



# Integrated Report 2021





# Kumba's history



General view of an 860 haul truck in the Sishen pit



**1931**

Iscor's first mine established at Thabazimbi in the Limpopo province

**1942**

Open-pit operations commenced at Thabazimbi

**1953**

Sishen, our flagship operation, established in the Northern Cape province

**1976**

The South African government invested in the infrastructure to enable the export of iron ore from Sishen mine via the Sishen-Saldanha rail link and port facility

This opened up a new era of growth for the iron ore business

**1989**

Iscor is privatised

**2001**

Iscor unbundled into two separate companies, namely Kumba Resources and Iscor

**2002**

Sishen achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

**2006**

Unbundling of Kumba Resources' iron ore assets and the re-listing of Kumba Resources as Exxaro Resources and a new Company Kumba Iron Ore, fully empowered with black economic empowerment (BEE) ownership of 26%

**2008**

Sishen Jig plant formally opened in November 2008

Construction started on Kolomela

**2011**

Kolomela, first ore produced five months ahead of schedule and within budget

Maturity of the first phase of Envision (broad-based employee scheme) with 6,209 employees each receiving R576,045 (pre-tax)

**2012**

Unprotected strike at Sishen in the fourth quarter of 2012

**2013**

Finalisation of the new supply agreement with ArcelorMittal SA

Ultra-high density media separation (UHDMS) pilot plant commissioned at Sishen in the fourth quarter of 2013

Approval of the Dingleton relocation project

**2014**

Kumba granted the mining right for the rail properties at Sishen

47% decline in iron ore prices during the year

**2015**

Further 42% decline in iron ore prices – revised strategy from volume (increasing waste and production tonnes) to a value-based (cash-generating) strategy

Dividends suspended and restructuring of head office and support services at the mines

Slope failure at Thabazimbi; Board approves closure of the mine

Kumba achieved A-listing on the Climate Disclosure Project (CDP) Climate Change and Water programmes

**2016**

Sishen 21.4% residual mining right awarded to SIOC

Agreement reached to transfer ownership of Thabazimbi to ArcelorMittal SA

Restructuring of Sishen and significant reconfiguration of the Sishen pit

Bottoming out of the iron ore price

Maturity of Envision II; paid R75,000 per employee (after tax) in dividends; no capital pay-out due to decline in Kumba share price

**2017**

Kumba best performing share on the Johannesburg Stock Exchange (JSE)

Reinstate dividends

Introduced three transformation horizons to enhance our competitive position

Kolomela achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

**2018**

Approved the Tswelelopele strategy with three horizons

Transfer of Thabazimbi, including employees, assets and liabilities as well as the mining rights to ArcelorMittal SA, effective 1 November 2018

Kolomela mining right amended to include Heuningkranz prospecting right

**2019**

Zandrivijspoort – expiry of prospecting rights in Limpopo, the strategic focus remains in Northern Cape

**2020**

Covid-19 pandemic impacts not only Kumba but the entire world. Our WeCare response programme was implemented as a comprehensive set of risk-based prevention and control measures

Approved the Kapsteveld South project

Kumba delivers strong financial performance in a buoyant commodity market, but production volumes impacted by Covid-19 restrictions

**2021**

Kumba remained fatality-free for more than five years, supported by our elimination of fatalities (EOF) framework

UHDMS project approved – optimal value will be achieved through life-of-mine extension and increasing product quality

Kumba awarded first place in the Sunday Times Top 100 Companies (generated shareholder returns that outperformed their listed peers)

Resettlement of Dingleton community (which began in 2014) successfully concluded

### Navigating our 2021 reports

Our integrated reporting suite comprises the following reports:

All information for the year ended 31 December 2021

#### Integrated report (IR)

A succinct review of our strategy and business model, operating context, governance and operational performance, targeted primarily at current and prospective investors. When read with the following reports, and our other regular communication channels, we believe we meet the information needs of all our stakeholders.

#### Sustainability report (SR)

Reviews our approach to managing our most significant economic, social and environmental impacts, and to addressing those sustainability and environmental, social and governance (ESG) issues of interest to a broad range of stakeholders.

#### Annual financial statements (AFS)\*

Detailed analysis of our financial results, with audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).

#### Ore Reserve (and Saleable Product) and Mineral Resource Report (ORMR)\*

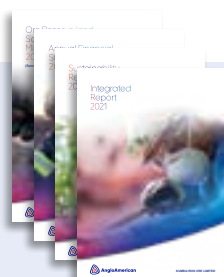
Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code – 2016 Edition) as required by section 12.13 of the Johannesburg Stock Exchange listing rules.

\* Published on 22 February 2022.

#### Online

Each of these reports, with additional updated information, is available on our website:

→ [www.angloamericankumba.com](http://www.angloamericankumba.com)



#### Social channels



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angloamerican



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### Directors' responsibility

As members of the Kumba Board, supported by the Audit Committee, we acknowledge our responsibility for ensuring the integrity of this report. Executive management, assisted by a dedicated reporting team, was responsible for drafting this report. As members of the Board, we have applied our collective mind to the preparation and presentation of the information contained in Kumba's 2021 integrated report. We believe that the report is presented in accordance with the Value Reporting Foundation's Integrated Reporting Framework and that it provides a balanced and appropriate presentation of those matters that have or could have a material effect on Kumba's ability to create value over time. The report presents Kumba's strategic framework for creating value and provides a concise review of the Company's performance and governance over the past year in creating, preserving or eroding value; we believe this review will enable report users to make an informed assessment of Kumba's ability to create value in an integrated manner over the short, medium and long term.

We invite Kumba's stakeholders to review this report and to provide feedback on the Company's performance, strategy and disclosure on delivering stakeholder value.

16 March 2022

#### Terence Goodlace

Chairperson and independent non-executive director

#### Mpumi Zikalala

Chief Executive and executive director

#### Sango Ntsaluba

Independent non-executive director  
Chairperson of the Audit Committee

#### Ntombi Langa-Royds

Independent non-executive director  
Chairperson of the Human Resources and Remuneration Committee

#### Themba Mkhwanazi

Non-executive director

#### Duncan Wanblad

Non-executive director

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This integrated report, written primarily for current and prospective shareholders, seeks to demonstrate that Kumba has the right strategy to deliver value to all our stakeholders in a responsible and sustainable manner, as well as the capacity to deliver effectively on this strategy.

With our Tswelelopele programme guiding us across the three-time horizons, we aim to radically transform our business and improve our competitiveness over the short, medium and long term.

As outlined throughout this report, our strategy and management practices are informed by a sound appreciation of the critical relationships and resources that Kumba depends on to create value.



# About this report

## Reporting scope and boundary

**This report presents Kumba's strategic framework for creating value over the short, medium and long term; it provides a concise review of how the Company's performance and governance over the past year are delivering on this strategy, and includes a frank reflection on how we have created, preserved or eroded value over time.**

The report provides information relating to Kumba's business model, operating context, material risks and opportunities, and governance and operational performance for the period 1 January 2021 to 31 December 2021. It covers the activities and impacts of the following operations over which we have direct control: our Sishen and Kolomela operations, our corporate office in Centurion, our operation at Saldanha port, and our marketing division. We also consider the risks, opportunities and outcomes of our business activities on the various stakeholders who are affected by what we do. These stakeholders and their interests are described on page 72 and an overview of the principal outcomes of our activities is provided on pages 20 to 27.

In addition, we have published AFS, a SR, and an ORMR report. The reporting process for all our reports has been guided by the principles and requirements contained in IFRS, the Value Reporting Foundation's Integrated Reporting Framework, the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the King IV™ Report on Corporate Governance for South Africa 2016 (King IV), the JSE Listings Requirements, and the Companies Act No 71 of 2008 (Companies Act).

## Our understanding of materiality

This report provides information that we believe is of relevance to current and prospective investors, and to any other stakeholder who wishes to make an informed assessment of Kumba's ability to generate value over the short, medium and long term. We have sought to ensure that all the information in this report relates to matters that have a material bearing on understanding value creation at Kumba. The specific risks and opportunities that impact value (often seen as a discrete set of "material issues") are listed on pages 62 to 71, but these alone are not sufficient as material information for report users.

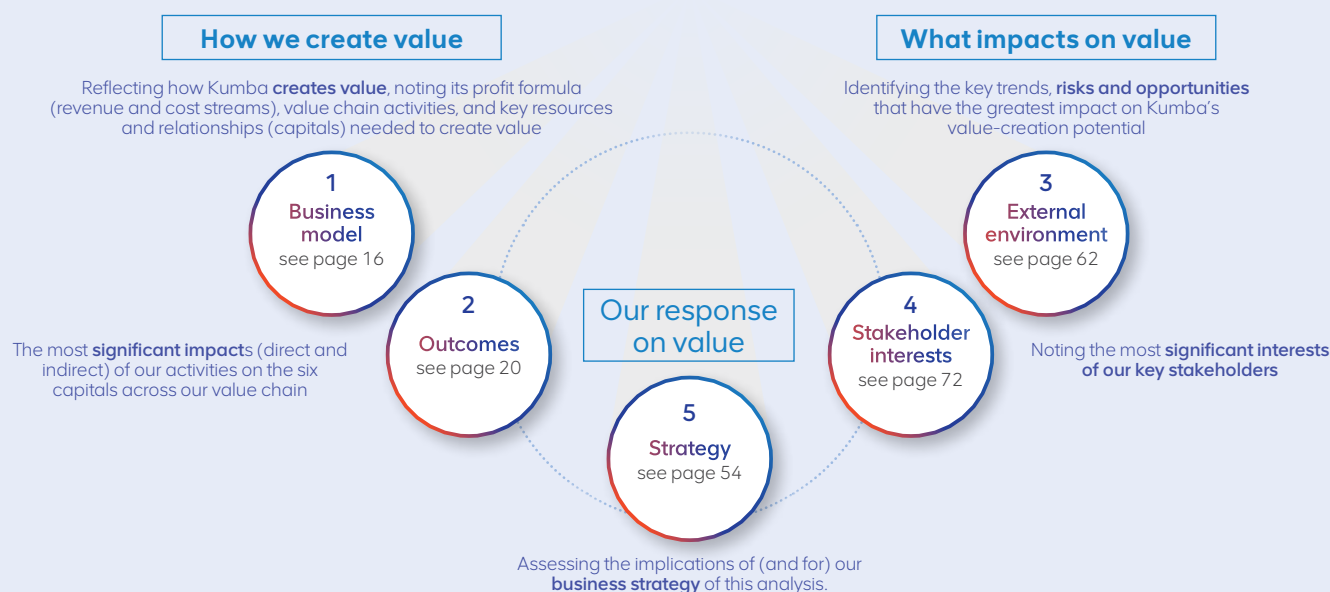
Understanding our business (page 14 and 15), our business model (page 16) and our activities and impacts on the capitals across our value chain (page 18), forms the basis for appreciating how Kumba creates, preserves or erodes value, and for identifying those issues impacting value. Our ability to create value is determined by the quality of our response to our operating context (page 62), the most significant risks and opportunities facing our business (page 76), and the priority interests of key stakeholders (page 74).

Making an informed assessment of the quality of our strategic response requires an appreciation of our strategy (page 54), our performance (page 8), our leadership team (page 34), and our governance (page 38) and remuneration practices (page 112).

## Our materiality process

To identify the material matters for inclusion in our integrated report, each year we run an independently facilitated materiality discussion with around 15 members of our executive and senior management teams.

This annual materiality review includes a detailed consideration of the following issues:



Informed by this analysis, which identifies all matters that have a bearing on value creation, the team prioritised these matters based on their relative importance. The results of this materiality process inform our annual reports. A separate report of the outcomes of the materiality process is available on request.

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## Restatement

In this report, production, sales volumes and C1 unit costs for 2021 and 2020 are reported as wet metric tonnes (wmt); previously disclosed 2020 figures have been restated, as Kumba previously reported on a dry basis. Product is shipped with approximately 1.6% moisture.

## Assurance

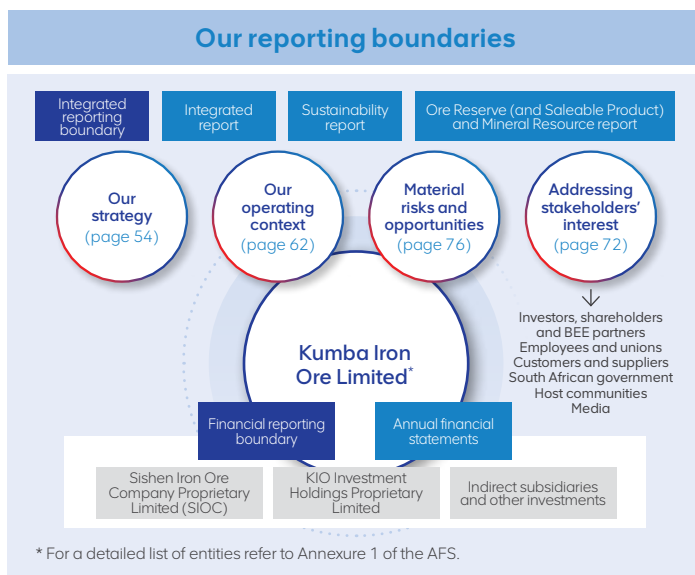
We use a combined assurance model that includes assurance obtained from management and from our internal and external assurance providers. This year, PwC assured our 2021 AFS (see page 20 of AFS), while Nexia SAB&T assured key sustainability information in our 2021 SR (see page 124 of the SR). Both of those processes inform our 2021 IR, which contains both financial and non-financial indicators.

Kumba follows a structured internal and external review programme to verify representative Ore Reserves (and Saleable Product) as well as Mineral Resources estimation.

Our Audit Committee provides assurance to the Board on an annual basis on the execution of the combined assurance plan. The group's financial, operating, compliance and risk management controls are assessed by the group's internal audit function, overseen by the Audit Committee.

The Audit Committee report is on pages 17 to 19 of the AFS.

Land management technician, Dawid Malo at Tamaga Lodge, one of three biodiversity conservation areas on the western side of Sishen. These areas were originally livestock farms, and are being carefully restored to their natural state.



## Contributing to the United Nations' Sustainable Development (UNSDGs) Goals through our purpose

Kumba's purpose is to "re-imagine mining to improve people's lives", using innovative thinking, enabling technologies and collaborative partnerships to shape an industry that is safer, more sustainable, and better harmonised with the needs of our host communities and society.

We are delivering on this purpose through our active engagement in Anglo American's FutureSmart Mining™ programme and sustainable mining plan (SMP). Developed through extensive internal and external engagement, and informed by an analysis of opportunities and risks, the strategy includes ambitious long-term targets, aligned with the UNSDGs, that relate to three global sustainability pillars: being a trusted corporate leader, building thriving communities, and maintaining a safe and healthy environment.

→ A review of our performance in contributing to the UNSDGs is provided in our separate SR, and summarised in the table on page 10.



# Our business

Our commitment to improving people's lives extends beyond our mines. By creating R88.9 billion of enduring value for all our stakeholders, including R21.2 billion of taxes and mineral royalty, we are providing much-needed support to the South African economy. At a regional level, we procured R4.1 billion of goods and services locally, with a focus on women and youth-owned businesses. This, in conjunction with our community vaccination and Covid-19 WeCare programme, continues to help protect the lives and livelihoods of our workforce, their families and our host communities.

## Material matters discussed in this section

- Our purpose, vision and values
- Our value impact
- Key performance data
- UNSDGs
- Who we are
- Where we operate
- Business model
- Value chain activities and impacts
- Creating value





*Women-in-mining: plant operators, Jodene Jubeida Haasen and Engeolina Nqokwe, in the stacker reclaimer section of the Kolomela process plant.*



# Our purpose, vision and values

## Our purpose

Re-imagining mining to improve people's lives

## Our vision

To be a successful and sustainable African supplier of quality iron ore to global and local markets, while delivering superior value to our stakeholders

## Our values

### Safety

We give our all to eliminating injuries because we value life and are unconditional about safety, health and wellbeing at work and at home.



### Care and respect

We believe in humanity and therefore show care and respect for all people and will not turn a blind eye to what is wrong.



### Accountability

We own our decisions, actions and performance, and are empowered to make choices and learn from our experiences.



### Integrity

We always act honestly, fairly, ethically and transparently.



### Innovation

We challenge assumptions, seek other perspectives and pursue innovative opportunities to transform our business.



### Collaboration

We collaborate with colleagues and stakeholders towards a common purpose and to achieve exceptional outcomes.



## Our strategy

"Tswelelopele" (Ore to Awe)

## Strategic ambitions

Achieve our goal of zero fatalities and serious injuries

Enhance product premium by  $\geq$  US\$2/tonne, above Lump and Fe premium and contain C1 unit costs below US\$41/tonne

Sustainably extend the life of our Northern Cape operations to 2040

Become the employer of choice in South Africa

We have been delivering our strategy over three-time horizons through our Tswelelopele programme

### Horizon 1

#### (one to three years)

Operating our assets at their full potential (Short-term initiatives aimed at enhancing product premium and contain C1 unit costs)

### Horizon 2

#### (three to five years)

Leveraging our endowment (Medium-term initiatives to grow our core business and further extend life-of-mine)

### Horizon 3

#### (five to seven years)

Optimising competencies and assets to sustain and expand the business (Long-term – identifying a wide range of potential business extension opportunities)

## Strategic focus areas



Sustainably operate mines at a **lower unit cost**



Compete through producing **premium products**



Implement the **Anglo Operating Model** and drive **operational equipment efficiencies** through P101



**Extend life** of current assets



Focus on the **Northern Cape**



Unlock **full infrastructure potential**



Use **technology** to extract maximum value



Identifying and realising **opportunities**

## Key enablers



Aligned marketing and efficient operational activities to ensure product matches customer needs



Reinforce product quality and consistency



Proactively engaging with key stakeholders to reinforce our partnership approach



Leadership and culture; embedding a culture that fosters safety, health, diversity, innovation and organisational effectiveness



Provide leadership through responsible citizenship, displaying care for safety, health and the environment





# Our value impact 2021

## Delivering shareholder returns



Dividend policy, target pay-out ratio range of between  
**50% and 75%**  
of headline earnings



Since 2018 have returned  
**95%**  
of headline earnings to shareholders



Dividends declared in 2021  
**R33.2 billion**  
to owners of Kumba  
(2020: R19.6 billion)



and **R10.3 billion**  
to empowerment partners  
(2020: R6.4 billion)



Total dividends paid to  
BEE shareholders since  
Kumba's inception in 2006  
**R49 billion**  
(2020: R37 billion)



## Building communities



**R4.1 billion**  
spent directly on suppliers within  
host communities  
(2020: R3.7 billion)

Local employment –

Sishen

Kolomela

**78%**

**80%**



employees are from the local  
communities

**R257.5 million**  
(including R35.3 million on  
Covid-19) spent on direct social  
investment



**73**

community complaints

(2020: 45)



## Customers



Product quality – average Fe  
content %  
**64.1%**



Lump:Fine ratio  
**69:31**



Third-party logistical challenges



## Providing employment



**Fatality-free**  
since May 2016

Amount paid to employees  
(including salaries, benefits,  
bonuses and share-based  
payment expenses)



**R5.6 billion**

**More than 75%**  
of employees and contractors are  
fully vaccinated and  
**8%**



had been partially vaccinated



## Contributing to South Africa



### Total tax contribution

R million	2021
Corporate income tax	16,603
Mineral royalties	4,612
Payroll tax	1,387
Skills levy	50
UIF	23
<b>Total</b>	<b>22,675</b>

### Northern Cape

### Impact catalyst

will facilitate implementation of  
the shared value strategy and  
integrated collaborative regional  
development



## Environment



**No serious**  
(level 3 to 5) environmental  
incidents for the  
**sixth consecutive**  
**year**



**No water source**  
or habitat materially negatively  
affected by our extraction and  
use of water



**0.99 Mt**

Greenhouse gas (GHG) emissions  
(scope 1 and 2)



**16,399 hectares**

disturbed by mining, processing  
and mineral waste disposal, since  
commencement of operations



**138.8 hectares**  
rehabilitated during the year



Value is:

✓ Created

– Preserved

✗ Eroded



# Summary of key performance data

for the year ended 31 December 2021

## Measuring delivery of our strategy

We track our strategic progress holistically, covering non-financial and financial performance using key performance indicators (KPIs) based on our seven pillars of value.

KPIs		2021	2020	2019
<div> <b>Safety and health</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Fatal injury frequency rate (FIFR)	✓	0	0	0
Total recordable case frequency rate (TRCFR)	✓	0.80	1.74	2.06
New cases of occupational disease	✓	0	0	8
<div> <b>Environment</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Energy consumption (million GJ)*	—	8.73	8.10	8.78
GHG emissions – scope 1 and 2 (Mt CO <sub>2</sub> -equivalent)*	—	0.99	0.91	1.00
Total water withdrawals** (million m <sup>3</sup> ) *	✓	27.1	29.4	30.6
Number of level 3, 4 or 5 environmental incidents	✓	0	0	0
<div> <b>Socio-political</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Compliance with Social way 3.0 (% compliance)	✓	78	62	100
→ For more detail on the new integrated social performance management system launched in 2020 refer to page 66 of the SR				
<div> <b>People</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Voluntary labour turnover (%)	—	3.2	3.2	3.4
Women in management (%)	✓	29	27	25
Women in the workforce (%)	✓	25	24	23
Historically disadvantaged South Africans (HDSAs) in management (%)	✓	75	72	71



KPIs		2021	2020	2019
<div> <b>Production</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Sishen (Mt) (for detail refer to page 108 of the IR)***	✓	28.0	25.8	29.2
Kolomela (Mt) (for detail refer to page 108 of the IR)***	✓	12.8	11.9	13.2
<div> <b>Cost</b> </div> <div> <a href="#">Link to strategy</a> </div>				
<b>Sishen free-on-rail (FOR) cash unit cost</b>				
Rand/tonne (for detail refer to page 99 of the IR)***	✗	432.0	361.8	345.1
US\$/tonne (for detail refer to page 99 of the IR)***	✗	29.2	22.0	23.9
<b>Kolomela FOR cash unit cost</b>				
Rand/tonne (for detail refer to page 99 of the IR)***	✗	324.1	304.3	270.4
US\$/tonne (for detail refer to page 99 of the IR)***	✗	21.9	18.5	18.7
<div> <b>Financial</b> </div> <div> <a href="#">Link to strategy</a> </div>				
Return on capital employed (ROCE) (%)	✓	147	109	83
Earnings per share (Rand per share)	✓	103.67	71.03	50.73
Attributable free cash flow (Rm)	✓	30,450	20,699	17,130
<div> <span>✓ Positive trend (year-on-year)</span> <span>— Neutral trend</span> <span>✗ Negative trend</span> </div>				

\* Performance in 2020 impacted by the Covid-19 pandemic.

\*\* Total water withdrawals by source, reported in line with the International Council on Metals and Mining (ICMM) guidance, includes: surface water, ground water, third-party potable water and third-party non-potable water.

\*\*\* In this report, production, sales volumes and C1 unit costs for 2021 and 2020 are reported as wmt; previously disclosed 2020 figures have been restated, as Kumba previously reported on a dry basis. Product is shipped with approximately 1.6% moisture. Information for 2019 is stated in dry metric tonnes (dmt).



# The United Nations Sustainable Development Goals

Kumba's purpose is to re-imagine mining to improve people's lives, using innovative thinking, enabling technologies and collaborative partnerships to shape an industry that is safer, more sustainable, and better harmonised with the needs of our host communities and society. We are delivering on this purpose through our active engagement in Anglo American's FutureSmart Mining™ programme and SMP that include ambitious long-term targets aligned with the UNSDGs, relating to three global sustainability pillars: being a trusted corporate leader, building thriving communities, and maintaining a healthy environment. A summary of our activities that contribute to the 12 UNSDGs, that Kumba has an impact on, is provided below.

