board of directors is accountable to shareholders for the performance of the company. Its role includes:

- The establishment, review and monitoring of strategic objectives;
- Approval of major acquisitions, disposals and capital expenditure;
- Oversight of the company's systems of internal control, governance and risk management;
- Ensuring that the company acts and is seen to act as a responsible corporate citizen; and
- Cultivating and promoting an ethical corporate culture at Kumba.

While all directors have equal responsibility for directing the company's affairs, it is the role of the chief executive and executive committee to manage the business of the company within parameters laid down by the board and to produce clear, accurate and timely reports to enable the board to make informed decisions.

The board has, through its charter and the delegated authority framework, set aside matters which it cannot delegate.

The following matters are specifically reserved for the board:

- Reviewing the strategic direction of the company and adopting business plans proposed to achieve the company's objectives;
- Approving specific financial objectives, including budgets, and non-financial objectives and policies proposed by management;
- Overseeing the company's performance against agreed targets and objectives;
- Reviewing the process for management of business risk and ensuring there is an effective risk-based internal audit;
- Reviewing processes for ensuring compliance by the company with its key legal obligations;
- Reviewing the compliance framework and processes to ensure the company complies with the relevant laws, regulations and codes of best business practice;
- Delegating appropriate authority to the chief executive officer for capital



expenditure and reviewing investment, capital and funding proposals reserved for board approval in terms of the delegation policy set out in its charter;

- Appointing the chief executive officer and executive and non-executive directors on recommendation from Remco;
- Approving succession planning for key positions within the company;
- Providing leadership and vision in a way that will enhance value and ensure the long-term organisational health of the company;
- Ensuring the integrity of financial reporting and the full and timely disclosure of material matters concerning the company; and
- Reviewing the periodic going concern assessments of the company.

5. Board composition

In keeping with the recommendations of the code, the board comprises a majority of independent non-executive directors. Non-executive directors are considered to have the skills and experience to bring balanced and independent judgement to bear on company business. The board currently comprises, in addition to the chairman, two executive and seven non-executive directors, five of whom are independent according to the definition contained in the Corporate Laws Amendment Act. Independent directors and biographical details for each director appear on page 23.

	Board (5 meetings)	Audit & risk committee (4 meetings)	Safety & sustainable development committee (4 meetings)	Remco (4 meetings)
PL Zim	4	–	–	2
PM Baum	All	–	–	3
GS Gouws	All	–	–	–
CI Griffith	All	3*	All*	All*
PM Matlare	3	–	1	3
DD Mokgatle	All	All	All	–
AJ Morgan	All	All	All	All
ND Moyo	1	1	–	–
VP Uren	All	All*	–	–
ZBM Bassa	All	All	–	–

* Attendees.

The board is chaired by Lazarus Zim, who is responsible for leading the board and for its effectiveness. The chief executive officer, Chris Griffith, is responsible for executing strategy and day-to-day management of the company, supported by the executive committee which he chairs.

6. Frequency and attendance of meetings

During the review period, the board met five times, the audit and risk committee four times, and the safety and sustainable development committee and Remco each met four times. The detail of directors' attendance of meetings is set out in the table above.

7. Induction and training

The company secretary arranges an appropriate induction programme for directors where required or when a new director is appointed. The programme includes visiting operations, and interviews with operational management to facilitate an understanding of the business. Corporate governance training, including an explanation of directors' fiduciary duties and continuing obligations of the Listings Requirements of the JSE is tailored for individual director's requirements. The company secretary provides directors with updates on legislative developments. Non-executive directors can, where necessary, obtain independent professional advice at the expense of the company.

The board conducted an independent external evaluation of its effectiveness during the year. The reason for an externally facilitated process was to ensure that a more thorough review of the performance of the board, using broader performance indicators and in-depth interviews with individual directors by experienced board performance specialists, was conducted. The board identified key focus areas to improve performance and these have been included in the board work plan for 2010.

8. Company secretary

The company secretary provides the board as a whole and the directors individually with guidance on discharging their responsibilities. He is also a source of information and advice to the board on matters of ethics and corporate governance. The company secretary maintains and regularly updates the corporate governance manual which is distributed to new directors, and ensures that the board and company comply with the Listings Requirements of the JSE.

9. Committees of the board

Subject to those matters reserved for its decision, the board delegates certain responsibilities to a number of standing committees: audit and risk; Remco; and safety and sustainable development. The terms of reference for each committee are published on the company's website.

Human resources, remuneration and nominations committee (Remco)

Remco is responsible for making recommendations to the board on the appointment, remuneration policies and practices of the chief executive, executive committee members and senior management.

The committee makes recommendations to the board on the composition of the board and board committees and ensures that the board comprises suitably qualified individuals. It consults other directors in its evaluation of the chairman of the board, the chief executive and individual directors.

Remco normally meets four times each year and comprised Allen Morgan (chairman), Peter Matlare, Philip Baum and Lazarus Zim. Following the year end, Mr Baum resigned from the board and the committee.

Safety and sustainable development committee (S&SD)

The S&SD committee is responsible for developing policies and guidelines to manage sustainable development, safety, health and environmental matters. The committee normally meets four times each year, including a visit to an operation. Mine managers are invited to attend committee meetings. The committee presently comprises: Dolly Mokgatle (chairman), Allen Morgan and Peter Matlare.

Audit and risk committee

The primary role of the committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management process and effective systems of internal controls are maintained. In accordance with the Corporate Laws Amendment Act, the audit and risk committee report is included on page 19 of this corporate governance statement.

Executive committee

The executive committee is not a sub-committee of the board. It is responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices.

The executive committee is also responsible for senior management appointments and monitoring their performance and acts as the company's risk committee for the purpose of reviewing and monitoring Kumba's systems of internal control. The membership of this committee consists of the executive directors, executive heads, the mine general managers and the company secretary.