

Corporate governance

In Kumba, risk management is a well-defined, logical and methodical process. Instilling a risk-conscious culture throughout our group is a continual focus as we strive to reach our goal of maximising opportunities and minimising exposures to risk.

Statement of compliance

Kumba is committed to the highest standards of corporate governance. In 2007, the company complied fully with the provisions of the Companies Act of 1973 and materially with the Code of Corporate Practices and Conduct (the code) recommended by the King II report on Corporate Governance. The area of non-compliance with the code was the independence of the chairman of the board. Lazarus Zim was previously chief executive officer of Anglo American South Africa. He resigned from that role on 30 April 2006. The board is satisfied that he acts independently in his role as chairman of the Kumba board.

The board has also considered the provisions of the Corporate Laws Amendment Act which was passed into law on 14 December 2007. Subsequent to the promulgation of this act, the chairman of the audit and risk committee, Gert Gouws (employed by the Industrial Development Corporation, a significant shareholder in Kumba) resigned his position on this committee. His replacement is being sought by the human resources, remuneration and nominations committee (Remco). Gert remains a non-executive member of the Kumba board.

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 group's systems of internal control, governance and risk management.

While all directors have equal responsibility for managing the company's affairs, it is the role of the chief executive and executive committee to run 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 Kumba delegated authority framework, set aside matters which it cannot delegate.

The following matters are 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.
- reviewing processes for ensuring compliance by the company with its key legal obligations.
- 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 the human resources, remuneration and nominations committee.
- 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.

Board composition

In keeping with the recommendations of the code, the Kumba board comprises a majority of independent non-executive directors. Non-executive directors are considered to have the skill 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 18.

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