## UNSDG

### How Kumba makes a difference

SDG 1

End poverty in all its forms everywhere

1

NO POVERTY

- Provision of thousands of jobs, both direct and indirect, including in communities that otherwise have limited economic opportunities
- Localised procurement strategy that supports suppliers within host communities, including substantial spend on HDSA business. During 2021 we spent R4.1 billion with suppliers within our host communities
- Supplier development programme to support local small, medium and micro-sized enterprises (SMMEs) and provide advice and support for their business activities
- Building capacity in our communities through direct social investment and our collaborative regional development programme. Many of our initiatives are implemented through strategic partnerships with local government, development partners, SIOC-CDT, the Anglo American Chairman’s Fund, suppliers, communities and NGOs
- Northern Cape Impact Catalyst will facilitate the implementation of shared value strategy and integrated collaborative regional development in our host communities
- Anglo American Zimele, empowering host community black entrepreneurs to start or grow businesses. In addition to granting loans, the programme provides mentorship, helps suppliers access new markets and develop skills among young people
- Tax payments, including corporate income tax, mineral royalties, value added tax on purchases, duties on imports and exports, payroll taxes and dividend withholding taxes

Reference	Making a positive social contribution	Pages	SR 69
	Stakeholder engagement	Pages	SR 32

SDG 3

Ensure healthy lives and promote wellbeing for all at all ages

3

GOOD HEALTH AND WELLBEING

- Sacred covenant code with the families of all our employees to do our utmost to ensure that every employee and contractor at our operations returns home unharmed after every day’s work. Our aim is to continually build and instil both a company and industry culture that protects people from harm and improves their health and wellbeing
- Emphasis on managing the diverse impacts and implications of the Covid-19 pandemic on employee and host community health and wellbeing, including an extensive Covid-19 vaccination drive
- We have well-established wellness initiatives for employees and contractors. Our health programme includes a focus on providing resources to help employees manage personal health risks, including the risk of HIV/Aids, TB and non-communicable diseases
- Kumba’s World of Wellness (WOW) programme integrates aspects of mental health, physical wellness, recreation and inclusion and consists of three themes: mind (mental wellness), body (physical wellness), and spirit (emotional wellness)
- Our community healthcare initiatives continue to improve access to quality medical and healthcare services and to alleviate some of the mounting pressure on health service delivery by government





Reference	Employee safety	Pages	SR 40
	Employee and community health and wellbeing	Pages	SR 47





## UNSDG

## How Kumba makes a difference





<div><div>SDG 4</div><div>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</div><div></div></div>	<ul style="list-style-type: none"><li>• Ambitious education programme that aims to ensure that schools in our host communities perform among the top 30% of state schools by 2025 (stretch goal) and in the top 20% by 2030</li><li>• Anglo American South Africa Education programme aimed at students in early-childhood-development sites and primary and secondary schools local to Sishen and Kolomela. Targets for 2023 include ensuring that 90% of five-year-old children are school-ready and ensuring a 65% pass rate in matric mathematics</li><li>• Internal training and development interventions focus on providing skills training for our employees and also include learnerships, leadership development, mentorships and career progression plans</li><li>• Develop technical talent for the Company through our graduate development programme offering degree and diploma graduates the opportunity to obtain training and work experience during a fixed-term contract with the Company to cover bursary debt</li></ul>		
Reference	Making a positive social contribution	Pages	SR 69
	Stakeholder engagement	Pages	SR 32
	Workforce culture and capability	Pages	SR 56
<div><div>SDG 5</div><div>Achieve gender equality and empower all women</div><div></div></div>	<ul style="list-style-type: none"><li>• Women-in-mining (WIM) strategy and plan to promote the integration of women in the workplace, especially in core functions. A WIM steering committee oversees performance against objectives. Capacity building is critical, and we aim to ensure at least 30% women representation in our talent pipeline programmes. We are working towards a target to achieve 33% representation of women at management levels by 2023</li><li>• Gender-sensitive work environment. Interventions aimed at combatting sexual and gender-based violence (GBV) and harassment at work, at home, in our schools and our communities, supported by our zero-tolerance policy on bullying, harassment and victimisation</li></ul>		
Reference	Workforce culture and capability	Pages	SR 56
<div><div>SDG 6</div><div>Ensure availability and sustainable management of water and sanitation for all</div><div></div></div>	<ul style="list-style-type: none"><li>• Take all reasonable steps to ensure that we do not degrade water quality or compromise the access rights of other users. Water management site plans include provision for water security, water-use efficiencies, tailings water-recovery projects and a mine dewatering strategy, stormwater management, and discharge management, complemented by a monitoring programme</li><li>• In improving access to clean water in water-scarce host communities, Kumba provides 17 billion litres of water to the Sedibeng Water Board and the Gamagara Municipality; Kolomela artificially recharges clean mine water to the underground aquifers that its operations traverse</li></ul>		
Reference	Water	Pages	SR 93
<div><div>SDG 8</div><div>Promote sustained inclusive and sustainable economic growth, full productive employment and decent work for all</div><div></div></div>	<ul style="list-style-type: none"><li>• We employ 6,146 permanent employees, 4,486 contractors and 658 learnerships at our operations and head office. We are committed to providing a safe, inclusive and healthy working environment, to promoting employee training and development, ensuring fair labour practices, and to promoting local employment opportunities</li><li>• Committed to the Youth Employment Services (YES) Programme, to stimulate demand-side job creation. Every year we will place more than 20 previously disadvantaged, unemployed youth from local communities into 12-month work experience and training opportunities in the Company</li><li>• Kumba's total tax contribution of R22.7 billion and the contribution we make to government and our local host communities is critical to foster economic growth in South Africa</li><li>• Since Kumba's inception we have paid R48.7 billion in dividends to our empowerment partners and returned R33.2 billion in dividends to the owners of Kumba during 2021</li><li>• Investment in enterprise and supplier development</li></ul>		
Reference	Making a positive social contribution	Pages	SR 69
	Workforce culture and capability	Pages	SR 56
	Chief Financial Officer review	Pages	96



# The United Nations Sustainable Development Goals continued

## UNSDG

### How Kumba makes a difference

<div><div>SDG 9</div><div>Promote industry innovation and resilient infrastructure</div><div></div></div>	<ul style="list-style-type: none"><li>Technology strategy to accelerate the adoption of appropriate technologies at our operations to improve safety and reduce costs</li><li>Work closely with Transnet to ensure that the rail and port can support Kumba and the users of the IOEC to deliver products to its customers</li><li>With our commitment to FutureSmart Mining™. Our vision is to create a truly smart, connected mine, transforming vast quantities of data into predictive intelligence with the ultimate aim of creating a self-learning operation that offers new levels of safety, stability and predictability. We are integrating new technologies to enable safe mining by removing people from harm's way, and to more precisely target metals and minerals with less waste, water and energy</li></ul>		
Reference	Strategy	Pages	54
	Strategic focus areas	Pages	92
<div><div>SDG 12</div><div>Ensure responsible consumption and production</div><div></div></div>	<ul style="list-style-type: none"><li>Our zero waste to landfill (ZW2L) drive forms part of broader efforts to develop our contribution to a circular economy</li><li>Implementation of the UN's Globally Harmonized System of Classification and Labelling of Chemicals, and the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals as well as variants emerging in other jurisdictions</li><li>Provide assurance that Kumba is a reputable and responsible iron ore producer through ethical production</li></ul>		
Reference	Mineral residue management and non-mineral waste	Pages	SR 105
	Product stewardship	Pages	SR 86
<div><div>SDG 13</div><div>Take urgent action to combat climate change and its impact</div><div></div></div>	<ul style="list-style-type: none"><li>Adhere to Anglo American's climate change policy; focus on driving energy and carbon savings throughout our business, and building internal agility and resilience to climate change</li><li>Implement our roadmap for achieving group goals of 30% reduction in energy intensity and GHG emissions by 2030 (baseline 2016) and carbon neutrality by 2040</li><li>Ambition to realize zero scope 2 emissions by 2030 through the implementation of large scale renewable projects, with the ambition to be carbon neutral (scope 1 and 2 in 2040) through the implementation of alternative energies and fuels to displace diesel</li><li>To address scope 3 emissions we continue to focus on increasing our premium product offering and working with key partners on developing products and technologies that could further reduce scope 3</li></ul>		
Reference	Climate change and energy management	Pages	SR 87
<div><div>SDG 15</div><div>Protect, restore and promote sustainable use of terrestrial ecosystems</div><div></div></div>	<ul style="list-style-type: none"><li>Manage 83,402 hectares of land and 2,500 hectares are set aside for biodiversity offsets.</li><li>Integrate mine closure planning with land rehabilitation, promoting biodiversity and conservation, and using our non-operational land to benefit the mine and surrounding communities</li><li>Kumba is committed to an ambitious net positive impact (NPI) target that requires us to leave the biodiversity of an area in a better state than when we arrived. Going beyond a simple "no net loss" principle, requires a deep understanding of our operating ecosystem and a very deliberate land management strategy. Our NPI commitment applies to significant biodiversity features impacted by activities. These can include threatened species, natural habitats, features supporting important ecological processes and/or ecosystem services essential to the wellbeing of society. Our operations are in areas of higher biodiversity value, increasing our responsibility to contribute to its protection and conservation</li></ul>		
Reference	Mine closure, rehabilitation and biodiversity	Pages	SR 98



## UNSDG

## How Kumba makes a difference

**SDG 16**  
**Peace, justice and strong institutions**


- We respect human rights, provide access to information, support representative decision-making, work to avoid company-community conflict and carefully managing our security approaches to ensure they decrease rather than increase the likelihood of conflict
- Commit to transparency across the scope of our activities that impact society, from transparency of mineral revenues and payments to transparency in commitments made to local communities

Reference	Stakeholder engagement	Pages	SR 32
	Governance and management approach	Pages	SR 24
	Workforce culture and capability	Pages	SR 56

**SDG 17**  
**Strengthen the means of implementation and revitalise the global partnership for sustainable development**


- Public-private partnerships: We believe in partnering and working collaboratively towards the achievement of the SDG goals at the local, national and global levels and with all our stakeholders

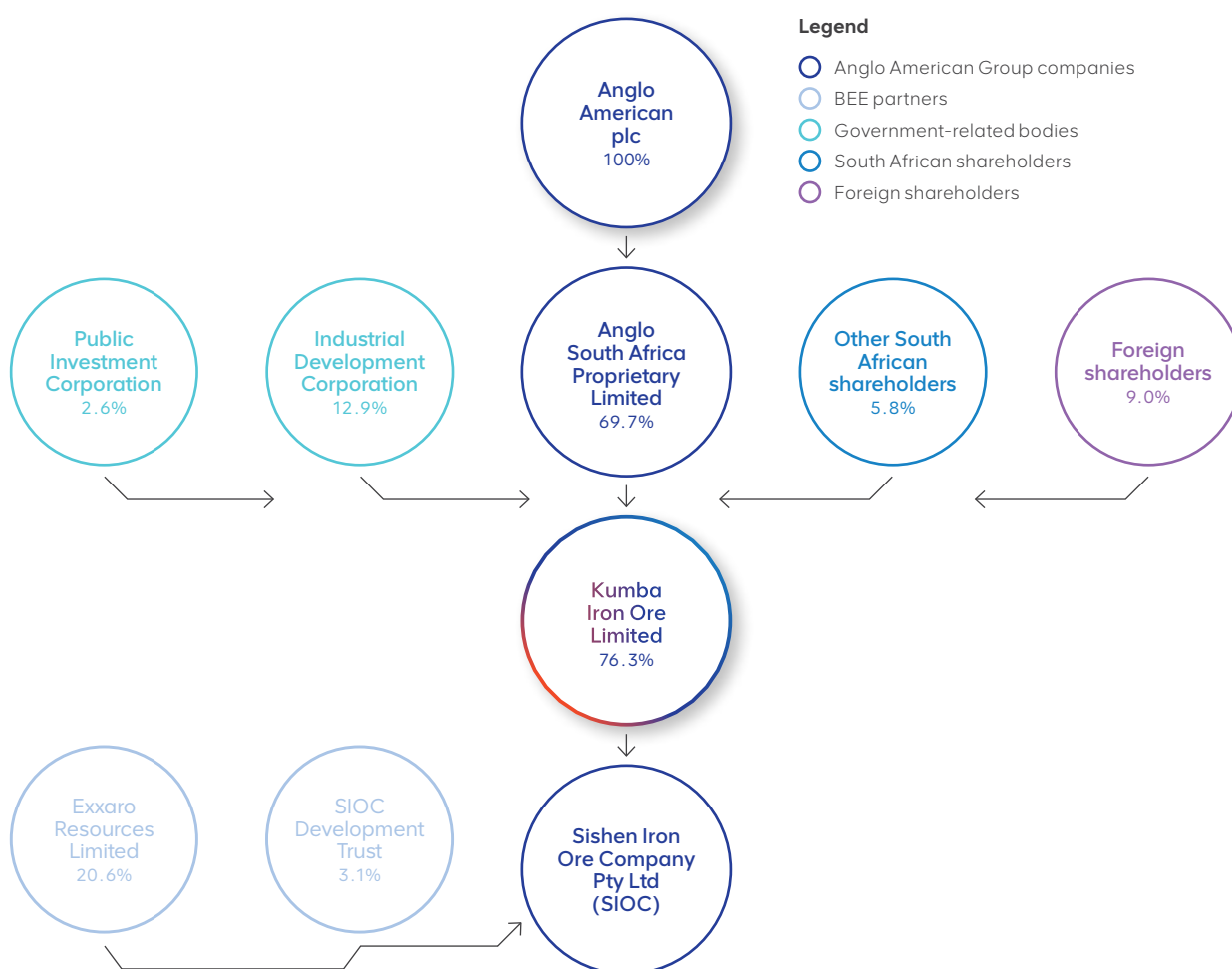
Reference	Stakeholder engagement	Pages	SR 32
	Governance and management approach	Pages	SR 24



Botshelo Mmolawa and Benjamin Kaalman, farmhands at the Gamagara hydroponic farm project, situated 10 km outside of Kathu and is a community agricultural project initiated by Sishen. The farm grows vegetables such as cucumbers, spinach and tomatoes which are supplied to local supermarkets.



# Who we are



Kumba Iron Ore Limited ownership structure

## At a glance

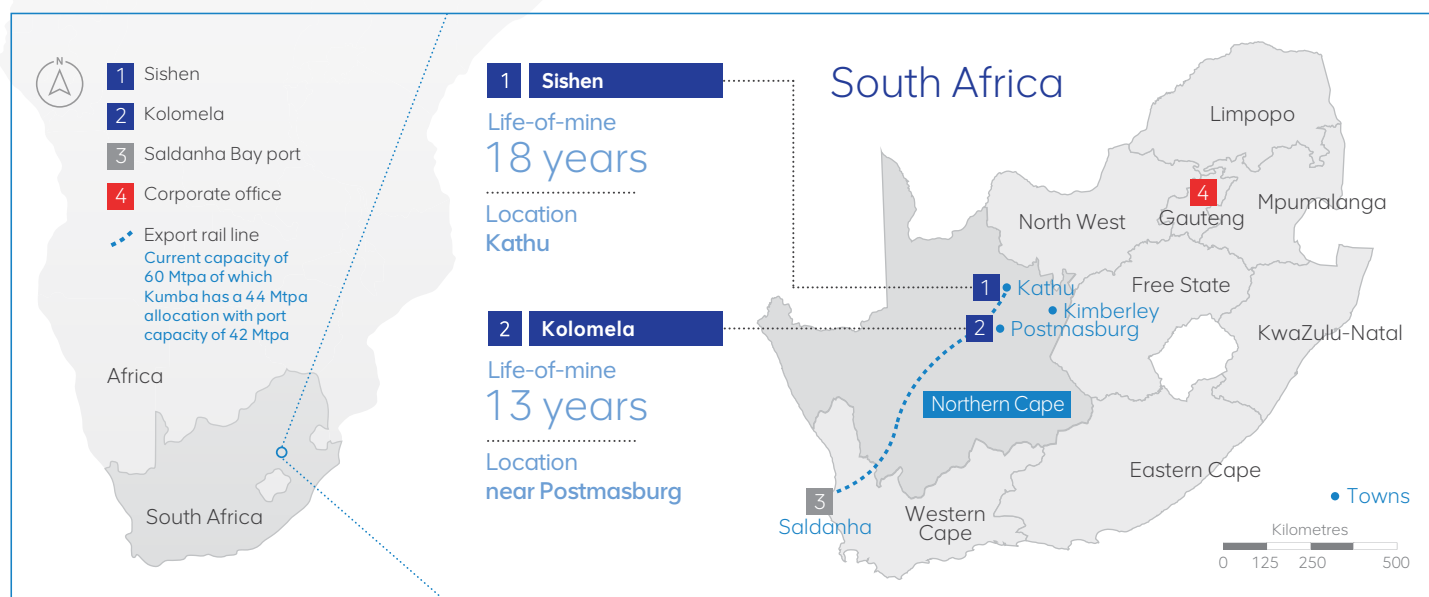
Production	△	Export sales	△	Customers in South Africa, China, Japan, Korea and EU/MENA/ Americas region	
40.9 Mt	(2020: 37.6 Mt)	40.2 Mt	(2020: 40.0 Mt)		
Total tonnes mined*	△	Domestic sales	▽	Employees	▽
261.4 Mt	(2020: 256.3 Mt)	0.1 Mt	(2020: 0.3 Mt)	11,290	(2020: 11,392)

\* Including waste mined





# Where we operate



→ For more information see [www.angloamericankumba.com](http://www.angloamericankumba.com)

1 Sishen	2 Kolomela	3 Saldanha Bay port
Our largest operation	Our second operation, first mine to successfully introduce automated drilling in South Africa	Iron ore export facility, from where our high-quality iron ore is exported to markets in the Asia-Pacific, Europe, Americas and the Middle East
<ul style="list-style-type: none"> <li>Commissioned in 1953</li> <li>Located in Kathu</li> <li>Life-of-mine: 18 years</li> <li>Bulk of Kumba's production</li> <li>One of the largest open-pit mines in the world</li> <li>All mining is done by opencast methods</li> <li>Sishen is the only haematite ore producer in the world to beneficiate all its product</li> </ul>	<ul style="list-style-type: none"> <li>Commissioned in 2011</li> <li>Mine situated near the town of Postmasburg</li> <li>Produces primarily high-grade direct shipping ore (DSO)</li> <li>Dense media separation (DMS) modular plant commissioned in 2017</li> <li>Life-of-mine: 13 years</li> </ul>	<ul style="list-style-type: none"> <li>All Kumba export volumes exported through Saldanha Bay port operations, the only iron ore export facility in South Africa</li> <li>Operated by Transnet, a South African state-owned enterprise (SOE)</li> </ul>
2021 performance at Sishen	2021 performance at Kolomela	2021 performance at Saldanha port
<p>Zero fatalities; Lost-time injury frequency rate (LTIFR) of 0.32</p> <p>Production of 28.0 Mt</p> <p>Lump:Fine ratio of 70:30</p> <p>184.0 Mt total tonnes mined, including ex-pit ore of 37.9 Mt and waste of 146.1 Mt</p> <p>27.3 Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)</p> <p>Unit cash cost: R432/tonne</p> <p>Stripping ratio: 3.9</p> <p>4,235 permanent full-time employees and 3,199 full-time contractors</p> <p>R114.0 million invested in social and community projects</p> <p>ISO 14001, ISO 9001, and OHSAS 18001 certified</p>	<p>Zero fatalities; LTIFR of 0.27</p> <p>Production of 12.8 Mt</p> <p>Lump:Fine ratio of 61:39</p> <p>77.4 Mt total tonnes mined including ex-pit ore of 14.1 Mt and waste of 63.3 Mt</p> <p>12.0 Mt railed on the IOEC</p> <p>Unit cash cost: R324/tonne</p> <p>Stripping ratio: 4.5</p> <p>1,448 permanent full-time employees and 1,287 full-time contractors</p> <p>R77.8 million invested in social and community projects</p> <p>ISO 14001, ISO 9001 certified, and OHSAS 18001 certified</p>	<p>Zero fatalities; LTIFR of zero</p> <p>Total volumes railed to Saldanha Bay: 39.3 Mt</p> <p>Total shipped volumes: 40.2 Mt</p> <p>Export sales: 40.2 Mt</p> <p>Total cost and freight (CFR) volumes: 23.4 Mt</p> <p>25 permanent full-time employees</p> <p>ISO/IEC 17025 accredited QC laboratory</p>

→ For more information on this operation see page 108 of this report.

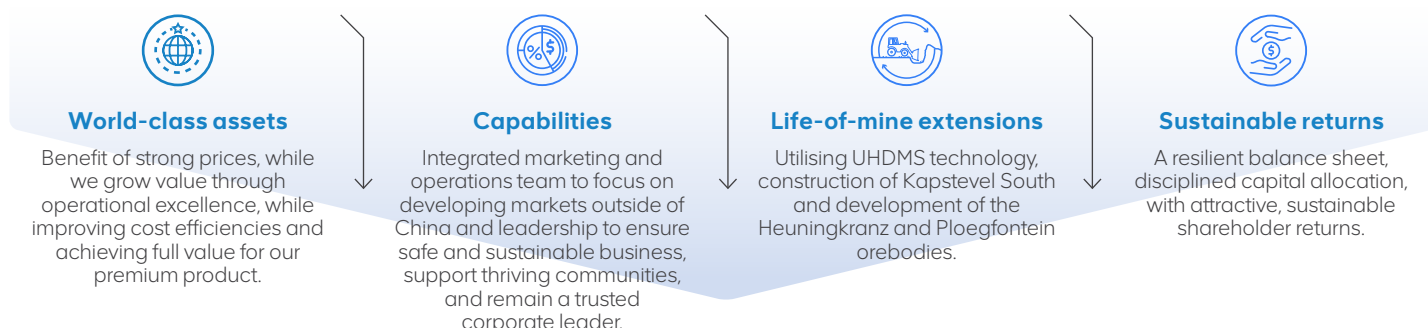
→ For more information on this operation see page 109 of this report.

