



## Chief executive officer's review

On the whole, I am satisfied and proud of Kumba's performance with regards to sustainable development. There are certain areas where we can still improve and of course there is the single fatality at Kolomela Mine which clouds our performance.

### Safety

Notwithstanding the death of Tebogo David Marope, a 23-year old contractor who was fatally injured during road construction in January 2009, Kumba recorded a 42% improvement in its lost-time injury frequency rate (LTIFR). The frequency rate dropped to 0.07, down from last year's 0.12. This is a massive achievement and congratulations are due to the operations and safety teams for driving our zero harm agenda intensively. We notched up new safety records with Thabazimbi Mine completing its second successive year with zero LTIs and a seventh year of no fatalities. This is a fantastic achievement. Sishen Mine managed another great reduction in its LTIFR and recorded a run of 5.4 million hours without an LTI. This is the first year in the last five years that Sishen Mine has been fatality free. Our safety performance was widely acknowledged: Thabazimbi Mine received the 6,000 fatality-free production shifts trophy from the Department of Mineral Resources (DMR) and an Anglo American Chief Executive Safety award for the most improved operation. Kolomela Mine was lost-time injury free the whole year, bringing its LTI-free period to 14 months: an impressive performance for a new operation.

### Financial performance

It's always difficult to hold a course whilst the prevailing environment makes one think otherwise. Kumba managed to deal with 2008/2009 economic downturn and beat the odds by delivering a superior performance despite a 5% drop in operating profit. I owe my team a huge amount of gratitude for this. Production increased by 10% at Sishen Mine

and Kumba was able to beat its production growth targets and increase sales volumes. We also recorded a 4% decrease in unit cash costs in real terms.

This is largely due to the savings and efficiency drives, which are part of our asset optimisation programme.

Our success as a mining company has direct implications for our suppliers, employees, the authorities and especially representatives of these groups at the local level where our operations are located. At the local level, I am pleased with the progress Kumba made in facilitating the establishment of local enterprises. Running parallel with our enterprise development initiatives is our programme to increase spend with HDSA suppliers. During 2009, 36.85% of our discretionary spend was from black-owned and black-empowered vendors, exceeding our target. This translates into payments amounting to R3,2 billion out of a total of R8,6 billion discretionary spend.

### Employees

I am relieved to state that Kumba did not reduce its complement of permanent employees as a result of the economic downturn. We continue to attract employees based on the high profile and solid reputation we enjoy. The company was ranked top among resource companies and eighth overall for skills development in the 2009 Financial Mail Top Empowerment Companies survey. Winning these awards aids in attracting top people to the company.

We are ahead of target when it comes to HDSA representation in the workforce. I am committed to making Kumba a diversified company where all employees have access to the developmental programmes and opportunities they require in order to realise their potential.

We have made significant progress in our HIV voluntary testing and counselling programme with over 90% of our staff having participated in the programme, 10% higher than last year.

The testing programme indicates that Kumba's staff has an HIV prevalence rate of 7.6%, which is three to four percentage points below the averages in the provinces in which Kumba operates.

### Socio-economic development

I am pleased to report that Sishen Mine's small business hub, located in Kathu, was joint winner in the socio-economic category of the Nedbank Green Mining Awards. This says to me that the investment Kumba is making into the people and places which host it are paying off.

Our development programme is a three-legged affair: enterprise development (discussed previously), the provision of Integrated Development Plan (IDP) infrastructure and community development. For me, the value of our efforts is best exemplified by the funding we provide to the Ulyses Gogi Modise Wellness Clinic in Kathu, upgrading the Environmental Centre in the Marakele National Park, the range of education initiatives we support and our extensive bursary and learnership programme.

With regards to infrastructure development, we did not progress as intended during 2009. Part of the reason for this is the difficulty in coordinating the planning and construction of these large infrastructure projects with the local municipalities. To expedite the process, Kumba has seconded an employee to the Gamagara Local Municipality.

The proposed resettlement of the Dingleton community will be decided during 2010 or early 2011. Kumba's resettlement project team is compiling documentation which will be used to decide whether or not to proceed with the resettlement.

### Environmental performance

Our efficiency programme also extends to energy and water use. Reducing the amount of energy and water used per tonne of iron ore produced is of key importance in addressing the conservation of natural resources. We continue to invest substantial sums to understand the energy and water consumption at our

operations, and to conduct research and implement new technologies designed to reduce our energy and water consumption. Similarly, we are investing time and resources into our rock waste dump rehabilitation strategy and the remediation of areas in our mining operations which were affected by historical contamination. We are engaging with the farmers to deal with the potential impact of mine dewatering on the groundwater quantity and mitigation measures were put in place and agreed upon with all key stakeholders to address the impact.

We continue to drive and improve energy efficiency at all operations through performance monitoring and through the development of savings initiatives. Our greenhouse gas emissions, resulting from the use of fuel and electricity, will be reduced as a consequence of reducing our energy consumption. The United Nations conference on climate change held in Denmark in late 2009 has bearing on our emissions reduction initiatives. For the first time since the climate change debate began in earnest some 20 years ago, the majority of nations are aligned in intention. Most importantly, South Africa is acting to set protocols on emissions. Kumba will act in accordance with these by investing in energy reduction and efficiency programmes as well as examining the use of alternative and renewable forms of energy.

### Thanks

I thank all those people in Kumba who have worked tirelessly to ensure that Kumba is a successful and upstanding corporate. I also thank all of Kumba's stakeholders who have contributed to making Kumba a better company.



Chris Griffith  
Chief executive officer

