

Sustainable development management

Kumba faces a challenge common to all mining companies: how to exploit a (finite) resource, maximise returns to shareholders, contribute to improved socio-economic conditions, and minimise environmental degradation. As a group we will continue to mine iron ore responsibly – provide a safe working environment, train and develop our employees and contractors minimise our environmental impact, act with accountability to ensure that our natural resources are used efficiently, and maximise our potential to contribute socially and economically.

This section maps out our progress in consolidating the management of sustainable development at Kumba.

It overlaps with governance and describes where we are and where we want to be. We know we are a new company, albeit one with a long history, and acknowledge that we are forging a new culture and a new way of doing business with the intention of creating a mining company with a realistic and honest approach to managing non-financial problems, building a conducive working environment and engaging with stakeholders.

Our focus areas, presented below, are suitably aligned with the resources needed for implementation in terms of Kumba structures, skills, accountability and management responsibility.

Sustainable development focus areas

Focus areas	Elements
Safety, health, and environment (SHE)	<ul style="list-style-type: none"> • Zero harm workplace • Occupational health diseases • Sustainable use of water and energy • Waste reduction • Reduced environmental footprint • Risk management
HIV/Aids	<ul style="list-style-type: none"> • Voluntary counselling and testing (VCT), antiretroviral treatment (ART) and wellness programmes among the workforce • Awareness programmes in neighbouring communities
Society and transformation	<ul style="list-style-type: none"> • Social and labour plans • Local economic development • Corporate social investment
Stakeholder relations	<ul style="list-style-type: none"> • Stakeholder analysis • Stakeholder engagement
Human capital	<ul style="list-style-type: none"> • Employment equity • Human resource development • Human rights
Material stewardship	<ul style="list-style-type: none"> • Responsible procurement • Contractor behaviour • Product responsibility
Corporate governance	<ul style="list-style-type: none"> • Policies • Historically disadvantaged South Africans (HDSA) ownership • External reporting

In developing our safety and sustainable development strategy, we are guided by a clear understanding of what we want to achieve and how we will do so.

Primary drivers include:

- Our commitment to sustainability
- The recognition that the 'business at all costs' principle doesn't work
- South Africa's transformation and requirement to include all South Africans in the economy
- The value of our reputation.

We are therefore committed to the highest management and performance standards that deliver value for all stakeholders. We aim to leave behind a legacy that will continue to benefit the communities in our operational and labour-sending areas.

Framework

Kumba's management approach is based on a draft sustainable development framework. We have adopted a simple approach to this framework:

- Vision – as part of our commitment, during 2008 we will develop a common understanding of sustainable development across Kumba to establish a shared vision for the company.
- We have guiding principles for sustainable development to direct our thinking and actions (below) and emphasise our support and commitment to the triple bottom-line and corporate governance.
- We have developed policies governing SHE and local economic development. We are integrating these into a single comprehensive sustainable development policy.
- The final level of sustainable development management is procedures and management systems. These are generally in operation as implemented at operational level.

Guiding principles for sustainable development

- We acknowledge that our corporate governance is driven by the principles of fairness, accountability, responsibility and transparency which are applied in our approach to all three pillars of sustainable development.
- A zero-harm philosophy guides our policies, procedures and actions.
- Our business is conducted ethically and in a sustainable manner.
- All our corporate social responsibility (CSR) programmes are integrated into our business strategies, reporting structures and performance management systems.
- We acknowledge that different stakeholders have different needs and that Kumba will, through its stakeholder engagement processes, strive to understand and address the reasonable expectations and interests of stakeholders.
- We understand the importance of building effective partnerships with our key stakeholders, especially those on whom we have a direct and significant impact.

Management

Responsibility for managing sustainable development at Kumba is shown below.

Management action	Responsibility		
	Head office	Mines	Exploration sites
Long-term vision and goals, policies	√	–	–
Controls/procedures	–	√	√
Strategic guidelines and standards	√	–	–
Setting targets and objectives	√	√	–
Strategy implementation	–	√	√
Assurance and monitoring	√	√	–
Reporting	√	√	√
Advisory, consultation	√	–	–
Engagement	√	√	√
Benchmarking	√	–	–

The functions of the key committees responsible for sustainable development are shown below:

Key committees	Function
Safety and sustainable development committee of the board	The committee assures the board that matters related to sustainable development, including safety, health and the environment, are effectively implemented, managed and risks mitigated. It also guides the development of applicable frameworks, policies and guidelines and ensures their progressive implementation throughout the group. The committee meets four times a year.
Transformation committee	Sub-committee of the executive committee which deals with day-to-day management of transformation issues and covers black economic empowerment, employment equity, preferential procurement, HDSA ownership, skills development, women in mining, corporate social investment (CSI), local economic development, social and labour plans, mining rights conversions and new rights applications. The committee meets monthly.
SHE steering committee	Sub-committee of the executive committee which deals with day-to-day management of workplace occupational health and safety and the environment. The committee meets monthly.

Risk management

Kumba's integrated risk management system is outlined on page 100. Risks without a monetary value are also considered in the risk identification, management and mitigation process. These risks are referred to as 'enablers' because ignoring them would prevent progress; removing them would enable progress. Reputation risk is a typical example of an enabler, as is the 'social licence to operate' – the permission that society gives.

Key impacts, whether social or environmental, are identified in the different processes, for example, impact assessments, environmental management plans, and social and labour plans. Impacts are assessed through the risk assessment process and through ongoing operational risk assessments. Monitoring key indicators provides information on our impact on society and the environment. Risks are assessed monthly through board and executive committee meetings.

Key non-financial risks

Risk	Impact	Mitigation
Employee safety	Work-related injuries and fatalities due to project construction and expansion at Sishen Mine	Improved safety awareness through campaigns, visible leadership, empowerment of people and implementation of safety standards.
Regulatory	Non-compliance with mining charter regulations	Ensure conversion of all Kumba mineral rights and fully compliance with mining charter requirements by 2008.
Employment equity	Not being able to recruit and retain HDSA management	Detailed plan in place to ensure target of 40% reached by end 2008.
Employees	Skills shortage	Ensure incentives and remuneration are market related and opportunities presented for employee development.
	Housing shortage	Revised strategy to ensure attraction and retention of staff.
	High turnover of artisans	Artisan retention allowance provided and market-related remuneration implemented.
	HIV/Aids	VCT programme conducted annually. ART and immune boosters supplied to infected employees. Designated service providers aligned to company strategy. Community HIV centre established to provide support to contractors, families and community.
Social	Dingleton community located in area to be mined.	Address safety issues and community concerns. Relocate community if feasible.
Impact of mine closure	Job loss, environmental degradation	An additional long-term risk concerns closure of both Thabazimbi and Sishen mines. Mitigating these risks forms part of a detailed and intensive closure-planning process.