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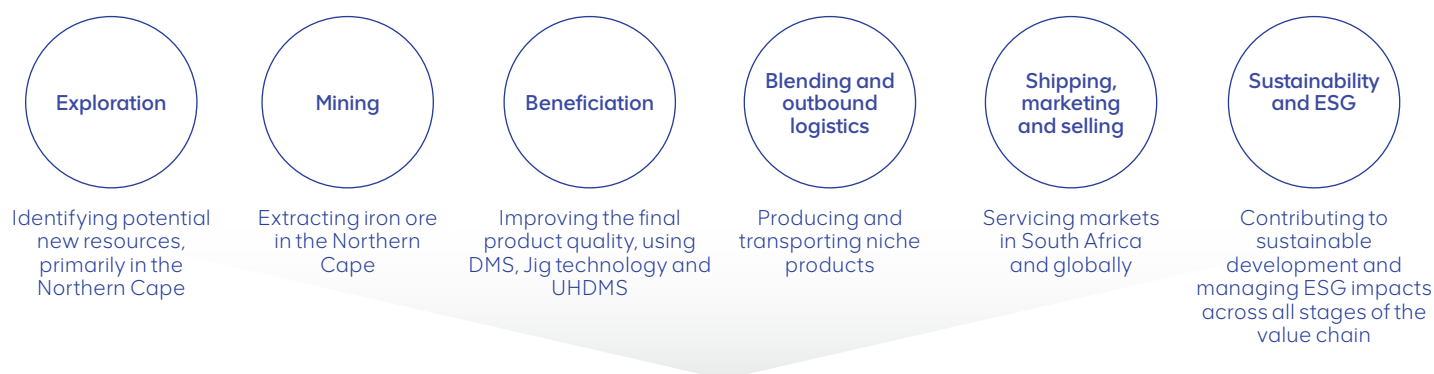
# Business model

## Our value proposition



## Our value chain activities

→ For more information see page 18



## Key resources → For more information on capital inputs see pages 20 to 27

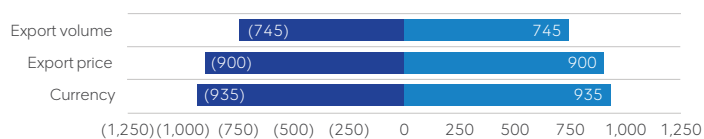
Access to natural resources (including iron ore, land, energy and water)	Technical, commercial and managerial skills and experience
Prospecting and mining rights	Exploration, mining and processing technology and techniques
Regulatory permits and licences	Reliable, cost efficient and representative supplier base
Social licence to operate	High levels of customer satisfaction and loyal customer base
Financial capital	Positive engagement with industry peers
Infrastructure and support services, including especially rail and port services	Strong reputation

## Key relationships → For more information on stakeholders see page 72

Utilities suppliers (especially Eskom), service providers (including Transnet), and contractors	Management and leadership teams
National, provincial and local government	Technical teams and contractors
Department of Mineral Resources and Energy (DMRE) and Department of Forestry, Fisheries and the Environment	Customers
Communities, their representatives, and NGOs	Mining company peers and industry bodies
Equity investors and loans from banks	Media, analysts and institutions
Employees and trade unions	Banks and lenders
	Academia providing technical insights and expertise

**Sensitivity analysis** 1% change to key operational drivers, each tested independently – earnings before interest, taxes, depreciation and amortisation (EBITDA) impact (R million)

### Sensitivity analysis



**Sensitivity analysis** Change per unit of key operational drivers, each tested independently

Sensitivity analysis	Unit change	2021 EBITDA impact
Currency (R/US\$)	R0.10/US\$	<b>R630m</b>
Export price (US\$/t)	US\$1.00/t	<b>R560m</b>
Export volume (kt)	100 kt	<b>R190m</b>
	Unit change	Break-even price impact
Currency (R/US\$)	R1.00/US\$	<b>US\$4.00/t</b>

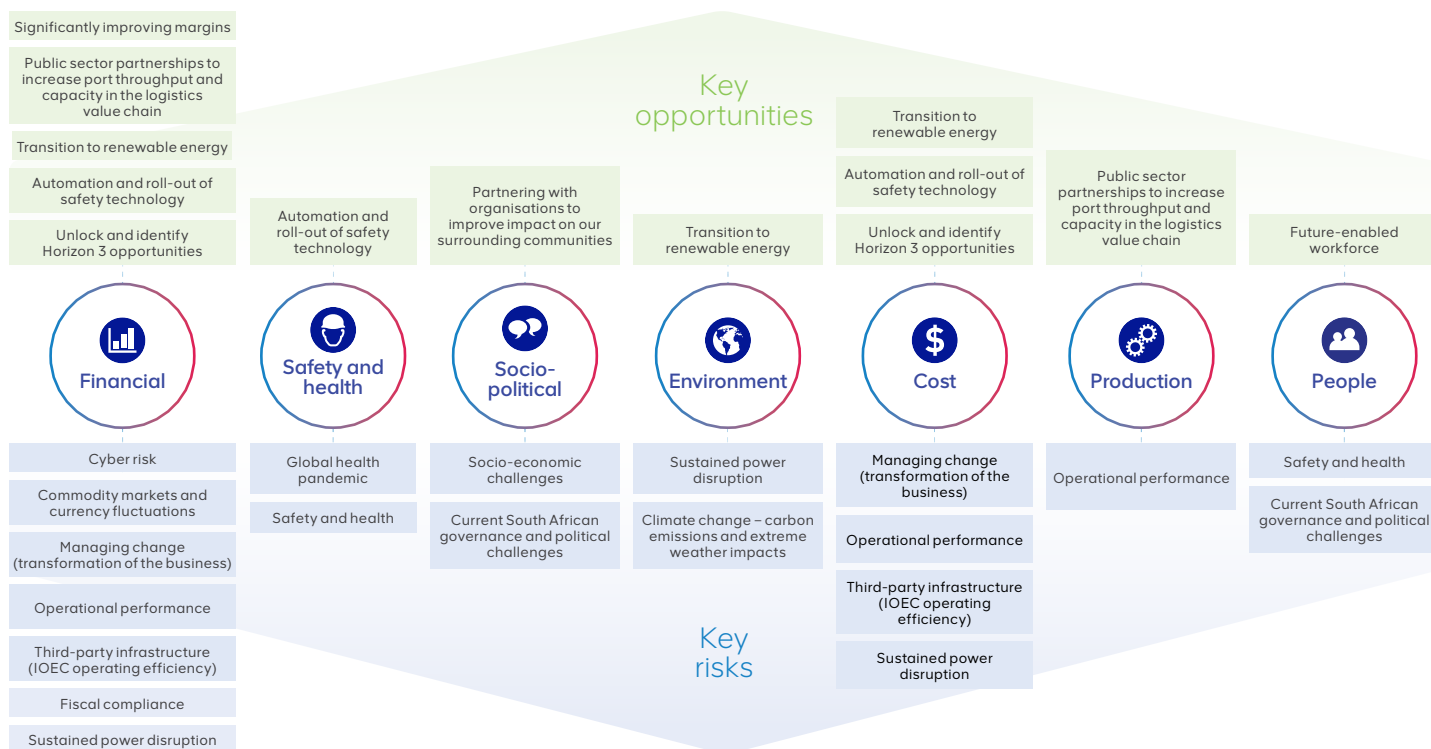
## Output

40.9 Mt (2020: 37.6 Mt) of safely mined high-quality haematite iron ore, with a Lump:Fine ratio of 67:33 (2020: 68:32). This year, Sishen produced products with an average Fe content of 63.2%, and Kolomela averaged 64.7%. Our product portfolio includes niche Lump products, as well as standard Fines and standard Lump. In terms of waste outputs, we produce rock, tailings and process water which is largely recycled.



## Key risks and opportunities

→ For more information see page 76



**Revenue drivers**

- Iron ore prices**  
We secure a Lump and Fe premium and marketing premium for higher-quality ore
- Iron ore sales**  
Total volumes were in line with the prior year
- Rand/US\$ exchange rate**  
A stronger Rand reduced local revenues for US\$-based iron ore prices

**Potential for revenue differentiation**

Ability to achieve quality and Lump premia for superior ore quality (64.1% Fe versus 62% Fe benchmark), the demand for which continues to strengthen in response to more stringent environmental standards globally	✓
Price differential potential due to higher Lump:Fine ratio (69:31 versus global average of 20:80)	✓
Ability to diversify customer portfolio with sales in regions utilising direct-charge materials	✓
Stronger price realisation, driven by effective marketing activities	✓
Our ability to unlock value in the logistics chain through effective partnerships	✓
Challenges in terms of weather, logistical constraints and supply chain delays impacting our value chain	✗

**Cost drivers**

To maintain the current value proposition:

- Distribution (rail, port and freight)
- Labour
- Corporate overheads
- Energy (liquid fuel and electricity)
- Social investments
- Maintenance
- Capital expenditure
- Consumables
- Drilling, blasting and hauling
- Mining and non-mining contractors
- Rehabilitation
- Beneficiation

To expand the current value proposition:

- Capital expenditure
- Exploration
- Marketing

**Potential for cost differentiation**

Scope for differentiation through UHDMS technology	✓
Further leverage in operating costs through enhanced operating efficiencies	✓
Cost savings programme targeting around R1 billion by 2022	✓
Higher stripping ratio due to inherent characteristics of the ore body resulting in higher mining costs, with implementation of the UHDMS project the stripping ratio is expected to reduce	✗
Higher rail costs from mine to port, and occasional disruptions in distribution	✗
Higher costs associated with distance from ports, and Australian competitors closer to the key market in China	✗
Flat production in 2022	✗

## Operating context: Issues impacting value

→ For more information see page 62

Iron ore price volatility	Competitive pressure on producer cost curve	Climate change risks and opportunities
Digital and technology disruption	Changing stakeholder expectations	Quality of assets and life-of-mine
		The Covid-19 pandemic



# Value chain: activities and impacts

## Activities across the full value chain

### Exploration

Exploration in South Africa is focused on the Northern Cape, close to our existing operations at Sishen and Kolomela. We are conducting on- and near-mine exploration and resource-definition drilling to increase confidence in our geological models; these models are updated annually in support of life-of-mine and long-term planning.

### Mining

We extract iron ore by mining the ore bodies within our mining leases using open-pit methods. We are implementing a technology roadmap that aims to accelerate the adoption of technology to improve safety, quality, efficiency and resource utilisation, underpinned by a strong Operating Model, ESG practices and a commitment to FutureSmart Mining™.

### Beneficiation

We use DMS and UHDS processing and jigging technologies to regulate the physical properties of the finished product, removing impurities and improving product quality. We also support the South African government's objectives to maximise the developmental impact of the minerals sector.

### Key outcomes

Implications of our activities on value in each stage of the value chain

- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome

HC – Human capital  
SC – Social capital  
FC – Financial capital  
IC – Intellectual capital  
NC – Natural capital  
MC – Manufactured capital

- ✓ Near-mine exploration between the two Northern Cape operations continue (NC and MC)
- ✓ All environmental authorisations and permit applications approved for Kolomela (NC and SC)
- ✓ Enhancing Kumba's long-term financial viability (FC)
- ✓ Developing intellectual capital through enhanced technologies and techniques (IC)
- ✓ Building stakeholder relationships in the Northern Cape (SC)
- ✓ Contributing to tax base throughout the value chain (SC)
- ✗ Comparatively minor, well managed environmental impacts (NC)

- ✓ Zero fatalities and 54% improvement in the TRCFR (HC)
- ✓ Implementing a sustainable risk reduction programme to inculcate a proactive safety mindset and behaviour among our workforce (SC and HC)
- ✓ Implement innovative technologies as part of the FutureSmart™ mining programme (IC and HC)
- ✗ Performance impacted by weather-related incidents and logistical challenges (FC)
- ✗ Mitigated dust emissions (HC)

- ✓ Between 2017 and 2021, Ore Reserves have increased by 323 Mt (before depletion) with the majority of the increase attributable to Sishen where the life-of-mine has been extended to 2039 (MC)
- ✓ Contribution to government beneficiation objectives (SC)
- ✓ Enhanced intellectual capital and technology development (IC)
- ✓ Securing market premium and building financial capital through enhanced quality product (FC)
- ✗ Mitigated dust emissions (HC)

### Relevant UN SDGs

Implications for our prioritised Sustainable Development Goals



## Output

### Strategic focus area

Focus on the Northern Cape

Extend life of current mines

Compete through premium products

Extend life of current mines

Sustainably operate mines at lower unit costs

Extend life of current mines

Use technology to extract maximum value

Use technology to extract maximum value

Use technology to extract maximum value

Proactively engaging with key stakeholders

Provide leadership through responsible citizenship

Provide leadership through responsible citizenship





## Blending and outbound logistics

Blending allows us to utilise products from our operations to provide niche specification products to our markets. Products are screened and sized to match customer requirements, and then transported through the outbound logistics chain.

## Shipping, marketing and selling

We sell iron ore domestically and internationally. Our export customers are situated in China, Japan, India, South Korea and countries in Europe and the Middle East and North Africa (MENA) region. Domestically, we have been selling to ArcelorMittal SA.

## Sustainability and ESG management

The life-cycle of the mine needs responsible ESG management practices to ensure the sustainable use of our key capital inputs both during and after our operations.

- ✓ Improved performance at Saldanha port (SC and FC)
- ✓ Optimising value from the resource investment in technologies and techniques (FC)
- ✗ Increase in finished stock situated at the mines due to rail constraints (FC)

- ✓ Increased engagements between Transnet and industry to address infrastructure maintenance and capacity, improvements were seen in equipment reliability and shipping throughput (SC and FC)
- ✓ Integrated sales and operational teams jointly managed production, logistics and sales, including coordinating stock buffers along the value chain to leverage every opportunity to increase export sales volumes (FC)
- ✓ Benefit of geographically diverse customer portfolio ensured that we gained further market share outside of China (FC)
- ✗ Domestic sales down due to reduced local demand from ArcelorMittal SA (FC)
- ✗ Export sales continued to be constrained by Transnet's logistics systems (FC)

- ✓ Continued support to communities with our Covid-19 WeCare programme to aid with vaccination programmes, health clinics, relief for small businesses, essential supplies and access to water. (SC and HC)
- ✓ Significant progress made in managing government permits (SC and FC)
- ✓ Positive biodiversity impacts in set-aside and offset areas recognised by EWT (NC)
- ✓ Improved mine rehabilitation and responsible mine closure (NC)
- ✓ Progress with zero waste to landfill at Kolomela (NC)
- ✗ Increased financial rehabilitation provisions (FC)
- ✗ Dust emissions (HC)



40.9 Mt (2020: 37.6 Mt) of safely mined high-quality haematite iron ore, with a Lump:Fine ratio of 68:32 (2020: 67:33). This year, Sishen produced products with an average Fe content of 63.2%, and Kolomela averaged 64.7%. Our product portfolio includes niche Lump products, as well as standard Fines and standard Lump. In terms of waste outputs, we produce rock, tailings and process water which is largely recycled.

Compete through premium products

Unlock full infrastructure potential to support maximum export volumes

Align marketing and operational activities

Compete through premium products

Align marketing and operational activities

Reinforce product quality and consistency


Provide leadership through responsible citizenship



# Creating value

## Interdependencies with the capitals

Our ability to create value over time – and any assessment of the value we have created, undermined, and/or shared – is determined by how we interact with the resources and relationships that our business model depends on.

Capitals	Necessary inputs*	Challenges in securing these inputs
 <b>People</b> <p>Everything we do depends on the wellbeing, skills, knowledge, expertise, productivity, motivation and behaviour of our employees, the leadership team, contractors and service providers.</p> <p><b>Action to enhance employee contribution</b></p> <p>We aim to resource the Company with a capable, engaged and productive workforce and are committed to ensuring no harm comes to any of those who work with us. Our activities and investments in attracting and retaining talent, providing a safe, healthy and engaged working environment, promoting employee training and development, ensuring fair labour and contracting practices, and encouraging local employment opportunities, provide the foundation for optimising value creation. A review of our activities in these areas is provided in the following sections of our 2021 reports:</p> <ul style="list-style-type: none"> <li>→ <b>Leadership and culture</b> IR – page 95</li> <li>→ <b>Provide leadership through responsible citizenship</b> IR – page 95</li> <li>→ <b>Our people</b> SR – page 36</li> <li>→ <b>Building social capital</b> SR – page 64</li> </ul>	<ul style="list-style-type: none"> <li>• Employees and contractors operating within an environment fostering a zero harm, performance-based culture (2021: 6,146 permanent employees, 4,486 contractors and 658 learnerships)</li> <li>• An experienced and sufficiently diverse leadership team, demonstrating values-driven behaviour</li> <li>• Service providers, delivering on agreed terms and conditions (including specifically on ESG issues), and facilitating our drive for transformation, local development and safety</li> </ul>	<p>There remain significant competitive pressures, both within the mining sector and more broadly, in attracting and retaining top skills and diverse talent. This pressure is being heightened by changing dynamics in the workplace environment – such as the shift to remote and hybrid working models – as well as by the changing skill sets needed for the increasingly digitised mine of the future.</p>

\* Note: quantitative details on capital inputs reflect the status as at 2021 financial year end.



## Impacts of our activities on the capitals

### Key trends in our activities to enhance employee value

- ✔ Sustained strong safety and occupational health performance
  - Fifth successive year of zero work-related fatalities among employees and contractors
  - TRCFR of 0.80, against a target of 2.01 (2020: 1.74)
  - No new cases of noise-induced hearing loss (NIHL) or occupational respiratory disease
- ✔ Maintained an effective response to Covid-19
  - Extensive Covid-19 vaccination drive for our employees, contractors, families and the communities, with more than 75% of our workforce fully vaccinated
  - 41,525 tests carried out – 3,121 tested positive; 95% recovery rate
- ✔ Further enhanced employee skill-set, wellbeing and diversity commitment:
  - R5.6 billion spent on employee salaries and benefits (2020: R5.0 billion)
  - R232.0 million invested in training and development (2020: R263.0 million)
  - Leadership and culture initiatives to support employees through the Tswelelopele journey
  - Diversity: 75% HDSA in management (2020: 72%); 25% women in total workforce (2020: 24%)
- ✘ 36 employee grievances referred to Commission for Conciliation, Mediation and Arbitration (CCMA), some of these cases related to the prior year but was deferred to 2021 due to Covid-19 restrictions (2020: 8)
- ✘ Certain challenges negatively impacting employee value
  - Tragically 29 employees died from Covid-19-related health complications, since the onset of the pandemic
  - Our Covid-19 response measures are hindered by vaccine hesitancy and challenges with vaccine availability
  - Approximately 23% of our workforce (employees and contractors) have chronic medical conditions – 34% are classified as overweight and 14.8% as obese



# Creating value continued

## Capitals



### Our relationships

Trusted relationships with all our stakeholders are essential to maintaining our reputation and licence to operate, and to enable us to deliver on the Tswelelope strategy.

#### Actions to enhance our relationships

A review of our activities aimed at strengthening stakeholder relations is provided in the following sections of our 2021 reports:

- **Addressing stakeholder interests**  
IR – page 72
- **Provide leadership through responsible citizenship**  
IR – page 95
- **Building social capital: Making a positive social contribution**  
SR – page 69
- **Our people: Workforce culture and capability**  
SR – page 56
- **Stakeholder engagement**  
SR – page 32

## Necessary inputs\*

- Positive engagement with unionised and non-unionised workforce
- Constructive relationship with representatives from government and regulators
- Continued confidence from our shareholders, investment community and customer base
- Diversified customer portfolio, with the quality of our products supporting our competitive advantage
- Trusted reputation with host communities, civil society bodies, NGOs and media
- Effective service delivery and engagement from suppliers and contractors
- Conducive local, national and global operating environment, founded on mutual trust

## Challenges in securing these inputs

Growing stakeholder expectations on businesses to demonstrate enhanced ESG performance, coupled with declining levels of trust in institutions in many countries, has heightened the importance of developing strong relationships. Managing the sometimes competing interests of different stakeholder groups can necessitate some difficult decisions and trade-offs. These challenges are heightened by the continuing high levels of inequality and some long-standing challenges in stakeholder relationships with business in South Africa that have been further exacerbated by the impacts of the Covid-19 pandemic.



### Natural resources

Our business model involves converting Mineral Resources into social and economic value; doing so has some unavoidable environmental impacts.

#### Actions to minimise environmental impacts

In addition to mitigating the direct impacts of our activities across our value chain, we seek to offset any remaining impacts through the provision of energy and water services to the local community, the responsible sharing of socio-economic benefits deriving from our mining activities, and by using our influence to drive improved behaviour. A review of our activities to reduce our environmental impacts is provided in the following sections of our 2021 reports:

- **Provide leadership through responsible citizenship**  
IR – page 95
- **Environmental impacts**  
SR – page 80

- Inclusive Mineral Resources: 1,365.7 Mt
- Water: Total withdrawal of 27.1 million m<sup>3</sup> (9% reduction year-on-year)
- Energy: Total consumption of 8.73 million GJ (8% increase year-on-year)
- Diesel: 197.9 Ml purchased (8% increase year-on-year)
- Land: 83,402 hectares land under management; 2,500 hectares set aside for biodiversity offsets

Our mines are in the water-stressed Northern Cape, where arid conditions and municipal potable water supply constraints underscore the need for responsible water management. We take all reasonable steps to ensure that we do not degrade water quality or compromise the access rights of other users. Excess water created by dewatering activities are shared with the local communities. We continue to increase the water reuse rate at our operations with the aim of achieving an 85% reuse rate by 2030. As an important player in the value chain of the carbon-intensive steel sector, and in the context of a growing uptake of “net-zero” commitments, we face pressure to reduce energy usage and switch to renewable energy sources as part of a “just transition”.

\* Note: quantitative details on capital inputs reflect the status as at 2021 financial year end.



## Impacts of our activities on the capitals

### Key trends in our activities to enhance stakeholder relationships

- ✓ Continued to maintain strong employee relations
  - 3.2% employee turnover rate, well below the industry benchmark
  - No industrial action since 2012
  - Recognised as the top listed company in South Africa by the Sunday Times Top 10 Companies
- ✓ Maintained constructive relationships with national, provincial and local government through regular engagement, strong regulatory compliance, and encouraging performance on transformation and developmental objectives
  - Collaborated with Anglo American, government, CSIR, Minerals Council and other mining companies to launch the Impact Catalyst in the Northern Cape to address the socio-economic needs of the region
  - Positive delivery in terms of National Development Plan expectations
  - No fines for non-compliance during the year
  - R22.7 billion total tax contribution (2020: R14.4 billion)
- ✓ Generally encouraging relationships with communities, aided by active community engagement, provision of economic opportunities, infrastructure and services, and our comprehensive Covid-19 response measures
  - 79% of Kumba employees recruited from local areas
  - R4.1 billion spent on more than 300 suppliers from our host communities (2020: R3.7 billion)
  - R10.3 billion spent on procurement from HDSA businesses (2020: R9.8 billion)
  - R257.5 million social investment, including Covid-19 support of R35.3 million, in health, education and infrastructure (2020: R263.6 million)
  - Continued to provide essential services, including water, healthcare and emergency medical services, distribution of food parcels, provided critical medical equipment, testing labs and vaccination sites for employees, contractors, families, and the community
- ✗ Some concerns remain in community relations
  - Protests at our resettlement suburb Siyathemba, with demands largely related to employment opportunities
  - 73 social complaints and grievances reported across our sites
- ✓ Further progress in close collaboration and strengthening partnerships with Transnet to mitigate Covid-19 challenges
- ✓ Maintained confidence from shareholders and investment community through strong financial performance
- ✓ Benefit of a geographically diverse customer portfolio enabled us to quickly regain market share during the pandemic

### Key trends in mitigating our impact on natural resources

- ✓ No serious (level 3 to 5) environmental incidents for sixth consecutive year
- ✓ No water source or habitat materially negatively affected by our extraction and use of water
- ✓ Clean mine water recharged into underground aquifers neighbouring Kolomela (roughly 36,000 m<sup>3</sup>/month)
- ✓ 138.8 hectares rehabilitated during the year
- ✓ Increase in overall Ore Reserves of 10% (70.0 Mt), mainly attributable to the addition of low-grade ore to the Ore Reserves portfolio after the approval of the Sishen UHMS project feasibility study and a substantial decrease of 20% (139.0 Mt) in Mineral Resources, due to the conversion of Sishen low-grade Measured and Indicated Mineral Resources inside the pit layout to Ore Reserves
- ✓ Decrease in total CO<sub>2</sub> intensity of 3.6% and a decrease of 4.5% in energy intensity compared to the previous year
- ✗ Increase of 9% in total GHG emissions over the year (to 0.99 million tonnes CO<sub>2</sub>e) mainly due to impact of Covid-19 on operations in the previous year, but a reduction in our carbon footprint compared to 2019
- ✗ Further progress in mitigating dust emissions at our mining operations
- ✗ One environmentally-related community grievance related to vibration due to blasting at Kolomela (2020: 10)
- ✗ Cumulative 16,399 hectares disturbed by mining, processing and mineral waste disposal, since commencement of operations





# Creating value continued

## Capitals



### Financial capital

Access to cost-effective financial capital – such as equity, debt, reinvestment and other financial instruments – is an essential basis for sustaining and creating further value across all capital stocks.

#### Actions to optimise financial capital

Through the Tswelelopele strategy we are focusing on making Kumba more competitive by enhancing the performance and efficiency of our current assets to deliver a substantial improvement in margins and sustainably extend the life of our assets. To optimise our cost of financial capital and build long-term investor relationships while ensuring timeous, transparent and relevant disclosure to enable the fair valuation of Kumba and manage our reputational risks. With our capital allocation framework, cash generated from operating activities will be used for our tax commitments, SIB capital and dividends to shareholders in line with our dividend policy. Excess discretionary cash flow is deployed in the best long-term interests of shareholders with consideration of further investment in the business and incremental returns to shareholders.

Through our commitment to “re-imagine mining to improve people’s lives”, and implementation of our FutureSmart Mining™ commitments, we are seeking to make a meaningful positive contribution to the country’s socio-economic transformation.

A review of our activities is provided in the following sections of our 2021 reports:

→ **Chief Executive review**  
IR – page 58

→ **Review of our strategic focus areas**  
IR – page 92

→ **Provide leadership through responsible citizenship**  
IR – page 95

→ **Building social capital: Making a positive social contribution**  
SR – page 69

## Necessary inputs\*

- Market capitalisation: R200.7 billion at end of 2020
- Capital expenditure to execute growth projects: R2.6 billion
- Robust balance sheet
- Cash generated from operations: R65.0 billion
- Continued focus on margin enhancement and strong financial discipline
- Debt free since March 2017
- Good track record of responsible financial management practices

## Challenges in securing these inputs

Our ability to generate financial capital for reinvestment in the Company is a function of various internal and external factors reviewed in more detail throughout this report. Access to external financial capital is determined by Company fundamentals, investor sentiment, the status of the mining sector, country risk, and the state of the global and regional economy more generally. Current prospects regarding South Africa’s economic outlook and fiscal sustainability – compounded by continuing political uncertainty in South Africa, corruption and challenges in SOEs – are negatively impacting fundamentals and investor sentiment. The recent downgrade by ratings agencies has raised the cost of financial capital.

\* Note: quantitative details on capital inputs reflect the status as at 2021 financial year end.



### Impacts of our activities on the capitals

#### Key results from our actions to build financial capital

- ✓ Resilient and efficient balance sheet with strong cash flows and no debt
- ✓ Improvement in ROCE from 109% in 2020 to 147% in 2021
- ✓ Ended the year with a net cash position of R17.5 billion
- ✓ Earnings before interest, tax, depreciation and amortisation: R64.6 billion
- ✓ Total cash dividend of R103.20 per share
- ✓ Increased price premium to US\$3 per tonne through our marketing strategy and capabilities
- ✗ 26% decrease in share price from R623 per share at end of 2020 to R460 per share at end of 2021
- ✗ Market capitalisation of R148.2 billion at end of 2021



# Creating value continued

## Capitals



### Manufactured assets

Our substantial financial investment in the purchase, development and maintenance of property, plant and equipment has given us the capacity to generate longer-term returns.

