

Remuneration report

for the year ended 31 December 2007

Kumba's remuneration philosophy

The 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:

- Motivates and reinforces performance of individuals.
- Attracts and retains talented people.
- Competes in the marketplace with the intention of being a preferred employer.
- Supports the implementation of Kumba's business strategy.
- Is applied 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 and 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 and will replace the Kumba Share Option Scheme and the Phantom Share Scheme. Executive directors will participate in the Deferred Bonus Plan 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 separate employment agreements 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 healthcare 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 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 2007 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 determines 40% of the executive directors' short-term incentive in 2007. The balance of the short-term incentive is determined by the extent to which key strategic business and other key performance objectives are achieved.

In total, the chief financial officer may earn an annual short-term incentive of up to 50%, and the chief executive officer 65% of fixed remuneration.

On 12 February 2008, the committee considered 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 key 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 Incentive Scheme
 - 2 Phantom Share Scheme
- New schemes
 - 1 The Share Appreciation Rights Scheme
 - 2 The Long-Term Incentive Plan.

Kumba Management Share Incentive Scheme

Prior to the unbundling of the then Kumba Resources Limited (Kumba Resources) senior employees and executive directors 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 in if they remained shareholders of the then Kumba Resources Limited, the schemes continued in Kumba and in Exxaro Resources.

The Management Share Incentive 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.

The options granted under the scheme vest over a period of five years commencing on the first anniversary of the offer date except for some share options granted in 2005 that vest in multiples of 33.3% per year over a three-year period commencing on the first anniversary of the offer date. The vesting periods of these share options are as follows:

- 10% after 1st anniversary of offer date.
- 20% after 2nd anniversary of offer date.
- 20% after 3rd anniversary of offer date.
- 25% after 4th anniversary of offer date.
- 25% after 5th anniversary of offer date.

Share options not exercised lapse by the seventh anniversary of the offer date.

From the date of the unbundling, no rights in terms of the Kumba Management Share Option Scheme have been granted as these schemes had been replaced by new schemes.

Phantom Share Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources, the chief executive officer and certain 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 as these schemes had been replaced by new schemes.

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 exercise (exercise price) of the right and 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.

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 LTIP awards made during 2007 are subject to the achievement of stretching performance targets relating to total shareholder return (TSR) and to an operating 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 employees will only be able to participate in this plan from 2008 onwards.

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Executive directors (Rand '000)	Salary	Short-term incentive ¹	Retirement funding	Other benefits ²	Total 2007	Total 2006
EJ Myburgh ³	2,333	153	221	229	2,936	1,525
VP Uren ⁴	2,192	1,145	170	193	3,700	237
Total	4,525	1,298	391	422	6,636	1,762

1 Bonus payable for the period 20 November 2006 to 31 December 2007.

2 Includes the encashment of leave accrued.

3 The remuneration for 2006 relates to the period 1 November 2006 to 31 December 2006 and includes short-term incentives of R1,1 million.

4 The remuneration for 2006 relates to the period 20 November 2006 to 31 December 2006. Included in salary above is R320,744 payable to VP Uren by Kumba International BV in respect of services rendered as director during 2007 and under short-term incentive an amount of R1,145,054 in respect of payments received from Anglo Operations in 2007 for services rendered as an employee of Anglo Operations prior to 20 November 2006.

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 2007 were approved by the shareholders at the annual general meeting (AGM) of members of 24 May 2007. 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 28 May 2008.

Annual non-executive directors' fees are as follows for the following periods:

Board/Committee (Rand)	Jan 2008 to Dec 2008		Jan 2007 to Dec 2007	
	Member	Chairman	Member	Chairman
Chairman of the Kumba board		600,000		240,000
Kumba board	140,000		120,000	
Audit committee	90,000	150,000	45,000	90,000
Other board committees	60,000	120,000	35,000	70,000

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

Non-executive directors (Rand '000)	Board meeting fees	Committee fees	Total 2007	Total 2006
PL Zim ¹	240	35	275	240
PM Baum ²	120	35	155	120
GS Gouws ²	120	90	210	143
DD Mokgatle	120	115	235	131
N Moyo	120	45	165	131
AJ Morgan	120	70	190	120
PB Matlare	120	105	225	120
Total	960	495	1,455	1,005

1. Appointed as non-executive chairman of the board on 9 February 2006.

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

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. Grants 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) for the year was as follows:

Executive committee members (Rand '000)	Salary	Short-term incentive	Retirement funding	Other benefits ¹	Total 2007	Total 2006
Aggregate total	6,205	1,914	536	1,548	10,203	5,385
Number of members	–	–	–	–	7	5

1 Includes the encashment of leave accrued.

Long-term incentive schemes

The interests of the directors in shares of the company provided in the form of share options, rights and conditional awards 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.

	Balance at beginning and end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Management Share Incentive Scheme			
Executive directors			
EJ Myburgh	110,650	32.68	582
Executive committee members	256,720	46.44	2,132
Phantom Share Scheme			
Executive directors			
EJ Myburgh	9,900	40.18	1,823
Executive committee members	6,900	40.18	1,271

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	Balance at beginning of year (Number)	Rights granted (Number)	Balance at end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Share Appreciation Rights Scheme					
Executive directors					
EJ Myburgh	–	14,030	14,030	135.00	158
VP Uren	–	10,530	10,530	131.62	118
Total	–	24,560	24,560	–	276
Executive committee members	–	17,820	17,820	137.68	200

	Balance at beginning of year (Number)	Conditional award granted (Number)	Balance at end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Long-Term Incentive Plan					
Executive directors					
EJ Myburgh	–	14,042	14,042	–	311
VP Uren	–	10,548	10,548	–	233
Total	–	24,590	24,590	–	544
Executive committee members	–	17,866	17,866	–	395

VP Uren through his employment at Kumba, a member of the Anglo American plc group, retained the awards granted while a participant of the Anglo American long-term incentive schemes. VP Uren no longer receives awards under these schemes.

As at 31 December 2007 the following awards under the Anglo American long-term incentives schemes were held by VP Uren:

	Balance at beginning of year (Number)	Options exercised (Number)	Balance at end of year (Number)	Market price exercise date (GBP)
Anglo American Executive – Share Option Scheme				
Executive directors				
VP Uren	13,500	(13,500)	–	29.73

	Balance at beginning of year (Number)	Conditional awards released (Number)	Balance at end of year (Number)	Market price at release date (Rand)
Anglo American Executive – LTIP				
Executive directors				
VP Uren	21,675	(3,675)	18,000	379.10
			Balance at end of year – bonus share (Number)	Balance at end of year – enhancement share (Number)

Anglo American Executive – Bonus Share Plan

Executive directors				
VP Uren		6,249		4,863
				Balance at end of year (Number)

Anglo American Executive – Restricted shares

Executive directors				
VP Uren				2,734

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2007 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	Number of shares	Number of share options ¹	2007		Total beneficial interest	Number of shares	2006	
			Number of SARS ²	Number of LTIPs ³			Number of share options ¹	Total beneficial interest
Executive directors								
EJ Myburgh	635	110,650	14,030	14,042	139,357	635	110,650	111,285
VP Uren	–	–	10,530	10,548	21,078	–	–	–
Total	635	110,650	24,560	24,590	160,435	635	110,650	111,285

1 Granted under the Kumba Management Share Incentive Scheme.

2 Granted under the Share Appreciation Rights Scheme.

3 Granted under the Long-Term Incentive Plan.