#### Actions to enhance manufactured assets

A review of our activities is provided in the following sections of our 2021 reports:

- **Chief Executive review**  
IR – page 58
- **Chief Financial Officer review**  
IR – page 96
- **Review of our strategic focus areas**  
IR – page 92

## Necessary inputs\*

- Well maintained and functional property, plant and equipment: 2021 book value of R43.6 billion
- Maintaining opportunities for growth through our exploration and production operations in the Northern Cape province
- Reliable provision of services from service providers and contractors

## Challenges in securing these inputs

Ensuring continued access to reliable manufactured assets at our operations requires targeted investment in the acquisition, maintenance and/or replacement of property, plant and equipment. Key challenges in securing necessary inputs include competing demands for access to financial capital, unexpected events contributing to equipment failure, and potential delivery and other delays from service providers.



### Intellectual capital

Delivering on our strategy requires a strong performance-based ethical culture, effective management systems and continuous innovation in technology and processes to produce the most efficient and effective outcomes.

#### Actions to enhance intellectual capital

A review of our activities aimed at enhancing intellectual capital is provided in the following sections of our 2021 reports:

- **Review of our strategic focus areas**  
IR – page 92
- **Our people: Workforce culture and capability**  
SR – page 56

- Values-driven performance-led Company culture
- Anglo Operating Model providing a sequenced and repeatable set of work steps to deliver the intended purpose of our teams' work in the most efficient manner
- Continued investment of R452 million in the technology roadmap

Protecting and enhancing intellectual capital is linked to our investment in research and development and skills development, maintaining our ability to attract and retain top skills and diverse talent, and our effectiveness in instilling a performance-based ethical culture that drives innovation. Material potential constraints include the increasing competition for talent (both within and external to the mining sector), and competing interests for investment of financial capital.

\* Note: quantitative details on capital inputs reflect the status as at 2021 financial year end.



### Impacts of our activities on the capitals

#### Key trends from our activities to enhance manufactured capital

- ✓ Manufactured assets enhanced through R8.0 billion investment of capital expenditure in plant, equipment and deferred striping costs capitalised
- ✓ Continued focus on improving operational efficiency through P101 productivity improvements and various efficiency programmes at operations through the implementation of technology
- ✓ Commenced UHDMS project that will maximise product quality and extend the life-of-mine of Sishen to 2039
- ✓ Good progress with construction of Kapstevél South pit at Kolomela, which will maintain Kolomela's current life-of-mine at 13 years
- ✓ Collaborating and working with Transnet to mitigate logistical constraints
- ✗ Occasional equipment reliability and availability issues and weather-related delays impacting access to logistical services

#### The effect of our activities on intellectual capital

- ✓ Sustained growth in the Company's intellectual capital through various investments and activities
  - Investment in skills development: R232 million
  - Investment in technical studies: R242 million
  - Successful roll out of innovation in technologies and processes in both our operations



# Governance

The Board promotes strong principles of integrity within the Company, which aids in entrenching excellence in every facet of the business. The Board is the overall custodian of good corporate governance and is fully committed to the four governance outcomes (as described in King IV), namely:

- an ethical culture
- good performance
- effective control and
- legitimacy.

## Material matters discussed in this section

- Chairperson's review
- Our leadership
- Protecting value through good governance
- Corporate Governance

*Kumba – exploration signage*





**AngloAmerican**

**KUMBA IRON ORE  
EXPLORATION**



# Chairperson's review

**This has been a positive year for Kumba, characterised by robust operational performance and record earnings off the back of a buoyant commodity market and improved production volumes.**



**Terence Goodlace**  
Chairperson

At a personal level, it is particularly pleasing to report that this is Kumba's fifth successive year with zero fatalities, with further improvements in its reportable incident rate reflecting the Company's success in driving a safety culture.

The strength of Kumba's culture is also reflected in its response to the Covid-19 pandemic, where there has been an evident sense of shared responsibility and accountability across the workforce for our collective wellbeing. This has contributed to the early success of the Company's extensive vaccination drive – both across the Kumba workforce and within its host communities – with more than 75% of the workforce fully vaccinated by year end, well above the national average.

An important development this year has been Kumba's strategic commitment to driving decarbonisation across its value chain, and to working to ensure that iron ore becomes an important enabling metal as part of the global shift towards a "net-zero" economy. Kumba's ambitious emissions reduction objectives confirmed this year, its stance on safety, and its visible commitment to community wellbeing, are all reflective of its core purpose of re-imagining mining to improve people's lives.

## Strong financial results underpinned by generally pleasing operational performance

Kumba delivered another year of exceptional EBITDA growth, up 41% year-on-year to R64.6 billion. Attributable free cash flow from operations increased 47% to R30.5 billion, while the ROCE 147% reflected a significant increase from 109% in 2021. The Board declared a final cash dividend of R30.50 per share; combined with the interim cash dividend of R72.70 per share, this represents a total pay-out ratio of 100% of headline earnings per share for the year and a total cash dividend of R103.20 per share. This year, Kumba generated more than R88 billion in value for all our stakeholders, with a significant contribution to the national fiscus of R21 billion through income tax and mineral royalties and more than R15 billion in direct value for employees and BEE suppliers.

These strong results were underpinned by generally pleasing operational performance, reflecting improved plant reliability and the Company's focused drive on premium quality volumes. Production volumes were up 9% on the previous Covid-19-affected year, while total sales remained at 40.3 Mt, and stocks increased to 6.1 Mt. The iron content at 64.1%, and Lump:Fine ratio at 69:31, were both in line with plans. Sishen's and Kolomela's unit costs were both up – to R432/tonne and R324/tonne respectively – with C1 unit costs of US\$39/tonne below the guidance of US\$40/tonne. Kumba's break-even price increased to US\$56/tonne, US\$11/tonne up on the prior year, reflecting the impacts of a strengthened Rand, higher operating costs, and higher freight and royalty rates, partially offset by higher price premiums and lower stay in business (SIB) capital expenditure.

Managing the IOEC continues to be a priority, with rail performance remaining a particular concern, Kumba experienced six derailments, slightly lower than in 2020. The Kumba team is continuing to strengthen its relationship with Transnet, work closely with them to address various priorities, including on rail refurbishments, train speed safety, improving operational oversight and preventative maintenance, and enhancing operational efficiencies at the Saldanha port.

## Delivering on our strategic ambitions

It has been pleasing to see the extent to which Kumba has been delivering on its Tswelelope strategy since 2018, achieving almost all of the targets and KPIs associated with its four core strategic ambitions: eliminating fatal incidents through a culture of zero harm; enhancing the product premium and containing production costs; increasing the life-of-mine to 2040; and becoming the employer of choice in South Africa. Aided by





developments in the global iron ore market, Kumba's strong results have demonstrated the value of its strategic shift to choose to compete by maximising the price premium through the provision of quality products and by maintaining differentiated customer relationships and a diversified market base. Kumba's high average Fe content, and its Lump:Fine ratio, have enabled it to attract valuable Fe and market premia relative to standard products. This year, Kumba achieved a realised free-on-board (FOB) price of US\$161/wmt, 18% above the benchmark price of US\$136/wmt. We believe this benefit will be further strengthened in the context of the global shift to a low-carbon economy.

In looking to extend the life-of-mine of both Sishen and Kolomela, there has been progress this year with two major projects. The R7.3 billion Kapstevl South project – which seeks to maintain Kolomela's production profile at 13.6 Mt, is largely on schedule. At Sishen, the R3.6 billion UHDS plant project is being established, with key design, procurement, and construction activities underway. The project, which is set to commence in 2022, is being advanced to increase the percentage of premium products from 18% to 50%, and to extend Sishen's life-of-mine to 2039.

In November this year the Board undertook a comprehensive review of Kumba's Tswelopele strategy to ensure its continuing suitability in a rapidly changing operating context. As part of this strategy review, we considered the implications of various global trends including the shift to a decarbonised economy, the impact of emerging next-generation technologies, anticipated changes in the future of work, and the growing expectations on mining companies to create economic opportunities beyond the life-of-mine. Informed by this analysis, the Company will finalise a revised set of strategic priorities aimed at ensuring Kumba's long-term resilience.

### A challenging operating environment in South Africa

Kumba's performance comes against the backdrop of a country facing profound socio-economic challenges, with already high unemployment and debt levels compounded by the impacts of the pandemic, a flat economy, energy and transport infrastructure challenges, and ongoing concerns around corruption and the administration of SOEs. The riots and social unrest in July 2021 further dented already low business and investor sentiment. It is hoped that the stark findings of the Zondo Commission on the full extent of state capture will provide impetus for the much-needed action to eradicate corruption and strengthen the administration of SOEs. While we welcome the government's stated commitment to tackle corruption and improve the ease of doing business, as a sector we remain frustrated at the lack of sufficient progress in fostering a more investor-friendly environment.

The extent of the country's challenges highlights the need for business in general – and the responsibility of the mining sector in particular – to play an active supportive role in promoting

inclusive economic growth, ideally aided by a policy environment that attracts investment and fosters long-term innovation. Our response to the July 2021 riots, in which we partnered with Anglo American and others to address both the immediate and medium-term impact of the social unrest, reflects our broader commitment to finding meaningful solutions aimed at stimulating economic opportunities across our communities.

### Pleasing results on our ESG and sustainability performance

The Board maintained an intense focus this year on reviewing the Company's ESG performance, and assessing its progress on its commitments to Anglo American's FutureSmart Mining™ programme and SMP. Developed through extensive internal and external engagement, the group's sustainability strategy includes ambitious long-term targets, aligned with the UN Sustainable Development Goals, relating to three pillars: being a trusted corporate leader, building thriving communities, and maintaining a safe and healthy environment. In line with the outcomes of the recent COP26 summit in Glasgow, Kumba has committed to contributing to the group's 2040 goals of achieving operational carbon neutrality across its operations, and to reducing its scope 2 emissions to zero and significantly addressing scope 1 emissions by 2030. At a company level, this year the Board approved Kumba's 2030 ambition to reduce its energy intensity and absolute GHG emissions by 30% against a 2016 baseline.

In the context of these strategic ambitions, Kumba has continued to deliver strong ESG performance. The Company has remained fatality-free for five years and seven months, and this year achieved a TRCFR of 0.80 against a target of 2.01. On occupational health, there were no new cases of any occupational diseases, no cases of NIHL (for a sixth year running), and a 46% reduction in direct employee exposure to respirable dust and silica above the occupational exposure limit. In terms of environmental performance, carbon emissions increased year-on-year with 8% compared to 2020, the decrease in 2020 was driven by Covid-19 restrictions, and we have seen a reduction in our carbon footprint since 2019. We also made progress in developing a 60 MW to 80 MW solar photovoltaic (PV) plant at Sishen, and approved plans to achieve compliance with the global industry standard on tailings management. Building on its track record of facilitating broad-based black economic empowerment (B-BBEE), this year Kumba spent R10.3 billion in procurement on HDSA businesses, including R4.1 billion on more than 300 host community suppliers, up from R500 million in 2017.

This pleasing ESG performance is a tribute to the focus and commitment of Kumba's leadership team and employees, and it reflects the successful infusion of a culture of shared responsibility across the Company. An important part of the Company's organisational culture has been a strengthened focus this year on ensuring zero tolerance for any instances of bullying, harassment, or GBV within Kumba and our communities.



# Chairperson's review continued

## Ensuring good governance

This is my first year as Chairperson of the Kumba Board, following Dr Mandla Gantsho's retirement from the Board in May 2021. During the reporting period there was one new appointment to the Board, when we welcomed Ms Josephine Tsele as a non-executive director with effect from 1 May 2021. Mr Seamus French stepped down as a non-executive director with effect from 31 December 2021; we sincerely thank Seamus and Mandla for their valuable contributions to the Board and we wish them well.

At the end of the year, Themba Mkhwanazi left his position as Kumba Chief Executive to take up a new appointment as Chief Executive of Anglo American's global bulk commodities business. On behalf of the Board, I extend our deep appreciation to Themba, under whose strong leadership the Company has delivered significant value growth for its stakeholders. We wish him success in his new challenges, and value his continuing contribution as a non-executive director of the Kumba Board. We extend a warm welcome to Nompumelelo "Mpumi" Zikalala, who took over as Chief Executive at the start of 2022, joining a small group of women chief executives in the sector. We look forward to working with her in advancing Kumba's strategic and operational objectives.

I believe that the current Board brings the right balance of skills, experience and diversity of perspective needed to fulfil our fiduciary responsibilities and provide the necessary oversight over the development and implementation of the Company's strategic direction.

## Closing thoughts

In closing, and on the Board's behalf, I extend our thanks to Kumba's executive team for their continued leadership in managing the Company through the unusual challenges of the past two years, and we thank all Kumba's employees for their commitment to enabling the Company to deliver on its strategic agenda. At a personal level, I would like to thank my colleagues on the Board for their diligence, contributions and advice. Looking to the future, I am confident that Kumba is well positioned to deliver long-term value; it has the right strategy, leadership talent, organisational culture, and operating practices to re-imagine mining to improve people's lives.

**Terence Goodlace**  
Chairperson

16 March 2022



Trucks line up at the primary crusher at Kolomela.





# Our leadership

## Board



**Terence Goodlace (62)**

**Chairperson, independent non-executive director**

BCom, MBA, HND (Metalliferous mining)

Joined the Board on 24 March 2017

**Value added to the Board**

Mining strategy and operational experience, occupational safety, health and risk management



**Mpumi Zikalala (43)**

**Chief Executive and Chairperson of Exco, executive director**

BSc (Chemical Engineering)

Joined the Board on 1 January 2022

**Value added to the Board**

Strategic leadership, mining, technical insight and stakeholder engagement



**Bothwell Mazarura (48)**

**Chief Financial Officer and member of Exco, executive director**

BCompt (Hons), CA(SA), ACA, CA(Z)

Joined the Board on 1 September 2017

**Value added to the Board**

Governance, financial acumen and leadership



**Buyelwa Sonjica (71)**

**Independent non-executive director**

BA, BA (Hons)

Joined the Board on 1 June 2012

**Value added to the Board**

Transformation best practice, stakeholder engagement and sustainability best practice



**Sango Ntsaluba (61)**

**Independent non-executive director**

BCompt (Hons), MCom (Dev Fin), HDip in Tax law, CA(SA)

Joined the Board on 5 June 2017

**Value added to the Board**

Governance, financial acumen and tax expertise



**Mary Bomela (48)**

**Independent non-executive director**

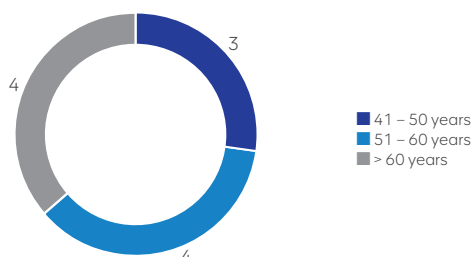
BCom (Hons), CA(SA), MBA

Joined the Board on 1 December 2017

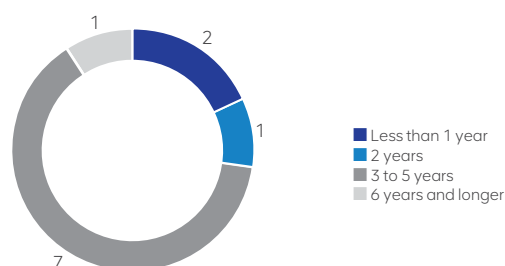
**Value added to the Board**

Strategy, financial acumen and governance

## Board diversity – age



## Board diversity – tenure





**Ntombi Langa-Royds** (59)**Independent non-executive director**

BA (Law), LLB

Joined the Board on 1 December 2017

**Value added to the Board**

Human resources, legal and regulatory competence and governance

**Michelle Jenkins** (61)**Independent non-executive director**

BSc Geology (Hons), BAcc (Hons), CA(SA)

Joined the Board on 1 November 2019

**Value added to the Board**

Resource industry risk management and strategic leadership

**Josephine Tsele** (52)**Non-executive director**

BCom (Hons) Economics and Government

Joined the Board on 30 April 2021

**Value added to the Board**

Risk management, country risk management and structured trade and bank counterparty assessments

**Themba Mkhwanazi** (51)**Non-executive director**

BEng (Chemical), BEng (Hons)

Joined the Board on 1 September 2016

**Value added to the Board**

Strategic leadership, mining and technical insight

**Duncan Wanblad** (54)**Non-executive director**

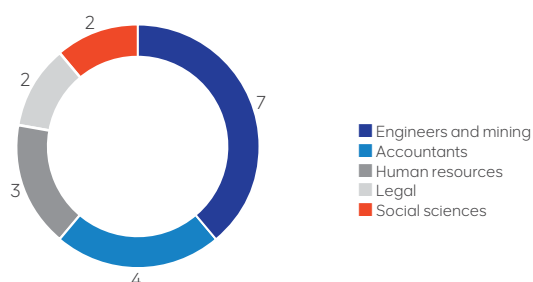
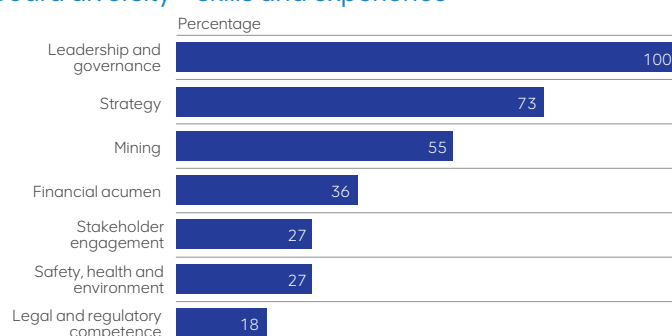
BSc (Eng) Mech, GDE (Eng Management)

Joined the Board on 31 May 2019

**Value added to the Board**

Mining expertise, business development and strategic leadership

→ For more information on the Board refer to:  
[www.angloamericankumba.com/about-us/leadership-team/internal-board](http://www.angloamericankumba.com/about-us/leadership-team/internal-board)

**Board diversity – field of knowledge****Board diversity – skills and experience**



# Our leadership continued

## Executive Committee (Exco)



**Vijay Kumar (49)**

**Chief Operating Officer**

MBA, BTech (Mining Engineering)

Joined Exco on 1 April 2020

**Value added to Exco**

Operational, mining and engineering expertise



**Dr Pranill Ramchander (51)**

**Executive head of corporate affairs**

BSoc Science (Hons), MA, MSc, PhD

Joined Exco on 1 September 2020

**Value added to Exco**

Communication, stakeholder relations and social performance and governance



**Chesley Madlala (58)**

**Acting executive head of human resources**

Masters in human resource management

Joined Exco on 1 January 2022

**Value added to Exco**

Human resources, industrial relations and stakeholder engagement



**Nandi Sibanyoni (40)**

**Executive head of safety and sustainable development**

BA (Hons) Environmental Management

Joined Exco on 1 May 2021

**Value added to Exco**

Health and safety management, environmental management and regulatory knowledge



**Glen Mc Gavigan (45)**

**Executive head of technical and projects**

BSc (Geology), MEng (Mining), GDE (Rock Engineering), PrSciNat

Joined Exco on 1 August 2016

**Value added to Exco**

Technical expertise, engineering and mining



**Dr Timo Smit (53)**

**Executive head of marketing and seaborne logistics**

MSc (Applied Physics), PhD (Materials Science and Engineering)

Joined Exco on 1 September 2007

**Value added to Exco**

Marketing, logistics and macro-economic insight

→ For more information on Exco refer to:

[www.angloamericankumba.com/about-us/leadership-team/executive-committee](http://www.angloamericankumba.com/about-us/leadership-team/executive-committee)

**Sam Martin** (50)

**Executive head strategy and business development**

BCom, BCompt (Hons), CTA, CA(SA)

Joined Exco on 16 July 2018

**Value added to Exco**

Acquisitions, finance acumen and strategy

**Mpumi Zikalala** (43)

**Chief Executive and Chairperson of Exco, executive director**

BSc (Chemical Engineering)

Joined the Board on 1 January 2022

**Value added to Exco**

Strategic leadership, mining, technical insight and stakeholder engagement

**Bothwell Mazarura** (48)

**Chief Financial Officer and member of Exco, executive director**

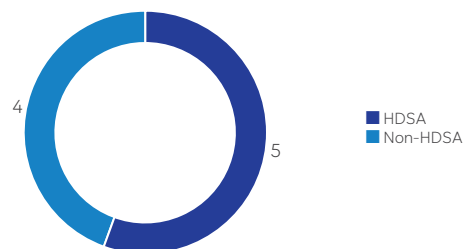
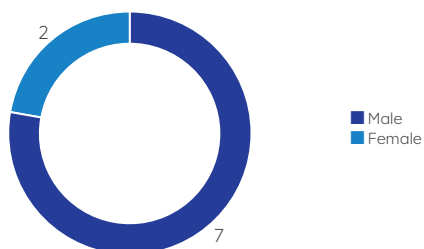
BCompt (Hons), CA(SA), ACA, CA(Z)

Joined the Board on 1 September 2017

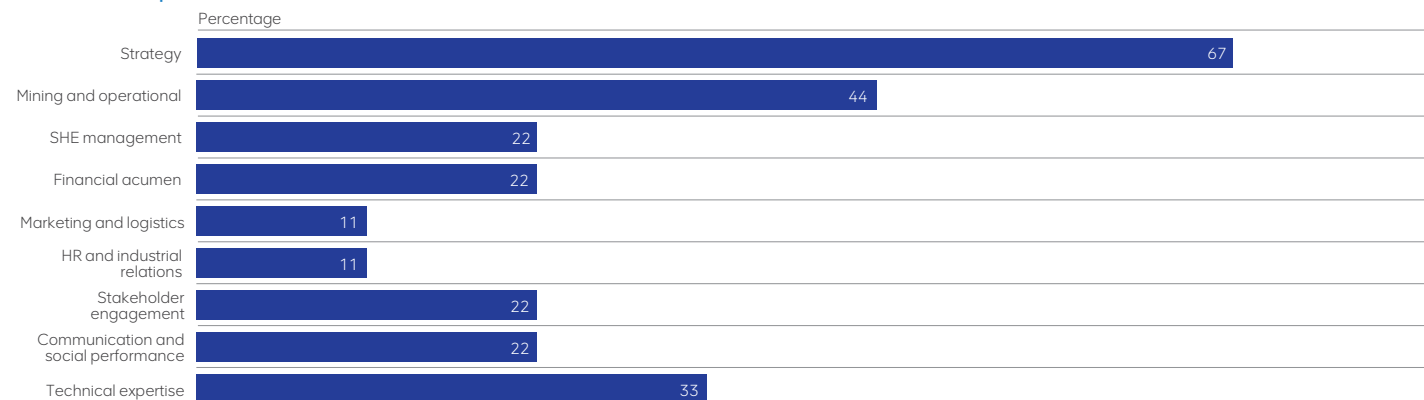
**Value added to Exco**

Governance, financial acumen and leadership

### Exco composition



### Skills and experience





# Protecting value through good governance

The following material issues were discussed in 2021:

<b>Kumba Board</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Approved Board policies based on the recommendation of the Nominations and Governance Committee</li> <li>Monitored the Company's response to Covid-19 and the risk mitigation strategy including the roll-out of the vaccination programme</li> <li>Approved the capital expenditure for the implementation of the Sishen UHDMS +43% project</li> <li>Approved the appointment of a host community contractor for the award of the Kolomela mining service contract</li> </ul>	
<b>Audit Committee</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Consideration of the JSE's guidance on proactive monitoring of annual financial statements</li> <li>Reviewing the group's current tax matters that could have a material impact on the financial statements</li> <li>Assessment of IT governance and related control environment</li> <li>Reviewed the group's significant accounting matters and recommended the approval thereof to the Board</li> </ul>	
<b>Strategy and Investment Committee</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Reviewed and monitored the implementation of the group's strategy and its component parts</li> <li>Approved the 2021 Resource development plan</li> <li>Approved the life-of-mine strategic design</li> </ul>	
<b>Social, Ethics and Transformation Committee</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Reviewed the Company's stakeholder engagement strategy and stakeholder policy and recommended both to the Board for approval</li> <li>Reviewed the Company's quarterly transformation and stakeholder engagement reports</li> <li>Approved the regulatory compliance plan for 2021 and received quarterly reports on the compliance in line with the plan</li> <li>Received reports from the Ethics function relating to the code of ethics, whistleblowing reports and implementation of the business integrity plan</li> </ul>	
<b>Human Resources and Remuneration Committee</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Considered and recommended the extension of the employee share scheme to the Board and shareholders</li> <li>Considered material risks and mitigation related to the retention of skills and labour relations</li> <li>Reviewed and approved the 2021 Team+ management short-term incentive (STI) business results and critical tasks performance metrics and weightings</li> </ul>	
<b>Nominations and Governance Committee</b>	<b>Chairperson:</b>
<b>Governance outcomes for 2021</b> <ul style="list-style-type: none"> <li>Reviewed the composition of the Board and its subcommittees to ensure the appropriateness of skills, experience, background and diversity</li> <li>Considered and recommended to the Board for approval, the revision of several policies, including, the Board policy on stakeholder engagement, guidelines on the provision of inputs when amendments to legislation are published for comment, policy on the promotion of broader diversity at Board level</li> </ul>	



During the year, the Board and its various committees addressed the following issues, each of which has a material bearing on the Company's ability to create long-term value for its shareholders and other stakeholders.

#### TP Goodlace<sup>#</sup> Number of meetings: 8 Board attendance: 91%

<sup>#</sup> Appointed as Chairperson of the Board on 23 June 2021 following the retirement of Dr Mandla Gantsho on 14 May 2021.

<sup>§</sup> Resigned as non-executive director on 31 December 2021.

<sup>\*</sup> Appointed as non-executive director on 1 May 2021.

TM Mkhwanazi, BA Mazarura, TP Goodlace, BP Sonjica, SG French<sup>§</sup>, SS Ntsaluba, NB Langa-Royds, MS Bomela, DG Wanblad, MA Jenkins, MJ Tsele<sup>#</sup>

##### Actions for 2022

- Approving reviewed strategies
- Navigating the business within the current geopolitical and inflationary environment
- Increased focus on decarbonisation
- Focus on the management of the IOEC
- A focus on cost management

##### Strategic focus area and key enablers



#### SS Ntsaluba Number of meetings: 6 Committee attendance: 100%

<sup>#</sup> Resigned as a member of the Committee on 23 June 2021 due to his appointment as Chairperson of the Board.

TP Goodlace<sup>#</sup>, MS Bomela, MA Jenkins

##### Actions for 2022

- Continued focus on governance and the regulatory control environment
- Continued focus on the robustness of the internal control framework over financial reporting to support the Chief Executive and Chief Financial Officer's responsibility
- Reviewing the business performance against targets
- Continued focus on IT governance and the related control environment
- Oversight of internal controls around the planned capital expenditure on the group's major multi-year projects currently in execution

##### Strategic focus area and key enablers



#### TP Goodlace Number of meetings: 4 Committee attendance: 97%

<sup>#</sup> Appointed as a member of the Committee on 23 July 2021.

<sup>§</sup> Ceased to be a member of the Committee following his resignation as non-executive director on 31 December 2021.

SS Ntsaluba, M Mkhwanazi, DG Wanblad, BA Mazarura, MA Jenkins, SG French<sup>§</sup>, MS Bomela<sup>#</sup>, MJ Tsele<sup>#</sup>

##### Actions for 2022

- Monitoring and oversight of reviewed strategies
- Progress on decarbonisation and achievement of targets
- Continued monitoring of the implementation of major projects

##### Strategic focus area and key enablers



#### BP Sonjica Number of meetings: 4 Committee attendance: 100%

<sup>#</sup> Appointed as a member of the Committee on 23 July 2021.

TP Goodlace, M Mkhwanazi, NB Langa-Royds, DG Wanblad, MJ Tsele<sup>#</sup>

##### Actions for 2022

- Monitor key SHE incident indicators and, where appropriate, ensure that such information is communicated within the Company and with relevant stakeholders
- Monitor non-compliance of the Company's corruption and business integrity policy and the code of conduct to ensure that robust controls remain in force
- Monitor that there was a healthy balance between transformation activities and to ensure adequate skills to maintain stability in the Company
- Monitor the Company's community development activities
- Monitoring of progress of the achievement of ESG targets

##### Strategic focus area and key enablers



#### NB Langa-Royds Number of meetings: 5 Committee attendance: 96%

<sup>#</sup> Ceased to be a member of the Committee when he retired as independent non-executive director.

<sup>§</sup> Ceased to be a member of the Committee following his resignation as non-executive director on 31 December 2021.

<sup>\*</sup> Appointed as a member on 23 July 2021.

MSV Gantsho<sup>#</sup>, TP Goodlace, MS Bomela, SG French<sup>§</sup>, MA Jenkins<sup>\*</sup>

##### Actions for 2022

- Implementation of the evergreen ESOP
- Review the 2022 performance scorecards for the Chief Executive and executive management
- Review the bonus metrics for bargaining and non-bargaining employees

##### Strategic focus area and key enablers



#### TP Goodlace<sup>#</sup> Number of meetings: 4 Committee attendance: 100%

<sup>#</sup> Appointed Chairperson of the Committee on 23 July 2021 following the retirement of Dr Mandla Gantsho on 14 May 2021.

<sup>§</sup> Ceased to be a member of the Committee when he retired as independent non-executive director.

MSV Gantsho<sup>§</sup>, SS Ntsaluba, BP Sonjica, NB Langa-Royds

##### Actions for 2022

- Externally led Board and Committee evaluation
- Targeted focus on Board, Chief Executive and Chief Financial Officer succession planning

##### Strategic focus area and key enablers





# Corporate governance

The Board's value creation lies in driving outcomes that support the Company's vision of re-imagining mining to improve people's lives

## Governance framework

Our governance framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to govern the Company effectively.

The governance framework, practices and processes enabled the Board to create value through:

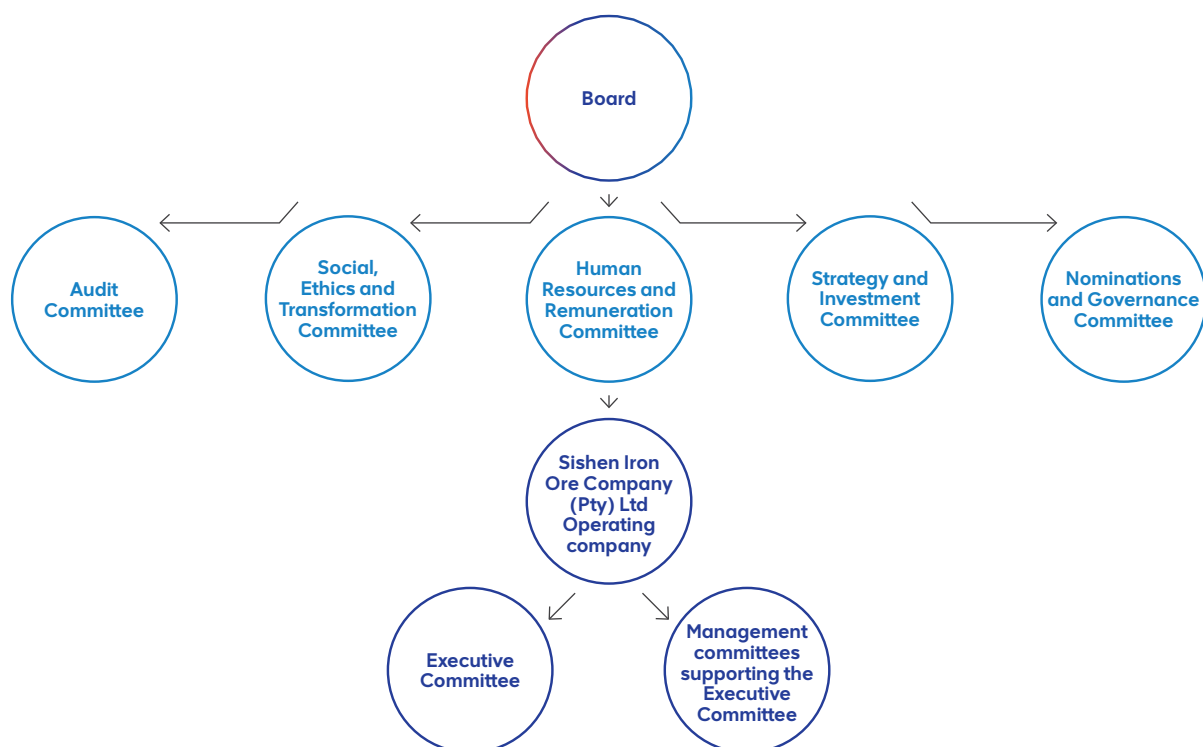
- a diverse and transformed Board – that approved and implemented the Board race and gender diversity policy and promoted broader diversity at Board level
- skills and experience for the future – developing and approving a Board succession plan
- independent thinking – as evidenced by the annual review of independence
- engaged and committed members – demonstrated through active participation and attendance in meetings
- focused and informed discussions – with dedicated committees operating under clear terms of reference and work plans

It is the Board's philosophy that authority and responsibility be delegated to the lowest prudent level and management is expected to always act in accordance with the Company's values. The Board approved a delegation of authority framework (DAF) to provide for the various authority levels across the Company and its subsidiaries.

Governance at Kumba takes into account that its main operating subsidiary, SIOC, has a shareholding structure that reflects the B-BBEE requirements of the Mining Charter and the Mineral and Petroleum Resources Development Act (MPRDA). Our governance framework is structured in a manner that ensures that the two entities are legally independent and have fully operational but separate boards, with clearly defined responsibilities and authority. The Company's DAF regulates the approval levels of each board.

The SIOC Board comprises non-executive directors representing the minority shareholders, executive directors from Kumba, and an independent non-executive director.

The SIOC Board has full authority over matters pertaining to SIOC. In its governance of SIOC's operations, the SIOC Board is supported by Kumba's Board committees and feedback on deliberations of Board committee meetings are provided at each SIOC Board meeting.







### Pillars of value



### Governance universe



### Governance outcomes



### Governance elements of the business model and value-creation process

#### Our governance approach

##### Role of the Board

In keeping with the spirit of sound leadership, the Board promotes strong principles of integrity within the Company, which aids in entrenching excellence in every facet of the business. The Board is the overall custodian of good corporate governance and is fully committed to the four governance outcomes (as described in King IV), namely: an ethical culture, good performance, effective control and legitimacy.

The Board plays a key role in setting the strategic direction of the Company. The Board also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business.

The directors are diverse in their academic qualifications, industry knowledge, experience, race and gender. This diversity encourages robust debate at Board and committee level to ensure that appropriate and effective judgement and guidance are provided to management in delivering on the Company's strategic objectives.

The Board charter regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. The charter sets out the roles and responsibilities of the Board and individual directors, including its composition and relevant procedures of the Board. The charter is aligned with the provisions of the Companies Act No 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements, King IV and the Company's Memorandum of Incorporation (Mol).

While retaining overall accountability, the Board has delegated authority to the Chief Executive to manage the day-to-day affairs of the Company. The Chief Executive and the Chief Financial Officer have monthly performance reviews with all executives to obtain feedback relating to key initiatives and agreed KPIs. The Executive Committee (Exco) meets bi-monthly to discuss overall performance of the business, progress on strategic initiatives and top risks. Governance matters and approvals in line with the DAF are also dealt with.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.



# Corporate governance continued

## Power, control, support and appointments

Mr Terence Goodlace, an independent non-executive director, is the Chairperson of the Board.

The responsibilities of the Chairperson and the Chief Executive are clearly defined and separated, as set out in the Board charter. While the Board may delegate authority to the Chief Executive in terms of the Board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the Board. The Chairperson is responsible for leading the Board and for ensuring the integrity and effectiveness of the Board and its committees. In contrast, the Chief Executive is responsible for the effective management and running of the Company's business in terms of the strategies and objectives approved by the Board and is accountable to the Board through regular reports.

The Board considers whether there is an appropriate balance of knowledge, skills and expertise among the non-executive directors. The non-executive directors are considered to have the required skills and experience to have objective judgement on matters of strategy, resources, transformation, diversity and employment equity, financial and operational performance and policies impacting the business.

The Board has adopted a policy in terms of which any director may take independent professional advice, at the expense of the Company, where there is doubt as to whether a proposed course of action is consistent with his/her statutory and/or fiduciary duties and responsibilities. All directors have access to the Company Secretary for advice and guidance on governance matters and compliance with applicable legislation and procedures. Directors also have direct access to Kumba's external and internal auditors, and members of the executive management team, at all times.

In compliance with JSE Listings Requirements, independent non-executive directors do not participate in any share incentive schemes of the Company.

## Appointments and diversity

The Nominations and Governance Committee recommends the appointment of new directors for approval by the Board according to a strategy and succession plan adopted by the Board. The Board charter details the procedure for appointments to the Board. The Board diversity policy also applies to the appointment of new directors. The Nominations and Governance Committee in applying the diversity policy will make recommendations to the Board on prospective candidates based on merit and will consider candidates against objective criteria with due regard to the benefits of diversity, including gender, and the contribution that the candidate will bring to the Board. There is ongoing commitment from the Board to strengthen women representation.

Comprehensive induction programmes over a number of days are conducted for all newly appointed directors which include site visits to the operations.

## Changes to the Board of directors

Ms Josephine Tsele was appointed as a non-executive director of the Board with effect from 1 May 2021. Dr Mandla Gantsho stepped down as an independent non-executive Chairperson on 14 May 2021. Mr Terence Goodlace was appointed as Chairperson of the Board with effect from 23 July 2021. Mr Seamus French stepped down as a non-executive director with effect from 31 December 2021.

## Term of office, rotation and retirement

The capacity of each director is categorised in accordance with the guidelines set out in the JSE Listings Requirements and King IV. Non-executive directors are subject to a tenure of nine years, which may be extended by a further period subject to the assessment of such director's independence as required by King IV. Notwithstanding the aforementioned, a director shall cease to hold office should any event as contemplated in clause 26 of the Company's Memorandum of Incorporation (Mol) occur.

The Mol further stipulates that one-third of the Board members will retire from office at the AGM and will be eligible for re-election. The directors to retire are those who have been in office the longest since their last election or who were appointed during the year. The Chief Executive and the Chief Financial Officer are excluded in determining the rotation of retiring members.

The Board has robustly tested, through an independent evaluation, the independence of all non-executive directors in the year under review. The following non-executive directors are retiring and being eligible will be recommended for reappointment at the 2022 AGM: Mr Terence Goodlace, Mrs Michelle Jenkins, Mr Sango Ntsaluba, Ms Buyelwa Sonjica and Ms Josephine Tsele.

## Skills and diversity

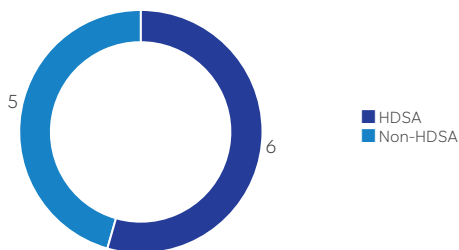
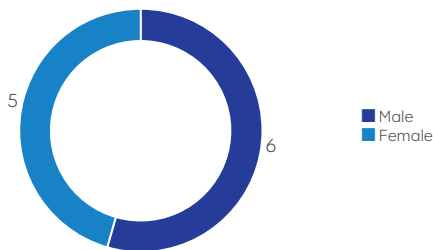
The Board approved a Board policy promoting broader diversity at Board level. Diversity at Board level is seen as an essential element in maintaining a competitive advantage. Robust discussions about challenging issues require deep insight, multiple angles and collective experience which is where the value of having a diverse Board lies. The Board diversity profile encompasses variables such as gender, race, culture, age, field of knowledge, skills and experience, ethnicity, competencies, philosophies, accomplishments and religion. A diverse Board includes and makes good use of all the diversity attributes between members of the Board to encourage debate and make well-rounded decisions. These diversity attributes will be considered in determining the optimum composition of the Board. The Board agreed that no voluntary targets be set for 2021 with the undertaking that the policy will be reviewed annually to assess whether or not to set voluntary targets. The Board currently has HDSA representation of 55%.

The policy promoting broader diversity was applied when Ms Josephine Tsele was appointed to the Board.

Details of all Board members can be found on pages 34 and 35. The Board, with the support and guidance of the Nominations and Governance Committee, ensure that the promotion of broader diversity is given credence within the framework of the Board succession strategy.



### Board composition



### Directors' independence and conflicts of interest

The Nominations and Governance Committee is responsible for assessing the independence of the directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations of King IV, which takes into account, among others, the number of years a director has served on the Board.

The Board has adopted a policy dealing with directors' tenure in excess of nine years. Best practice requires the Board to consider whether that director continues to be independent, in executing his/her fiduciary duties. The Board, upon recommendation from its Nominations and Governance Committee, has adopted the policy of annually reviewing directors' independence if their tenure has reached nine years or more.

Based on the results of the evaluation the Board will consider whether there is any evidence of any circumstance and/or relationship that would impair their judgement, to the extent that their independence is compromised.

The Chairperson of the Board is also subject to reappointment by the Board and an annual evaluation of his independence and performance is carried out during the annual Board evaluation process.

The Board was satisfied that all its independent non-executive directors met its independence criteria for the 2021 financial year.

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Company's interests. Directors disclose conflicts of interest at every meeting

in terms of section 75 of the Companies Act. Directors present an updated list of their directorships and interests to the Company Secretary on a quarterly basis; the comprehensive list is tabled at each quarterly Board meeting. At the beginning of each Board meeting, Board members and committee members are also required to disclose any conflict of interest in respect of a matter on the agenda. Any such conflicts are proactively managed as determined by the Board, subject to legal provisions.

The Board has approved policies governing the management of conflicts of interest, the protection of confidential information, and dealing in the Company's shares that provides relevant guidance to Board members.

### Directors' induction and development programme

The Company's induction programme for new directors and training plan for existing Board members aim to holistically address all aspects of being a director, including an understanding of the JSE Listings Requirements, the legal and regulatory framework of the industry, the Kumba operations, and other matters deemed important in ensuring that the directors are able to exercise their fiduciary duties adequately. Each newly appointed director is inducted through a tailor-made "induction plan", which plan specifically focuses on their individual needs and areas of interest.

The training programme is also designed to meet the existing and emerging needs of the Board. For the year under review, training was provided to the Audit Committee on IFRS updates, insights on what a "just transition" means for jobs in South Africa and technology employed on the audit. Members of the Human Resources and Remuneration Committee received refresher training on the Company's Remuneration Policy and also received insights in relation to the general reward practices in the South African market, the implications of the proposed amendments to section 30(a) of the Companies Act and the state of shareholder activism and emerging trends. Externally facilitated training sessions were provided to the Board on the Protection of Personal Information Act (POPIA) and ESG.

### Board and Executive Committee succession planning

Succession planning is important in ensuring continuity and strengthening of the collective skills and experience set of the Board. The Nominations and Governance Committee continually assesses the Board and its sub-committees' composition.

The Board is satisfied with the current Board and sub-committee compositions.

In October 2021, the Nominations and Governance Committee reviewed the succession planning for the Chief Executive and the Chief Financial Officer. Similarly, the Human Resources and Remuneration Committee reviewed the succession planning for executive management and senior management in the Company. These succession plans identified emergency successors and development plans are in place for successors where readiness levels of three to five years were indicated. Emphasis was also placed on strengthening the women pipeline. The committees will continue to monitor progress in this regard.



# Corporate governance continued

## Board and committee evaluations

In December 2020, an internal annual Board appraisal process was facilitated under the auspices of the Nominations and Governance Committee. The appraisal process solicited each director's views on the performance of the Board as a whole, the performance of the Chairperson of the Board, Company Secretary, the Board committees and committee chairmen. It is pleasing to report that the Board was assessed as performing very well in most areas, receiving an overall score of 3.84 out of 4. The Board performed exceptionally well in the governance areas relating to roles and responsibilities, and Board committees. The culture of the Board was considered to be very good, characterised by excellent leadership, high levels of mutual respect and frank discussion, underpinned by a deep appreciation of the need for a stakeholder inclusive approach. Suggested areas for improvement include: reducing the size of Board packs and for more frequent communication during the period where no Board meetings are held.

## Company Secretary

The Company Secretary's primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. The Company Secretary plays a key role in providing guidance to the Board members on the execution of their duties, keeping the Board aware of relevant changes in legislation and corporate governance best practice. Other key performance areas of the Company Secretary include overseeing the induction of new directors, orientation and ongoing education of directors. The Company Secretary is also secretary to the Board committees and Board members have unfettered access to the services of the Company Secretary. The Company Secretary is a prescribed officer and the Company's ethics officer.

The role has expanded to include executive oversight over other areas, including insurance, business integrity, management of the Company's intellectual property and regulatory compliance.

An assessment of the Company Secretary and Secretarial function was carried out by the Nominations and Governance Committee on behalf of the Board. The results confirmed that the Company Secretary had the requisite level of knowledge and experience to discharge her duties.

The Board processes are managed by the Company Secretary with the support of the governance, risk, compliance and ethics functions. The team is adequately resourced and has the necessary skills, experience and attributes to effectively support the Board and its committees in discharging its duties.

## Board committees

There are five Board committees, namely: the Audit Committee; Social, Ethics and Transformation Committee (Setco); Human Resources and Remuneration Committee (Remco); Strategy and Investment Committee (Stratco) and Nominations and Governance Committee (NomGov). Each committee consists of a minimum of three members, as contained in the terms of reference.

Each committee, including the Board, promotes strong principles of integrity within the Company and the Board remains the overall custodian of good corporate governance. Sound corporate governance provides a critical foundation, both for safeguarding stakeholder value and for achieving the Company's key strategic focus areas. Independent Board oversight and guidance in relation to the operations and activities are key in driving compliance and embedding the highest levels of integrity and transparency throughout the Company. Through the governance structures and committees, decisions are made and responses generated to ensure value is created for the Company and its stakeholders.

The following applies to Board committees:

- the Chairperson attends all Board committee meetings, either as a member or as an invitee
- the Chief Executive has a standing invitation to attend all committee meetings where he is not a member
- other Company executives attend meetings where appropriate and by invitation
- at the discretion of the committee chairmen, in-committee discussions are occasionally conducted without invitees
- all members of Board committees are directors of the Company
- where committee membership is prescribed by the Companies Act 2008 or the JSE Listings Requirements, or is recommended by King IV, Board committees are constituted in accordance with such requirements or recommendations
- committee chairmen report on proceedings of committee meetings to the Board, and minutes of all Board and committee meetings are included in Board papers

## Kumba Board

The Board is the custodian of good corporate governance and sets the tone for ethical leadership. Its role and responsibilities include setting the Company's strategic direction, providing continuous oversight of the Company's performance on material matters, and holding the executive management team accountable to provide ethical and effective leadership.

The Board charter sets out the composition, scope of authority, responsibilities and powers and functioning of the Board. The Board believes that its combined skills and experience are appropriate for the effective execution of its duties.



The table below sets out the composition of the Board and attendance by the directors at Board meetings:

Board	19 February 2021	14 May 2021	23 June 2021	23 July 2021	6 September 2021	4 October 2021	22 October 2021	25 November 2021	Total meeting attendance
MSV Gantsho <sup>#</sup>	✓								1/1
MS Bomela	✓	✓	✓	✓	✓	✓	✓	Apology+	7/8
SG French <sup>§</sup>	✓	✓	✓	✓	Apology	Apology	Apology	Apology+	4/8
TP Goodlace <sup>**</sup>	✓	✓	✓	✓	✓	✓	✓	✓	8/8
MA Jenkins	✓	✓	✓	✓	✓	✓	✓	✓	8/8
NB Langa-Royds	✓	✓	✓	✓	✓	✓	✓	✓	8/8
TM Mkhwanazi	✓	✓	✓	✓	✓	✓	✓	✓	8/8
BA Mazarura	✓	✓	✓	✓	✓	✓	✓	✓	8/8
SS Ntsaluba	✓	✓	✓	✓	✓	✓	Apology	✓	7/8
BP Sonjica	✓	✓	✓	✓	✓	✓	✓	✓	8/8
MJ Tsele <sup>*</sup>		✓	✓	✓	✓	✓	✓	Apology+	6/7
DG Wanblad	✓	✓	✓	✓	✓	✓	✓	Apology+	7/8

+ Comments submitted ahead of the meeting following a pre-meeting held with management.

<sup>#</sup> Dr Mandla Gantsho stepped down as an independent non-executive director and Chairperson of the Board on 14 May 2021.

<sup>\*\*</sup> Mr Terence Goodlace was appointed Chairperson of the Board on 23 July 2021.

<sup>§</sup> Mr Seamus French resigned as a non-executive director on 31 December 2021.

<sup>\*</sup> Ms Josephine Tsele was appointed as a non-executive director on 1 May 2021.

The material issues deliberated on by the Board are determined by assessing the external environment, the needs and expectations of key stakeholders and other significant topics and/or events. Deliberations of the various committees enable the Board discussions to be more focused on strategic matters.

This year, presentations from senior management provided the Board with an opportunity to interrogate matters under discussion in more detail and to engage with senior management on material issues.

The following were key activities and outcomes from the Board in 2021:

- contributed to, reviewed and approved the strategy of the Company presented by management and the budgets and business plans necessary for the implementation of the approved strategy
- satisfied itself that all material risks in the strategy and business plans have been duly considered and addressed by management through defined mitigating strategies
- reviewed the Company's approach to capital management and funding arrangements
- approved the appointment of the mining services contract at Kolomela to a host community company AND310 EMS Projects Proprietary Limited for 64 months at an estimated contract value of R1.59 billion
- approved the Sishen DMS and Jig slimes upgrade
- approved the appointment of Ms Nompumelelo "Mpumi" Zikalala as the new Chief Executive with effect from 1 January 2022

- approved the appointment of Mr Terence Goodlace as Chairperson of the Board with effect from 23 July 2021
- approved the Company's stakeholder engagement strategy and stakeholder engagement policy
- approved capital expenditure of US\$212 million for the implementation of the Sishen UHDMs +43% Fe project. The Board is satisfied that it has fulfilled its mandate as set out in the Board charter as required in terms of King IV Principle 8 during the period under review.

The Board is happy to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2021. Actions for implementation in 2022 have been identified and agreed upon by the Board.

## Audit Committee

The role of the Audit Committee, in addition to its statutory duties in line with the Companies Act 2008, as amended, is to provide independent oversight of the effectiveness of the Company's financial, operating, compliance and risk management controls. In addition, the Audit Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors. This assists the Board in monitoring the integrity of the Company's AFS and related external reports.

The Committee comprises independent non-executive directors who collectively have the necessary financial literacy, skill and experience to perform the Committee role and functions effectively.





# Corporate governance continued

The Committee executed its duties in terms of paragraph 3.84(g) of the JSE Listings Requirements as reported in the Audit Committee's report in the AFS (refer to pages 17 to 19 in the AFS).

The table below sets out the composition of the Audit Committee and attendance at the meetings by its members for 2021:

Member	Number of meetings: 6
SS Ntsaluba (Chairperson)	6/6
MS Bomela	6/6
TP Goodlace <sup>#</sup>	4/4
MA Jenkins	6/6

<sup>#</sup> Mr Terence Goodlace ceased to be a member of the Committee following his appointment as Chairperson of the Board on 23 July 2021.

Meetings of the Audit Committee were aligned with the key reporting and regulatory timelines. The Chairperson of the Audit Committee met with internal audit and external auditors separately between Audit Committee meetings. The agenda also provided for meetings solely with members of the Audit Committee.

The following were key activities and outcomes from the Audit Committee in 2021:

- reviewed and approved the 2021 Annual Financial Statements and the press and SENS announcements
- reviewed legal and regulatory matters that could have a significant impact on the Company's financial statements
- assessed the impact of the general control environment on the statutory audit, and reporting to executive management any areas of perceived weaknesses
- assessed the Company's finance function to ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively
- reviewed the appropriateness of the expertise and experience of the Chief Financial Officer
- reviewed the Committee's terms of reference and annual work plan and made recommendations to the Board in terms of ensuring its continued effectiveness
- held a technical training session where members were updated on: IFRS, insights on what a "just transition" means for jobs in South Africa and technology employed on the audit.
- assessed, as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements, the suitability of the external auditor and designated audit partner for recommendation to shareholders for approval
- considered the JSE's guidance on proactive monitoring of the AFS
- reviewed and assessed quarterly reports on risks and opportunities falling within the remit of the Committee

The Committee is satisfied that it has fulfilled its mandate as set out in the committee's terms of reference and work plan as required in terms of King IV Principle 8 during the period under review.

The Audit Committee is pleased to confirm that it has achieved the actions identified to enhance governance outcomes further

set out for 2021. Actions for implementation in 2022 have been identified and agreed upon by members of the Committee (also refer to the Audit Committee's report in the AFS pages 17 to 19).

## Strategy and Investment Committee (Stratco)

The Strategy and Investment Committee was formally constituted by the Board on 16 July 2019 following the dissolution of the Risk and Opportunities Committee. The primary purpose of the Committee is to evaluate Company strategy and its implementation, business development opportunities, capital and other investments or divestments and procurement contracts, prior to approval by the Board in terms of the DAF.

The Committee comprises four independent non-executive directors, three non-executive directors and two executive directors. The Head of Strategy and Business Development, Head of Technical and Projects, Principal Adviser Project Management Office and Strategy and Manager Corporate Development and Strategic Projects are permanent invitees to the meetings of the Committee.

The table below sets out the composition of the Strategy and Investment Committee and attendance at the meetings by its members for 2021:

Member	Number of meetings: 4
TP Goodlace (Chairperson)	4/4
MS Bomela <sup>#</sup>	1/1
SG French <sup>*</sup>	3/4
MA Jenkins	4/4
SS Ntsaluba	4/4
BA Mazarura	4/4
TM Mkhwanazi	4/4
MJ Tsele <sup>#</sup>	1/1
DG Wanblad	4/4

<sup>#</sup> Mrs Mary Bomela and Mrs Josephine Tsele were appointed to the Committee on 23 July 2021.

<sup>\*</sup> Mr Seamus French ceased to be a member of the Committee following his resignation as non-executive director on 31 December 2021.

The following were key activities and outcomes from the Strategy and Investment Committee in 2021:

- reviewed and monitored the implementation of the Company's strategy and its component parts
- monitored the implementation of approved capital projects and received updates on progress being made on upcoming major projects that will require Board approval
- received quarterly updates from management on the life-of-mine
- received updates from management on progress made on decarbonisation
- considered and recommended to the Board the approval of the capital expenditure for the implementation of the Sishen UHDS project
- considered and recommended to the Board the approval of the mining services contract at Kolomela to a host community company AND310 EMS Projects Proprietary Limited for 64 months at an estimated contract value of R1.59 billion



- considered and recommended to the Board for approval the Sishen DMS and Jig slimes upgrade
- ensured that in identifying risks relating to the Company's strategy, consideration was given to the upside presented by such risks to ensure that possible opportunities are captured in a responsible manner and in the best interest of the organisation
- reviewed and assessed quarterly reports on risks and opportunities falling within the remit of the Committee
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV Principle 8 during the period under review.

## Social, Ethics and Transformation Committee (Setco)

The Social, Ethics and Transformation Committee, as a statutory committee, plays a pivotal role in exercising oversight of organisational ethics, social and economic development, good corporate citizenship, regulatory compliance, environment, health and safety, stakeholder engagement and labour and employment issues. The purpose of the Committee is to ensure that the Company's activities positively impact its many stakeholders, including employees, communities, members of the public and the environment and to report on this to its shareholders on an annual basis.

The Committee comprises a majority of non-executive directors. In addition to Committee members, the executive heads of safety, health and environment, corporate affairs, and human resources attended Committee meetings.

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV Principle 8 during the period under review.

The Setco's report (the SR 2021) is available on the Company's website at:

→ [www.angloamericankumba.com/investors/annual-reporting/reports-archive/2021](http://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2021)

The table below sets out the composition of Setco and attendance at the meetings by its members for 2021:

Member	Number of meetings: 4
BP Sonjica (Chairperson)	4/4
MS Bomela <sup>#</sup>	1/1
TP Goodlace	4/4
NB Langa-Royds	4/4
TM Mkhwanazi	4/4
MJ Tsele <sup>#</sup>	1/1
DG Wanblad	4/4

<sup>#</sup> Mrs Mary Bomela and Ms Josephine Tsele were appointed to the Committee on 23 July 2021.

The following were some of the key activities and outcomes from the Social, Ethics and Transformation Committee in 2021:

- received and considered reports on safety, health and environmental performance, achievements and challenges
- monitored non-compliance to the Company's corruption and business integrity policy and the code of conduct to ensure that robust controls remained in force. Among others, this included considering the effectiveness of the Company's ethics policies and processes as well as effective management of the whistleblowing hotline
- monitored the Company's regulatory compliance to ensure the fulfilment of its licence to operate conditions and other regulatory requirements
- reviewed and assessed quarterly reports on risks and opportunities falling within the remit of the Committee
- monitored the findings from the ABAS audits related to material risks falling within the remit of the Committee
- considered and reviewed the Company's transformation initiatives
- considered the outcomes of the quarterly assessment of the Company's managed tailings storage facilities as well as the critical controls to manage geotechnical risks
- monitored that there was a healthy balance between transformation activities to ensure adequate skills to maintain stability in the Company
- reviewed the Company's stakeholder engagement strategy and stakeholder policy and recommended both to the Board for approval
- considered the donation of the Siyathemba Flats (the building and stand) and 142 vacant and serviced stands to the Gamagara local municipality as part of the long-term Dingleton renter's strategy and recommended the donation of the flats and the vacant and serviced stands to the Board for approval
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval

The Social, Ethics and Transformation Committee is pleased to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2021. Actions for implementation in 2022 have been identified and agreed upon by members of the Committee.

## Human Resources and Remuneration Committee (Remco)

The purpose of the Human Resources and Remuneration Committee is to ensure that the remuneration policy is fair and reasonable, while remaining compliant with regulatory and governance requirements and that remuneration practices deliver shareholder value. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies that aim to attract and retain top talent, support the Company's long-term strategy and drive sustainable performance.

The Committee comprises a majority of non-executive directors. In addition to the Committee members, the Chief Executive, the Executive Head of human resources and the Anglo American Head of reward attend Committee meetings.



# Corporate governance continued

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV Principle 8 during the period under review.

The remuneration report for the year under review is on page 112.

The table below sets out the composition of Remco and attendance at the meetings by its members for 2021:

Member	Number of meetings: 7
NB Langa-Royds (Chairperson)	7/7
MS Bomela	7/7
SG French <sup>§</sup>	4/7
MSV Gantsho <sup>#</sup>	2/2
TP Goodlace	6/6
MA Jenkins <sup>*</sup>	4/4

<sup>§</sup> Mr Seamus French ceased to be a member of the Committee following his resignation as non-executive director on 31 December 2021.

<sup>#</sup> Dr Mandla Gantsho ceased to be a member of the Committee following his resignation as independent non-executive director on 14 May 2021.

<sup>\*</sup> Mrs Michelle Jenkins was appointed to the Committee on 23 July 2021.

The following were key activities and outcomes from the Human Resources and Remuneration Committee in 2021:

- determined and approved the remuneration of the Chief Executive, executive directors and prescribed officers
- approved market salary adjustments for the Chief Financial Officer, Chief Operating Officer and Company Secretary
- approved the payment of performance incentives for the 2020 performance year
- considered and recommended the extension of the employee share scheme (Karolo) to the Board
- reviewed the compensation base and proposed annual increases for bargaining and non-bargaining employees
- monitored the implementation of the ESOP scheme approved by shareholders on 10 July 2018
- reviewed management's proposal for the independent non-executive directors fee increase and recommended the increase to the Board for shareholder approval
- reviewed and approved the 2020 share allocation awards under the deferred bonus arrangement (DBA) and long-term incentive plans (LTIPs) for the executive directors, prescribed officers and senior management
- approved the 2021 performance conditions for the executive directors' LTIP award
- approved the vesting of the 2018 long-term incentive awards and the 2018 deferred bonus awards for middle and senior management
- reviewed and assessed quarterly reports on risks and opportunities falling within the remit of the Committee

- reviewed and recommended to the Board for approval the 2021 Team+ management short-term business results and critical tasks performance metrics and weightings
- considered and approved the 2021 performance scorecard for the Chief Executive
- reviewed proposals from management on the evergreen ESOP
- approved the integration and repositioning of Supply Chain as mandated by the Board
- monitored the implementation of the second year of the three-year wage agreement concluded in 2020
- monitored the outcome of the SmartCore and SmartSupport projects
- considered the impact of proposed amendments to the Companies Act
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval

The Human Resources and Remuneration Committee is pleased to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2021. Actions for implementation in 2022 have been identified and agreed by members of the Committee.

## Nominations and Governance Committee (NomGov)

The Nominations and Governance Committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management. The Committee comprises independent non-executive directors. The Committee plays a key role in the promotion of sound corporate governance as integral to running of an organisation and delivering governance outcomes such as an ethical culture, good performance, effective control and legitimacy.

The table below sets out the composition of the Nominations and Governance Committee and attendance at the meetings by its members for 2021:

Member	Number of meetings: 5
Dr Mandla Gantsho (Chairperson) <sup>#</sup>	2/2
TP Goodlace (Chairperson) <sup>*</sup>	5/5
NB Langa-Royds	5/5
SS Ntsaluba	5/5
BP Sonjica	5/5

<sup>#</sup> Dr Mandla Gantsho ceased to be a member and Chairperson of the Committee following his resignation as independent non-executive director on 14 May 2021.

<sup>\*</sup> Mr Terence Goodlace was appointed as Chairperson of the Committee on 23 July 2021.



The following were key activities and outcomes from the Nominations and Governance Committee in 2021:

- developed a Board guideline for the provision of comments/inputs when amendments to legislation are published for comment and recommended the guideline to the Board for approval
- assisted the Board with the process to identify a replacement for the Chairperson of the Board following Dr Gantsho's retirement
- assisted the Board with the process to identify and recommend the appointment of the Chief Executive to the Board
- considered the outcomes and actions of the 2020 internal Board, Chairperson of the Board and Board Committee evaluation
- reviewed the Board's accountability and role in dealing with stakeholder queries and responses
- initiated an internal individual director self-assessment
- assessed the competence of the Company Secretary as required by paragraph 3.84(h) of the JSE Listings Requirements
- considered and recommended changes to important functions of the Board which was communicated to shareholders
- reviewed the Board policy on stakeholder engagement for approval by the Board
- reviewed and recommended the Companies and Intellectual Property Commission (CIPC) enforcement compliance checklist for the Company
- considered the succession planning and talent management processes in respect of the Chief Executive and Chief Financial Officer
- identified the Board training themes for 2021
- agreed on the process for the 2022 external Board, Committee and Company Secretary evaluation
- considered the succession of the Chief Executive and recommended the appointment to the Board for approval and communication to shareholders
- reviewed and assessed quarterly reports on risks and opportunities falling within the remit of the Committee
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV Principle 8 during the period under review.

The Nominations and Governance Committee confirms that it has achieved the actions identified to further enhance governance outcomes set out for 2021. Actions for implementation in 2022 have been identified and agreed by members of the Committee.

## Executive Committee (Exco)

Exco comprises the individuals most closely involved in the Company's operations including:

- The Chief Executive (Chairperson of Exco)
- The Chief Financial Officer
- Executive heads of each material area

Its responsibilities are subject to the provisions of the DAF and include:

- executing corporate strategy, as approved by the Board
- prioritising capital expenditure allocations
- establishing and overseeing best management practices
- making senior managerial appointments
- overseeing managerial performance

All members of Exco have also been identified as prescribed officers of the Company in terms of the Companies Act.

### Commitment to continued excellence

Our Executive Committee continually reviews the way we work by streamlining meetings, encouraging courageous and constructive discussions and eliminating duplication.

**We call it "Work Smarter"**

## Other governance practices

### Codes, regulations and compliance

The Board is responsible for the Company's compliance with applicable laws, codes and standards. Compliance is an integral part of the Company's culture in ensuring the achievement of its strategy. The Board has delegated the implementation of an effective compliance framework to management. Supervision of compliance risk management is delegated to the Management Risk Committee, which reviews and monitors compliance. The Company operates in conformity with its MoI. In addition, the Company complied with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King IV. Internal quality audits are performed to assess compliance with legal and industry requirements.

### King IV

The Board always endeavours to apply good corporate governance practices when executing its fiduciary duties and is fully committed to the four governance outcomes as set out in King IV. A self-assessment was conducted against the 16 principles and the Board is satisfied that the Company has adopted the principles and is mindfully overseeing the application of the recommended practices.

The JSE Listings Requirements currently require JSE-listed companies to report on the extent to which they apply the principles set out in King IV. The application of the King IV principles and adoption of the various recommendations are more fully detailed in our King IV application register, available on the Company's website:

→ <http://angloamericankumba.com/investors/corporate-governance>

The Board developed a matrix allocating responsibilities to the Board committees while retaining overall accountability.



# Corporate governance continued

## Management ethics

### Ethics and code of conduct

The main role of the ethics function is to promote ethical business conduct through the implementation of the Company's business integrity policy, code of conduct and anti-corruption policy.

The Company is committed to conducting a business that is consistent with its values, principles and leadership code, through guidelines and policies that set out its ethical culture. These policies guide employees, contractors, suppliers and all other stakeholders on how the Company conducts itself and the way it does business.

Kumba has upheld its principle of "zero tolerance" to unethical behaviour throughout its activities during the year under review. This has intrinsically been achieved through exercising rigorous ethics management and monitoring through a systematic and structured framework. Kumba has a clear governance structure charged with ethics management to ensure effective and efficient monitoring. The Board, through the Audit and Social, Ethics and Transformation Committees, is the ultimate custodian of ethics management as outlined in the Companies Act and King IV. Kumba has a Management Ethics Committee which is responsible for ongoing management of ethics. The Committee meets on a quarterly basis to consider all ethics and integrity-related issues and reports to the Board committees. An ethics steering committee was established, which meets monthly and reports to the Ethics Committee. Kumba has a dedicated anonymous tip-offs (whistleblowing) hotline, independently run by a third party.

The Kumba ethics function is led by the Company Secretary as the ethics officer who also serves as the Chairperson of the Management Ethics Committee. The Committee made good progress in investigating and closing off reported incidents.

During the year under review, the ethics officer created awareness through targeted communication on unethical behaviour, disclosure of gifts, entertainment and hospitality and conflicts of interest with the launch of the new "Disclose" tool which was done through various platforms to reach all employees, suppliers, contractors, and communities. All reported incidents are thoroughly investigated either internally or by external forensic investigators and resolved timeously, depending on the complexity of the matter. During the investigation process, fairness and transparency are exercised and the outcome of each investigation is properly considered to ensure that corrective action is taken to address control failures.

## Regulatory compliance

Kumba recognises the importance of complying with legislation as well as adhering to non-binding rules, codes and standards impacting its mining operations. The compliance process is an important element in embedding a compliance culture at Kumba and providing the Board and management with the assurance of compliance with legal and regulatory requirements.

The compliance function is aligned to the Company's strategic objectives and works closely with the risk function and Anglo American internal audit department to ensure the alignment of the combined assurance providers approaches to monitoring and reporting. The regulatory compliance controls and monitoring, that were introduced during the previous financial year, were continued throughout 2021. The outcome of the risk-based compliance monitoring of controls and mining activities resulted in the Company adopting appropriate remedial and/or mitigating steps, where necessary, to comply with the spirit and letter of the findings.

During the year the compliance function provided reports to the Management Risk Committee and the Social, Ethics and Transformation Committee on the level of regulatory compliance by the Company to the applicable mining and related legislation, regulations, standards, best practices and codes that have been identified to be of importance.

The compliance function reports operationally to the Company Secretary and has regular direct contact with the Chief Financial Officer, Chief Executive and senior management. In addition, the compliance function attends key management and governance meetings.

### Annual compliance certificate

The annual compliance certificate confirming the Company's compliance with the JSE Listings Requirements for the period was completed and will be submitted to the JSE on 15 April 2022.

### Trading in securities

Kumba has a defined trading in securities policy, which is in alignment with the JSE Listings Requirements, and sets out provisions as to how trading is to be conducted by Kumba's directors, directors of Kumba's major subsidiaries, the Company Secretary and relevant employees when dealing in the Company's securities, to prevent the misuse of inside information.

The Kumba policy and JSE Listings Requirements prohibit directors and employees from trading in any securities relating to Kumba without obtaining prior approval from the Chairperson of the Board or other designated directors.





Directors are also required to publicly disclose any dealings in the Company's securities by themselves or their associates.

The JSE Listings Requirements has defined closed periods that prohibits trading in Kumba securities during these periods:

- the time period from 1 January every year to the date on which the annual financial results are published (1 January 2021 to 18 February 2021)
- the time period from 1 July every year to the date on which interim financial results are published (1 July 2021 to 28 July 2021)
- any period when Kumba is trading under a cautionary announcement

The prohibition applies equally to the directors, executive and designated employees' associates. At the start of a closed period, directors and employees are formally advised of the commencement and duration of the closed period. In addition, *ad hoc* trading embargoes are imposed on individuals who possess price-sensitive information of a particular nature, at any given time, if it is the opinion of Kumba that there exists a risk of insider trading.

### Sponsor

Kumba fully understands the role and responsibilities of the sponsor stipulated in the JSE Listings Requirements and has cultivated a good working relationship with its sponsor, Rand Merchant Bank. The Company is satisfied that the sponsor has executed its mandate with due care and diligence for the year under review.



The first blast ceremony at the Kapstevl South pit at Kolomela.





# Our strategy and operating context

South Africa's economic and social challenges have been compounded by the effects of the pandemic over the last two years. Against this context, Kumba stays true to its purpose of "Re-imagining mining to improve people's lives" and is committed to supporting our stakeholders to address the challenges brought by the pandemic and to make a meaningful and enduring contribution to South Africa's economic and social fabric.

## Material matters discussed in this section

- Strategy
- Chief Executive's review
- Operating context
- Addressing stakeholder interests
- Material risks and opportunities





*A small camel thorn tree stands near the entrance of the Kolomela mine. In the background is one of the 4km trains which carry the processed iron ore from Kolomela to Saldanha Bay, where it is shipped to customers.*





# Our strategy

In 2017, Kumba embarked on its “Tswelelopele” (Ore to Awe) transformation journey aimed at unlocking our full potential and delivering sustainable value for all our stakeholders. The strategic ambition laid out in this strategy is to ensure that: we eliminate fatal incidents through a culture of zero harm; increase the life-of-mines to 2040; enhance our margin by 2022; and be the employer of choice in South Africa.

Through implementing this strategy, we have emerged stronger and have built a solid foundation to unlock further value for the longer term. We continue to explore value accretive opportunities that leverage Kumba’s capabilities and resources, while positioning us favourably for a decarbonising world and operating in a circular economy.

## Strategic ambitions

Achieve our goal of zero fatalities and serious injuries	Enhance product premium by $\geq$ US\$2/tonne, above Lump and Fe premium and contain C1 unit costs below US\$41/tonne	Sustainably extend the life of our Northern Cape operations to 2040	Become the employer of choice in South Africa
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We have been delivering our strategy over three-time horizons through our Tswelelopele programme

Horizon 1	Horizon 2	Horizon 3
<b>(one to three years)</b> Operating our assets at their full potential (Short-term initiatives aimed at enhancing product premium and containing C1 unit costs)	<b>(three to five years)</b> Leveraging our endowment (Medium-term initiatives to grow our core business and further extend life-of-mine)	<b>(five to seven years)</b> Optimising competencies and assets to sustain and expand the business (Long-term – identifying a wide range of potential business extension opportunities that fit well with our strategic direction)

## Strategic focus areas

Sustainably operate mines at a <b>lower unit cost</b> to remain competitive through a reduced cost base and a continued step-up in productivity	<b>Identifying and realising opportunities</b> beyond the existing operations, based on our asset base and competencies
Compete through producing <b>premium products</b> to maximise price premia realised and to maintain differentiated customer relationships	
<b>Implement the Anglo Operating Model</b> to ensure stable and capable processes leading to the delivery of business expectations and drive <b>operational equipment efficiencies</b> through P101	<b>Extend life of current assets</b> through UHDMs technology and business development activities
	<b>Focus on the Northern Cape</b> , South Africa, as the region contains the most attractive ore bodies for both current operations and targeted brownfields exploration
	<b>Unlock full infrastructure potential</b> to support maximum export volumes over the medium term
	<b>Use technology</b> to extract maximum value from our ore, focusing on step-change opportunities



## Key enablers



Aligned marketing and efficient operational activities to ensure product matches customer needs



Reinforce product quality and consistency



Proactively engaging with key stakeholders to reinforce our partnership approach



Leadership and culture; embedding a culture that fosters safety, health, diversity, innovation and organisational effectiveness



Provide leadership through responsible citizenship, displaying care for safety, health and the environment

## Sustainability

Our far-reaching SMP is built around the following global sustainability pillars that are aligned with the UNSDGs:



**Trusted corporate leader**  
Developing trust as a corporate leader, providing ethical value chains and improved accountability to the communities we work with



**Thriving communities**  
Building thriving communities with better health, education and levels of employment



**Healthy environment**  
Creating a healthy environment by creating waterless, carbon-neutral mines and delivering positive biodiversity outcomes



Women-in-mining – plant operators, Jodene Jubeida Haasen and Engeolina Nqokwe, at the stacker reclaimer section of the Kolomela process plant.





# Our strategy continued

## Delivering on our strategic ambitions

Achieving these strategic ambitions required a significant shift in how Kumba had traditionally operated, resulting in more rapid decision-making and simplified governance and approval processes, underpinned by a high-performance culture across our workforce. Our performance during 2021, reviewed throughout this report, indicates that the Company has been delivering on this challenge, building on the progress made each year since the adoption of this strategy. A high-level summary of the Company's performance on each of its strategic ambitions is provided below.

→ A more detailed review of our performance in terms of each of the strategic focus areas and key enablers is provided on pages 92 to 95.

Eliminate fatal incidents through a culture of zero harm		Enhance product premium and EBITDA margin, while containing costs		Sustainably extend the life of our Northern Cape operations to 2040		Become the employer of choice, through a high-performance culture driven by healthy motivated employees	
✓	Fatality-free for five years and seven months	✓	Total cost savings of R0.9 billion, bringing the total cost savings from Tswelelopele programmes to R4.1 billion	✓	<p>The initial Tswelelopele targets were delivered one year ahead of schedule and exceeded by 61% for Ore Reserves and 58% for Saleable Product, with a cumulative (2018 to 2021)</p> <ul style="list-style-type: none"> <li>• 322.8 Mt Ore Reserve replenishment (before depletion of 199.3 Mt run-of-mine)</li> <li>• 191.0 Mt Saleable Product (before production of 164.0 Mt)</li> </ul> <p>After fully accounting for depletion over the period (2018 to 2021),</p> <ul style="list-style-type: none"> <li>• estimated Ore Reserves increased with 123.5 Mt</li> <li>• estimated Saleable Product increased with 27 Mt</li> </ul>	✓	Partnered with a leading consulting company to co-create GBV interventions within Kumba and our communities
✓	Best TRCFR in Kumba's history of 0.80 against a target of 2.01 (2020: 1.74)	✓	Solid improvement in the EBITDA margin from 52% in 2018 to 63% in 2021, underpinned by robust iron ore prices for our high-quality products	✓	<p>Approval of UHDMS project feasibility study. This project will enable the beneficiation of low-grade ore with the planned upgrade of the existing DMS plant to an UHDMS plant, scheduled for completion towards the end of 2023, and the first product delivered from January 2024 onwards</p> <p>Apart from enabling the beneficiation of low-grade material, UHDMS technology enables Sishen to increase the average grade of its product until 2035, and increase the reserve life to 2039</p>	✓	Through our comprehensive WeCare Covid-19 healthcare programme, we continued with wide-ranging protective measures, including an extensive Covid-19 vaccination drive for our employees, contractors, families, and the community, including through four Kumba vaccination sites
✓	Exceptional improvement in the LTIFR to 0.32 (2020: 0.80)	✓	Total capex increased to R8.0 billion, spent on capital spares, mining fleet replacement and plant and infrastructure upgrades to maintain our business. Capex for Kapstevel South project, UHDMS feasibility study costs and P101 operational efficiency initiatives support the expansion of our business	✓	At Kolomela the reserve life increased from 2031 to 2034, due to the increase in size of the Kapstevel South pit layout, with a clear pathway to 2040 through the development of the Ploegfontein and Heuningkranz deposits	✓	<p>88% of Kumba employees are proud to work at Anglo American</p> <p>84% of employees experience job satisfaction</p> <p>92% of employees are happy to go the extra mile for Anglo American</p> <p>(2021 Global Pulse survey)</p>
✓	Sixth consecutive year with no level 3 to 5 environmental incidents	✗	Increase in operating expenses, primarily attributable to higher operational and logistics costs	✓	Exploration of high potential targets (>R1.5 billion spent in last 10 years)	✓	Organisational restructure to create a future fit organisation, successfully completed without any forced retrenchments
✓	Achieved all our 90:90:90 health targets					✓	Low voluntary staff turnover rate of 3.2%
✗	Increase to 10 high potential incidents (2020: two)						



# Delivering on our climate change ambitions

As part of the Anglo American group, Kumba is committed to being part of the global response to climate change. This is best for the long-term sustainability of our business and the right thing for society. We have a critical role to play in providing the materials needed for a cleaner, greener and more sustainable world.

→ A more detailed review of our performance in terms of each of these climate change ambitions is provided on pages 80 to 110 of our SR.

## Our vision for carbon-neutral mining by 2040



**50%** reduction in the use of freshwater by 2030

**30%** reduction targets for energy use and GHG emissions (against 2016 baselines) by 2030

**Conservation of biodiversity by ensuring** a net positive impact on biodiversity by 2030

**Zero scope 2 emissions** across our operations by 2030

**Maximising our premium product\* offering by 2024** which reduces scope 3 emissions

**2040 ambition** carbon neutrality (scope 1 and 2) across all our operations

\* Utilising high iron ore content products in blast furnace steelmaking can realise a 2.5% reduction in carbon emissions for every 1% increase in iron ore grade.



# Chief Executive's review



**Mpumi Zikalala**  
Chief Executive

It is an immense privilege to have been appointed as Chief Executive of Kumba, a company with a proud history and strong purpose-driven culture. Under the leadership of my predecessor, Themba Mkhwanazi, the Company has built an impressive foundation through the successful execution of its Tswelelopele strategy. It has consistently secured industry-leading safety and sustainability performance, enhanced its product premium through a value-focused strategy, and extended the life of its mines to continue to deliver value for all its stakeholders.

## Delivering on our purpose through our Tswelelopele strategy

Kumba has transformed into a value-focused business. With our Tswelelopele strategy, approved in 2017, we set an ambition to enhance our margin and extend our life-of-mine to 2040. Kumba's recent performance on this strategy, reviewed throughout this report and summarised briefly below, gives me confidence that Kumba is very well placed to continue to deliver on its purpose, underpinned by a strong culture of shared responsibility across the workforce.

## Achieving our goal of zero fatalities

Kumba had another year of outstanding safety performance, reflecting the Company's longstanding commitment to instilling a culture of zero harm, supported by effective safety management systems and processes. Operating fatality-free since May 2016 is a landmark achievement for the Company and the South African mining industry. This year we achieved our best TRCFR of 0.80, significantly exceeding our target of 2.01 by 60%. Leading indicators continue to direct our focus in taking real-time corrective and preventive actions, as we strive for zero harm.

In line with our ethos of zero harm, Kumba maintained a strong focus this year on mitigating the physical and psychological effects of the pandemic. As a result of our extensive vaccination drive across the Company, more than 75% of the workforce is now fully vaccinated, well above the national average; a booster

programme is being rolled out to further protect our workforce. We continue to support the national vaccination programme in our host communities, partnering with the government and other stakeholders to make vaccines more accessible. Despite maintaining a high recovery rate from infections, sadly we lost 29 colleagues to date to the pandemic. I extend my heartfelt condolences to their loved ones.

## Driving margin enhancement

In response to heightened cost pressure, Kumba has been driving an ambitious margin enhancement strategy. Through this strategy, we delivered cost savings this year of R0.9 billion, bringing the cumulative savings since 2018 to R4.1 billion, and contributing to an EBITDA margin of 63%, up six percentage points on the prior period. Sishen's and Kolomela's unit costs were both up, to R432/tonne and R324/tonne respectively. Kumba's break-even price increased US\$11/tonne year-on-year to US\$56/tonne, reflecting the impacts of a strengthened Rand, rising diesel prices and mining-related inflation, and higher freight and royalty rates, partially offset by higher price premiums and lower SIB capital expenditure.

We maintained our high product quality at an average Fe of 64.1% and a Lump:Fine ratio at 69:31. This translated into an average realised FOB export iron ore price of US\$161/wmt (equivalent to US\$164/dmt), 18% above the average Platts 62 index FOB price of US\$136/wmt (equivalent to US\$139/dmt). Total sales ended the year flat at 40.3 Mt, with



export sales of 40.2 Mt, up 1%, and domestic offtake decreasing by 70% to 0.1 Mt. Closing finished iron ore stock for the year ended at 6.1 Mt, with most of the stock situated at the mines given continuing challenges in the rail to port performance.

### Extending the life of our mines

The target set at the beginning of Tswelelopele was to replenish (before depletion) Ore Reserves with 200 Mt by 2022. As a result of various initiatives – including improved operational efficiencies and resource-to-reserve conversion, pit-layout optimisation and the UHDS project at Sishen, and the expansion of Kapstevel South pit at Kolomela – Kumba has exceeded the initial Tswelelopele target, with a cumulative Ore Reserve replenishment of 323 Mt, measured from a 2018 base. The Sishen life-of-mine was extended from 15 to 18 years (2039) with the inclusion of the UHDS project although from 2035 to 2039 annual production will be in the order of 10 to 15 Mt. The Kapstevel South pit at Kolomela was increased, adding an additional 12.9 Mt Ore Reserves. We continue with our work to extend the life-of-mine of Kolomela to 2040 and have a clear pathway through the

and diverse working environment. This year we strengthened our efforts to drive a zero-tolerance approach to bullying, harassment, and GBV within Kumba and across our communities.

We are committed to accelerating the recruitment, development, and promotion of designated groups, and are encouraged that women account for 33% of our talent pool, of which 55% is represented by black women. Our employee turnover rate of 3.2%, well below the 7.6% industry benchmark, is testament to the Company's efforts in becoming the employer of choice.

### Re-imagining mining to improve people's lives

As part of Anglo American plc, Kumba shares the group's commitment to its FutureSmart Mining™ programme and SMP with its ambitious stretch goals in three areas: being a trusted corporate leader, building thriving communities, and maintaining a safe and healthy environment. Kumba has committed to zero scope 2 emissions by 2030, and to reduce scope 1 emissions to zero by 2040 across our operations. In line with the commitments

Thanks to the hard work and commitment from our workforce, this year Kumba moved into its sixth successive year of fatality-free operation. Production was up 9% to 40.9 Mt, with sales of 40.3 Mt. Our focus on product quality and on developing markets beyond China, contributed to an average realised price of US\$161/wmt, 18% above the benchmark price of US\$136/wmt. While market uncertainty may remain, we believe that our premium quality products and value-focused strategy will ensure that Kumba will play a role in the global steel industry's just transition to a cleaner and more sustainable future.

development of the Heuningkranz and Ploegfontein orebodies. These are longer-term projects that we are working on for the next few years. On the exploration front, we remain optimistic about the long-term potential of the Northern Cape and continue to explore high potential targets in the Northern Cape. Over the past 10 years we have invested more than R1.5 billion on our prospecting rights. This investment played a significant role in realising the 323 Mt increase in reserves.

In addition to extending Kumba's life-of-mine, further progress has been made this year in partnering with Transnet and other industry players to address existing bottlenecks in the IOEC, and to extend the longevity of the rail and port logistics network to meet our mine-life extension ambitions. We are working actively with Transnet to assist them in deepening their capabilities, and we will engage with them in proactively identifying opportunities for potential private sector partnerships.

### Becoming the employer of choice

Over the last four years Kumba has been cultivating a unique experience for its employees, implementing innovative leadership and culture interventions aimed at embedding a culture that fosters safety, diversity, innovation, and organisational effectiveness. Building on the foundations established through these interventions, we are now focusing more specifically on leader-led actions and behaviours to achieve leadership alignment on new, more effective ways of working. In strengthening the Company's organisational culture, we have maintained a strong emphasis on creating a more inclusive

made at the recent climate change summit in Glasgow, Kumba has committed to play its part in contributing to Anglo American's 2040 goals of operational carbon neutrality across its operations and to reduce its scope 3 emissions by 50%, on a 2020 baseline. This year Kumba refined its site-specific energy and carbon projects and finalised targets to achieve the interim group goals of improving energy intensity and reducing absolute GHG emissions by 30%, against a 2016 baseline. We are developing an ambitious action plan to drive an increasingly decarbonised "green steel" value chain, and later this year we will finalise our scope 3 reduction targets to support the group goal. Kumba will also participate in the broader Anglo American renewable energy strategy, through the development of a solar PV plant in the Northern Cape. This strategy also includes other renewable technologies, such as wind power, to ensure access to 24/7 green energy by 2030.

Kumba aims to create thriving host communities by acting as a catalyst for enduring economic prosperity through employment, and by creating a more inclusive supply chain that generates shared sustainable prosperity in our host communities. We are also implementing a collaborative approach to regional development to drive sustained economic diversification. Kumba's annual spend with host community businesses has grown from R506 million in 2017 to R4.1 billion in 2021. In helping to manage the Covid-19 crisis in communities, our efforts this year included providing community outreach vaccination support and spending R35 million through our WeCare Covid-19 programme to support host communities.



# Chief Executive's review continued

In delivering on its purpose, Kumba has directly improved people's lives by creating and distributing R88.9 billion of value this year. This includes:

- paying corporate income tax of R16.6 billion (2020: R10.1 billion) and mineral royalties of R4.6 billion (2020: R3.0 billion), thereby making a meaningful contribution to the government's development priorities
- investing R8.0 billion (2020: R6.1 billion) in capital expenditure
- providing employees with R5.6 billion in salaries, benefits, and share-based payments (2020: R5.0 billion)
- declaring R43.5 billion in dividends to shareholders (2020: R26 billion)
- continuing to promote broad-based economic transformation, with R10.3 billion procured from BEE suppliers (2020: R9.8 billion), of which R4.1 billion was spent directly on businesses in host communities (2020: R3.7 billion)
- spending R258 million in our host communities through our direct social investment (2020: R264 million)

## Outlook

To ensure Kumba's continuing resilience in a volatile and uncertain operating environment, we have continued to build on our Tswelopele strategy and entrench the SMP that is built around three pillars, namely, creating a healthy environment, building thriving communities and fulfilling our role as a trusted corporate leader. In doing so, we have assessed the implications of various global and national developments, including the shift to a "net-zero" decarbonised economy, the disruptive impact of digital innovation, the changing nature of work accelerated by the pandemic, and the heightened expectations on business to deliver a social purpose. Informed by this analysis, the Company is finalising a revised set of strategic priorities aimed at ensuring that Kumba is well positioned to prosper in a lower-carbon economy. We will maintain a strong focus on achieving zero fatalities and eliminating harm, and on delivering further improvements in the product premium and operational efficiencies, including through uptake of FutureSmart™ Mining technologies. Given the cyclical nature of commodity markets,

it is imperative that we continue to focus on moving our position on the global cost curve to sustain our ability to generate value through any potential downturn in iron ore prices. We will be decarbonising our mining operations, promoting the uptake of renewable energy, and looking to make a meaningful contribution in a 'green steel' value chain by significantly reducing our scope 3 emissions. Delivering on these ambitions will be supported by continuing activities to create thriving communities beyond the life of our mines.

Looking to the year ahead, in terms of our financial guidance for 2022, Kumba's production guidance is 39 to 41 Mt. Based on our production volume guidance, unit cost is projected to be between R490/tonne and R520/tonne for Sishen and between R350/tonne and R370/tonne for Kolomela. We are targeting R1.0 billion of cost savings in 2022. Total sales guidance is expected to be between 39 and 41 Mt.

## Appreciation

Since joining Kumba's world-class team at the start of 2022, I have engaged with some of the Company's key stakeholders, both internally and externally and look forward to engaging with the remaining stakeholders. I have been most impressed by our employees and struck by the strength of the Company culture. The positive results this year reflect the quality both of Kumba's leadership team and of the amazing people across the Company. I wish to thank everyone within the organisation, including contractors and service providers, for their contribution. I feel fortunate to be part of the leadership team and know that Kumba's people and our stakeholders will hold me to account in helping to deliver on our stated vision and core purpose.

**Mpumi Zikalala**  
Chief Executive

16 March 2022





*The Sishen rehabilitation nursery was established to cultivate indigenous tree seedlings for planting in rehabilitated mine areas, pictured here is environmental officer Jabulani Dlongo.*

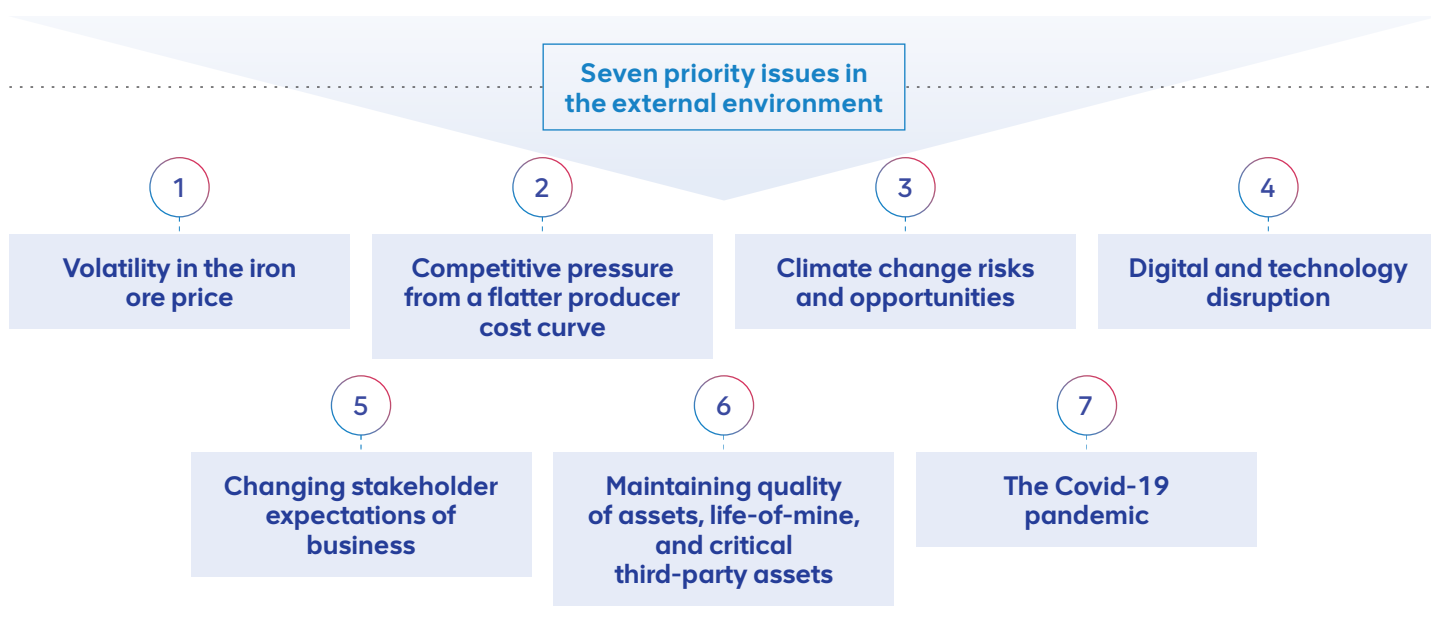


# Operating context

This year we identified the following seven priority issues in the external environment that are having a material impact on Kumba's ability to create value.

A considered review of these and other key trends has informed the recent refreshing of our growth strategy.

→ For more information see page 31



One of the remote drill rigs in the Leeuwfontein pit at Kolomela. The drill rigs are operated at a control centre some 5 kilometres away at the mine offices, remote drilling removes the operator from the machine and ensures a safer operating environment.



1

## Volatility in the iron ore price

### The global iron ore market remains highly volatile, reflecting continuing uncertainty in global markets

2021 was a year of two halves for Chinese steel production. Buoyant end-user demand on the back of government stimulus measures pushed Chinese mill margins to near-record highs incentivising mills to ramp up steel production, which rose 12% to 1,130 Mt (annualised basis) during the first half of the year. However, to avert a potential energy crisis in China, regulators rolled out nationwide production cuts which resulted in steel output falling 17% to 932 Mtp (annualised basis) in the second half. These production restrictions, however, have been recently relaxed precipitating a recovery in Chinese steel production in January 2022.

The Platts 62 CFR index averaged US\$160/dmt in 2021, an increase of 48% (average Platts 62 FOB price: US\$139/dmt) in 2021. This is the second-highest price on record beaten only by the 2011 average of US\$166/dmt. Government stimulus and supply chain issues brought the iron ore price to new record levels, peaking at over US\$230/dmt in June. This was followed by the price collapsing in the third quarter to US\$90/dmt which was mainly driven by China's sudden drop in steel demand and production, before rebounding to over US\$120/dmt towards the end of the year.

Seaborne iron ore exports were estimated to be flat in 2021. The traditional supply basins recorded a modest 16 Mt growth to 1,341 Mt as declines from Australia were more than offset by growth from Brazil on account of the start-up of Samarco and production recovery at Vale's mines. The non-traditional supply regions, however, witnessed a contraction in supply largely on the back of the fall of marginal iron ore tonnes from India in the second half. Despite flattish seaborne supply, iron ore stocks at 45 Chinese ports stood at around 157 Mt by the end of 2021, the highest level since mid-2018, reflecting a significant slowdown in steel production rates in China during the second half of the year. The supply from high-cost suppliers including domestic miners in China rose in the first half of the year but reversed course quickly in the second half, reflecting a sharp reduction in iron ore prices and some supply disruptions in China, ending 2021 flat.

In 2021, we also witnessed record high steel prices in many parts of the world. Global steel demand rose rapidly on the back of vaccine roll-outs, while steel makers struggled to keep up with the rising demand. This brought steel margins to levels as high as 40% to 50% in parts of the world, compared to a normal through the cycle level of between 5 to 10%. The strong margins meant steel makers were seeking blast furnace productivity, and demand for higher-quality iron ore rose as a result. The 65 to 62 differential doubled to US\$26/tonne (2020: US\$13/tonne) and the Lump premium averaged US\$0.37/dmtu, up from US\$0.15/dmtu in 2020.

Another key factor driving demand for higher iron content ores, was record high metallurgical coal prices which surged to new all-time highs, rising above US\$400/tonne on a FOB Australia basis in September. The rise in Australian coal prices was eclipsed by Chinese domestic coking coal prices, exceeding US\$600/tonne with some premium brands reaching US\$675/tonne. However, prices weakened in November as falling Chinese hot metal output due to policy-driven steel production cuts constrained demand.

From a price perspective, we achieved a Lump premium of US\$16/wmt and a Fe premium of US\$6/wmt. Combined with a US\$3/wmt for marketing premium and timing effects, we delivered a total price uplift of US\$25/wmt to US\$161/wmt FOB Saldanha, an increase of 42% against the US\$113/wmt achieved for the comparative period.

Over the long term, the structural factors relating to decarbonisation and the adoption of scope 3 carbon reduction interventions by steel manufacturers will continue to support demand for Kumba's high-quality iron ore products, and we will continue to focus on maximising value.

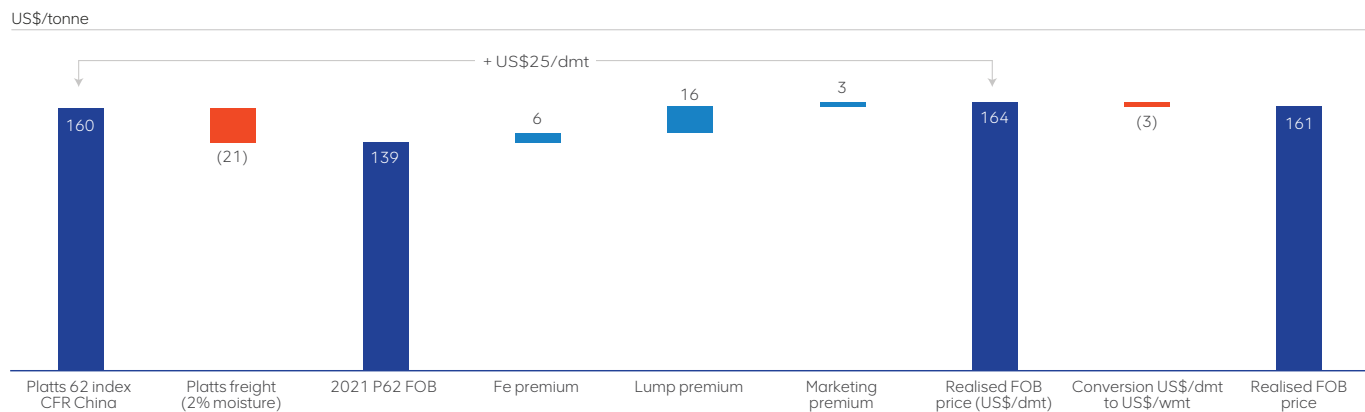
Implications for value	Strategic response	Strategic focus area
As a price-taker in the iron ore commodity market, Kumba is impacted by continuing price volatility. We see the growing premium for higher-quality iron ore as an important positive differentiator for the Company. The increasing premium is being driven by more stringent environmental regulations globally. Utilising high iron ore content products in blast furnace steelmaking can realise a 2.5% reduction in carbon emissions for every 1% increase in iron ore grade.	With a constructive demand outlook in China, we are focused on developing markets outside of China. Demand for our high-quality product will continue to grow as steel producers move to more efficient production systems. Continued focus on enhancing Kumba's competitiveness by further improving margins through our Tswelelopele programme. Regulations pertaining to decarbonisation and the adoption of scope 3 carbon reduction interventions by steel manufacturers will continue to support demand for Kumba's high-quality iron ore products and is a key driver for sales in Europe. We are continuing to identify and realise various opportunities to optimise our product portfolio to secure the price premium associated with our higher-quality iron ore. During 2021, through focused implementation of the Tswelelopele programme, our premium products made up 19% of sales (2020: 18%).	<div>  Sustainably operate mines at lower unit costs (page 92) </div> <div>  Unlock full infrastructure potential (page 93) </div> <div>  Use technology to extract maximum value (page 93) </div> <div>  Compete through premium products (page 92) </div>
		<b>Capitals materially impacted</b> <div>  </div>



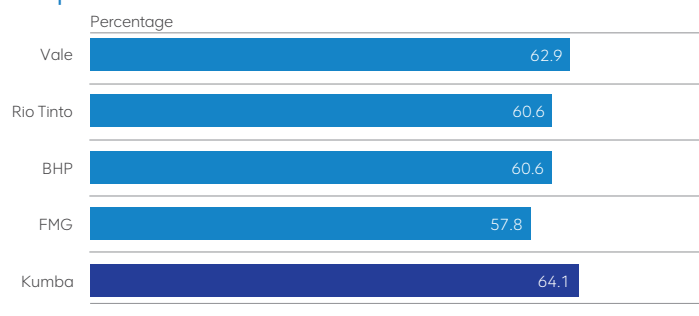


# Operating context continued

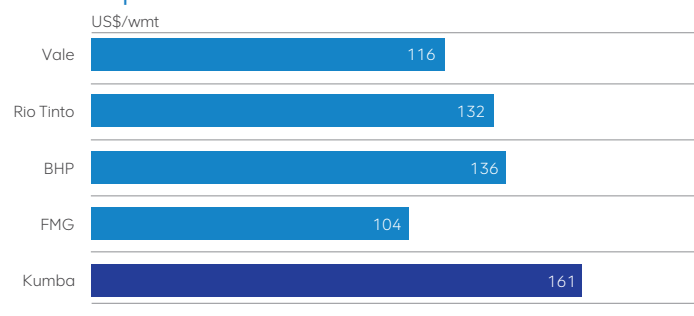
## Kumba 2021 average realised FOB price



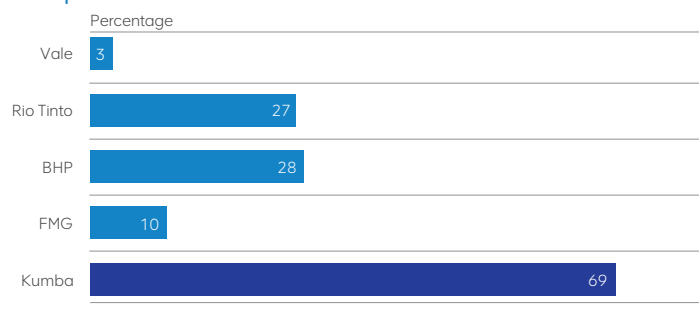
## Fe qualities



## Realised price FOB



## Lump:Fine ratio





2

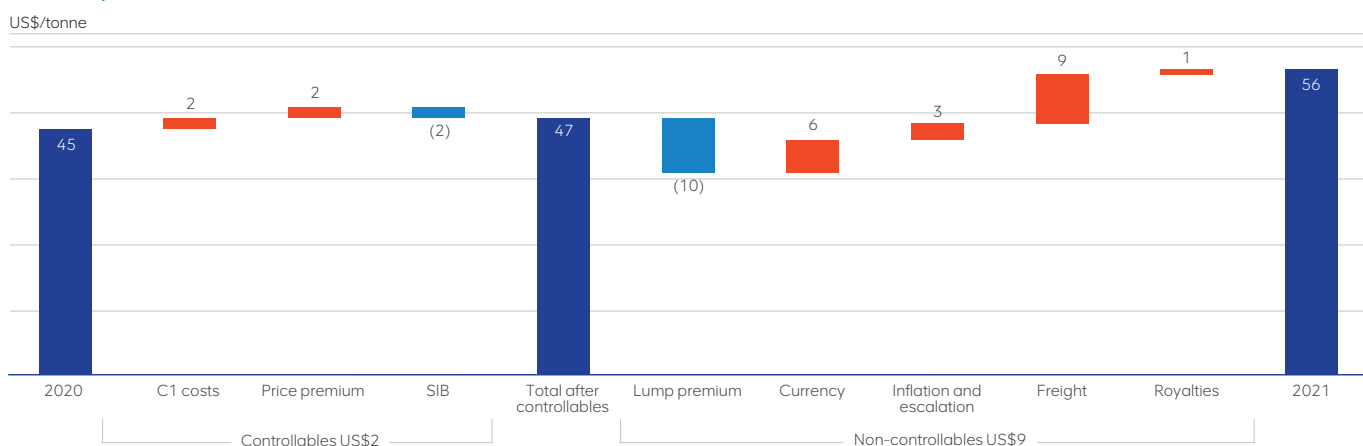
## Competitive pressure from a flatter producer cost curve

### Our position on the global cost curve heightens the need to drive operational efficiencies

Kumba remains in the third quartile of the global producer cost curve, reflecting our higher stripping ratio and transport costs compared with most major producers. With our key competitors bringing lower-cost production online in response to the downward trend in global iron ore prices between 2011 and 2015, this has contributed to a flattening of the production cost curve across the sector. These production efficiencies have been achieved by a combination of mining technology innovations, new low-cost supply opportunities, and weaker currencies in some producer markets. Responding to this competitive pressure, Kumba's Tswelopele strategy has been underpinned by a drive to reduce production costs and sustainably increase our margins.

Implications for value	Strategic response	Strategic focus area
Heightened cost competition from our global competitors, most of whom have a greater capacity to reduce costs given the nature of their export channels and their proximity to key markets, has obvious implications for Kumba. Together with increasing cash costs and the volatile price environment, this emphasises the critical importance of maintaining a concerted cost efficiency focus.	Responding to this heightened competitive pressure has been a key driver behind our Tswelopele strategy, which seeks to enhance the performance of our current assets and deliver a substantial margin improvement, through R4.1 billion in cumulative savings over this period. During 2021 we secured R0.9 billion in cost savings. Given continuing cost pressure from rising geological inflation and higher input costs, as well as higher royalty charges from increased profitability, we are maintaining a strong focus on managing controllable costs to ensure our competitiveness in a lower price environment. Since implementing our strategy in 2018, our EBITDA margin has improved from 45% to 63% and this has provided a strong foundation for further efficiencies.	<div>  Sustainably operate mines at lower unit costs (page 92)         </div> <div>  Unlock full infrastructure potential (page 93)         </div> <div>  Compete through premium products (page 92)         </div> <div> <b>Capitals materially impacted</b> </div>

### Break-even price







# Operating context continued

3

## Climate change risks and opportunities

### The global shift to “net zero” presents significant risks and opportunities, particularly for the SA mining sector

The recent agreement at the CoP 26 meeting in Glasgow marked an important shift in the global approach to tackling climate change, and has been accompanied by ambitious new commitments from regulators, companies, and the broader investment community. A growing number of countries have already set far-reaching net-zero targets, while South Africa – the most emission-intensive economy in the G20, and the 14<sup>th</sup> most intense economy globally – has expressed its intention of ultimately moving towards a goal of net-zero emissions by 2050. Most major mining companies have committed to emissions reduction targets, with the leaders setting the long-term goal of carbon neutrality; Anglo American has committed to achieving operational carbon neutrality across its operations and in controlled ocean freight by 2040. Upstream, many global companies have committed to carbon-neutral sourcing and supply chains, including among some large consumers of steel products, heightening pressure on steel makers to adopt greener steelmaking technologies, and driving decarbonisation in iron ore production. The investment community and finance sector is also significantly shifting its engagement on climate change issues, with substantial new investment flows to facilitate a “just transition” to a low-carbon future, and heightened investor calls for more detailed climate risk disclosure. There are also growing calls on companies to manage scope 3 emissions, with pressure to define and monitor levels, set reduction targets, and work with partners to mitigate their emissions across the value chain.

To support these net-zero ambitions, the steel industry needs to substantially accelerate a shift in steelmaking from the traditional blast furnace and basic oxygen furnace (BF-BOF) to less carbon-intensive approaches based on feeding electric arc furnaces (EAFs) with either direct reduced iron (DRI-EAF) or recycled steel (scrap-EAF), while also driving decarbonisation in iron ore production. As scrap-based EAF is one of the most economical low-carbon steelmaking methods, there is strong merit in maximising scrap collection, recovery and usage rates. Hydrogen-based DRI-EAF has the potential to be the lowest-carbon primary steelmaking method, particularly if combined with “green” hydrogen. There are, however, significant barriers to overcome before hydrogen-based steelmaking can become viable, including the cost of hydrogen-based technology and the challenge of rapidly scaling up DRI capacity and hydrogen infrastructure.

With many of South Africa’s key export markets considering carbon import taxes, this presents a significant risk for the country given the high carbon-intensity of its economy, and the nature of the country’s commodity trade balance. A particular challenge facing energy-intensive companies in South Africa, is the high carbon-intensity of the country’s electricity supply, with scope 2 GHG emissions representing around 85% of mining emissions in South Africa, roughly 50% more than global mining peers. Given South Africa’s profound social challenges, such as joblessness and inequality, there is a particular need to ensure a “just transition” to a lower-carbon economy that contributes to the goals of decent work, social inclusion and the eradication of poverty for all South Africans.



Sishen – UHDS technology



## 3

## Climate change risks and opportunities continued

## Implications for value

Global climate action will have a severe business impact for all mining players, affecting global demand for several major commodities, and significantly shifting profit pools across different commodities. While the exact future pathway is uncertain, we anticipate that climate change will affect our activities through risks and opportunities in two broad areas: impacting demand for products and production processes in response to new regulatory, technological and behavioural changes in the transition to a low-carbon economy (so-called “transition impacts”); and the impacts on our operations and surrounding communities from acute extreme weather events and chronic shifts in climate patterns (“physical impacts”). At the same time, it’s important to recognise that mining will play a critical enabling role in the transition to a net-zero economy by providing the metals and minerals that are fundamental to this transition. In this context, we believe that there are some valuable opportunities specifically in the iron ore sector, with steel providing a critical foundational material for almost all infrastructure and providing the backbone for a low-carbon economy, while stimulating long-term socio-economic development. Although steelmaking is currently highly carbon intensive, Kumba’s higher-quality iron ore supports efficient steelmaking now, and leaves us well positioned to facilitate the sector’s transition to lower-carbon methods, including through the transition to scrap-based EAF and hydrogen-based technologies.

## Strategic response

We believe that the world cannot decarbonise without access to iron ore and steel products, and that we must do what we can to minimise the emissions related to the supply of those products, while also driving decarbonisation across our value chain, both upstream and downstream, in partnership with other key players. As part of the Anglo American group, we are committed to contributing to the Group’s goal of achieving operational carbon neutrality across its operations by 2040. At a company level, we have set 2030 targets to improve energy efficiency and reduce absolute GHG emissions by 30% and improve energy intensity by 30%, against a 2016 baseline. We have set operational site-specific targets that are aligned with our mine plans and our diesel and electricity usage forecasts; energy and carbon-intensity targets are linked to LTIP share awards over a three-year period.

To deliver on our reduction targets, we are realising various opportunities to decarbonise our mining operations, displace internal diesel usage, transition to renewable energy, and play a role in promoting the uptake of a local green hydrogen economy, as well as facilitating the move to a circular economy by engaging in ferrous recycling initiatives. We will be maximising our premium product offering – suitable for lower carbon, direct reduction processes of iron in steelmaking – this will assist steel makers to reduce scope 3 emissions. Utilising high iron ore content product in blast furnace steelmaking can realise a 2.5% reduction in carbon emissions for every 1% increase in iron ore grade.

In looking to increase renewable energy use and promote green hydrogen – key levers to enable net-zero decarbonisation of mining operations – we are partnering with Anglo American to harness South Africa’s potential competitive advantage in these areas, given its world-leading combination of solar, wind and land resources, and its existing large domestic-use cases to kick-start a local green hydrogen economy. Recognising the importance of promoting a just transition, we will be maintaining our strong focus on facilitating social and economic transformation. Through Anglo American, we have joined the Council for Inclusive Capitalism in its work on developing a shared, company-focused framework to promote industry adoption of pragmatic commitments and actions in addressing the need for a just transition.

→ Further details on our climate change response activities are provided in our SR 2021 (pages 87 to 92) and in the Anglo American Climate Change Report 2021.

## Strategic focus area



Provide leadership through responsible citizenship (page 95)



Proactively engaging with key stakeholders (page 94)

## Capitals materially impacted





# Operating context continued











4

Digital and technology disruption

Digital innovation offers potential for significant productivity improvements, with new opportunities and challenges in terms of skill sets and ways of working

Recent rapid advancements in digital and technology innovation are disrupting business models in almost all industry sectors. With the mining sector one of the least digitally transformed sectors, there has been an accelerated focus across the sector to harness the full potential of emerging technologies to shape the future of mining, including in such areas as big data and advanced analytics, artificial intelligence (AI), the internet of things, and robotics and automation. There is growing evidence of the scale of the potential contribution of these new technologies in improving decision-making, enhancing capital project execution, increasing productivity and efficiency, and unlocking a product premium. Many mining companies, for example, have been introducing innovative integrated remote operations centres that are supported by AI and data analytics, and increasingly becoming fully virtual, distributed and autonomous, and that are already delivering substantial productivity and efficiency gains.

Digital and technology innovation is also significantly impacting the future of work, fundamentally changing both the nature of employee skill sets required, and upending many traditional ways of working, prompting a shift to remote and hybrid working models, seeing greater uptake of gig versus full-time workers, and resulting in many traditional employee tasks being replaced by automation and robotics. The increase in more flexible and remote ways of working (accelerated in part by the lock-down requirements associated with the pandemic) coupled with the changing skill sets needed for the mine of the future, is both heightening competition for scarce digital talent, while at the same time providing mining companies with more ready access to global talent.

Implications for value	Strategic response	Strategic focus area
Digitalisation and new technologies will fundamentally change how we mine, process, move, and market our products. Recent advancements in digital and technology have the potential to drive substantial productivity and efficiency gains in mining, enhance access to talent, reduce risk exposure, and further improve our SHE and broader ESG performance. As a result of various digitalisation initiatives, we have already seen material productivity and efficiency improvements, for example through our truck and shovel payload management, slope optimisation, drill automation, and UHDS processing technologies that collectively have delivered substantial value in terms of enhanced efficiencies, added reserves, and life-of-mine extension. We will be building on these early successes to roll out our FutureSmart Mining™ commitments to drive carbon neutrality, deliver autonomous and waterless mines, and further strengthen our safety performance. These benefits of digital innovation, bring new opportunities and challenges associated with the changing nature of work.	Digitalisation and technology innovation are key to delivering on our purpose of re-imagining mining to improve people’s lives, and underpin our commitment to FutureSmart Mining™. Our vision is to create a truly smart, connected mine, transforming vast quantities of data into predictive intelligence with the ultimate aim of creating a self-learning operation that offers new levels of safety, stability and predictability. We are integrating new technologies to enable safe mining by removing people from harm’s way, and to more precisely target metals and minerals with less waste, water and energy. Through our group digital platform (Voxel) we are bringing the full mining value chain together in a digital form to help make more informed data-driven decisions to boost productivity, drive efficiencies, and deliver further improvement in our SHE performance. This is transforming how we use data, through our integrated digital tools for planning, simulation, execution, and monitoring. We are continuing to build, manage and incentivise a workforce that has the skills set, culture and diversity required for mines of the future, and that meets the rapidly evolving expectations and demands of the workforce of the future.	<div><div> Use technology to extract maximum value (page 93)</div><div> Extend life of current assets (page 93)</div><div> Sustainably operate mines at lower unit costs (page 92)</div><div> Provide leadership through responsible citizenship (page 95)</div></div> <div>Capitals materially impacted</div> <div><div></div><div></div><div></div><div></div><div></div><div></div></div>








5

Changing stakeholder expectations of business

Heightened pressure on companies to deliver strong ESG performance, amidst increasing societal challenges

Over the past few years there has been a marked increase in investor and stakeholder engagement on companies’ ESG performance. This increase in investor engagement has been accompanied by some significant recent developments in ESG disclosure standards, as well as new approaches to company valuation that provide for ESG performance. These developments form part of a broader shift towards “stakeholder capitalism”, with heightened expectations on companies to take the lead in addressing societal challenges such as inequality, unemployment, climate change, and the shift to a circular economy, and with investors exerting pressure on poor ESG performers. Evidence of strong sustainability commitment and performance is also increasingly important in attracting top talent. While companies across all sectors are facing growing scrutiny, there are particularly strong expectations on the mining sector given the nature of its social and environmental impacts, and the significance of its contribution to many national economies. In South Africa, continuing challenges relating to government service delivery, corruption, weak governance of SOEs, and high levels of unemployment and inequality exacerbated by the pandemic, have underscored the particular role and responsibility of the mining sector in promoting inclusive and environmentally responsible economic development. There are strong expectations on mining companies – from government, local communities and civil society groups – to boost employment opportunities, provide meaningful and safe work, ensure community wellbeing, and create sustainable opportunities beyond the life-of-mine, while minimising their environmental impacts.

Implications for value	Strategic response	Strategic focus area
Developing and maintaining trusted relationships with our key stakeholders, and supporting socially and environmentally responsible economic development in our host communities, is a critical foundation for our ability to create value. Heightened stakeholder expectations, and balancing sometimes competing interests across stakeholder groups, has tested the quality of some of our relationships, and underlined the importance of proactive engagement and collaboration, in ensuring balanced response measures to stakeholder interests.	<p>Our core purpose is to re-imagine mining to improve people’s lives. At the heart of our purpose and strategy lies Anglo American’s FutureSmart Mining™, an innovation-led pathway that involves re-imagining both how we work at the mine and what we offer to society as our social contract. Our far-reaching SMP has three sustainability pillars that are aligned with the UN’s Sustainable Development Goals: being a trusted corporate leader; building thriving communities; and maintaining a healthy environment. Each of these pillars has three ambitious stretch goals through to 2030, underpinned by a set of critical foundations and standards that apply across our business. By delivering on our FutureSmart Mining™ commitments, and implementing our SMP and collaborative regional development initiatives – enabled by the Anglo American Social Way and underpinned by our collaborative stakeholder approach – we are leveraging innovative and sustainable mining methods and community engagement practices to drive safe, responsible production and create thriving communities beyond the life of our mines.</p> <p>→ Further details on our strategy and performance for creating broader societal value are provided in our SR 2021 (page 64 to 79).</p>	<div><div> Provide leadership through responsible citizenship (page 95)</div><div> Proactively engaging with key stakeholders (page 95)</div><div>Capitals materially impacted</div><div><div></div><div></div><div></div></div></div>



# Operating context continued

6









Maintaining quality of assets, life-of-mines, and critical third-party assets

Extending our iron Ore Reserves and life of asset remains a top priority

As of 31 December 2021, Kumba, from a 100% ownership reporting perspective, had access to an estimated haematite Ore Reserve of 799.9 Mt at an average unbeneficiated or feed grade of 55.8% Fe from our two mining operations: Kolomela (146.5 Mt at 63.6% Fe, against a 50% Fe cut-off grade) and Sishen (653.4 Mt at 54.0% Fe, against a 40% Fe cut-off grade). The net increase in Ore Reserves and net decrease in Mineral Resources from 2020 to 2021 is primarily the result of the conversion of Measured and Indicated Mineral Resources to Ore Reserves. The approval of the UHDMS project for Sishen mine added 135.3 Mt low-grade Ore Reserves to the portfolio, while the enlargement of the Kapstevl South pit at Kolomela contributed a further 12.9 Mt additional Ore Reserves.

The overall Saleable Product has however decreased year-on-year as the yield associated with the additional low-grade Ore Reserves at Sishen mine is much lower than yields achieved when beneficiating high- and medium-grade Ore Reserves. The overall gain through the beneficiation of low-grade Ore Reserves could therefore not completely offset the 2021 production.

→ Further details are provided in the Ore Reserve (and Saleable Product) and Mineral Resource report, summarised on pages 142 to 148.

Implications for value	Strategic response	Strategic focus area
<p>Our ability to generate value for our stakeholders depends entirely on having reliable and cost-effective access to quality iron Ore Reserves. To maintain our capacity to generate value over the long term, it is critical that we identify and realise new opportunities to extend production beyond the current life-of-mines. In addition to maintaining the quality of our iron reserves, identifying new opportunities through exploration, and extending the life of our existing assets, it is essential that we ensure the availability of a stable and reliable rail and port infrastructure over the life of our mining and Mineral Resource assets.</p>	<p>By delivering on our Tswelopele Horizon 1 activities we have been working to drive our operations to reach their full potential by achieving benchmark productivities, maximising the resource utilisation (increasing yield and Lump:Fine ratio), further improving cost control, and obtaining the maximum price for our superior iron ore products. Under Horizon 2, we have been extending the life-of-mine by incorporating the operational improvements realised in Horizon 1, as well as by implementing low-grade beneficiation technologies and undertaking further exploration in the Northern Cape.</p> <p>To ensure we have an effective logistics chain to move these volumes to market, we have been partnering with Transnet and other industry players in an industry forum to ensure a stable and reliable IOEC that will be able to service its users' needs into the long term. During the year we increased engagements with Transnet to address infrastructure maintenance and capacity, improvements were seen in equipment reliability and shipping throughput.</p>	<div><div> Use technology to extract maximum value (page 93)</div><div> Extend life of current assets (page 93)</div><div> Focus on the Northern Cape (page 93)</div><div> Unlock full infrastructure potential (page 93)</div><div><p>Capitals materially impacted</p><div></div></div></div>





## 7

## The Covid-19 pandemic

## The pandemic has accelerated certain trends, and provided an opportunity to 'build back better'

Since it was first identified in Wuhan City in China in January 2020, the Covid-19 pandemic has had a profound impact on the business operating environment, globally and nationally. Although as an "essential service", the mining sector has been less severely impacted than many other business sectors, the impacts have nevertheless been profound and some will be potentially long lasting. While we have managed to maintain encouraging levels of operational performance, and have taken significant steps to mitigate the health risks for employees and neighbouring communities, there remain substantial concerns regarding the longer-term impacts of the pandemic on lives and livelihoods, economies and markets, as well as the physical and emotional wellbeing of employees and communities.

Implications for value	Strategic response	Strategic focus area
<p>The pandemic has had a profound impact on business models across many industry sectors: certain sectors have been completely shut down (some for extended periods), supply chains and traditional working patterns have been disrupted, existing inequalities have been exacerbated, and employee health and wellbeing has been negatively affected. The pandemic has accelerated certain trends that will shape the future of our industry, fundamentally altering established ways of working, boosting the uptake of digital technologies, and potentially providing mining companies with greater access to global talent. Although the pandemic has impacted Kumba's activities across its value chain, this impact has been less severe than for many other businesses: in addition to being classified as an essential service, the Company has benefited from its resilient balance sheet, strong relationships with key stakeholders, and its high-quality product, further supported by a more favourable iron ore market and weaker currency. Continuing uncertainty remains, however, regarding some of the longer-term impacts, including for example ongoing supply chain disruption resulting in equipment shortages and cost inflation, and the potential for increasing tax and royalty regimes as governments look to fund solutions coming through the pandemic.</p>	<p>Covid-19 has remained the foremost health challenge facing Kumba employees (including contractors), and their families and communities. We have maintained comprehensive response plans to protect and support employees and host communities, and to maintain our operations without compromising health and safety. Our Covid-19 critical controls and prevention measures have ensured effective management of infection rates at our operations, with stringent preventative measures supported by dedicated resources for screening, testing, tracing and treatment, awareness raising activities, and well implemented employee health and wellness interventions. We have placed particular emphasis this year on promoting and facilitating the uptake of Covid-19 vaccines across our workforce and working with government in our communities, through our WeCare programme. Our mining operations have continued to leverage our Social Way, collaborating with key stakeholder groups to help communities mitigate and recover from the social and economic effects of the pandemic by continuing to provide essential services, supporting local businesses and entrepreneurs with business opportunities and development initiatives. In addition to taking proactive measures to protect production in our own operations, we have collaborated strongly with Transnet to mitigate risks in our export channel. While the pandemic has raised risk levels across our value chain, it has also created the possibility to "reset" our outlook and prospects, including by fast-tracking and highlighting new opportunities and applications for digital technologies.</p>	<div>  Leadership and culture (page 95)         </div> <div>  Provide leadership through responsible citizenship (page 95)         </div> <div>  Proactively engaging with key stakeholders (page 94)         </div> <div> <p>Capitals materially impacted</p> </div>



# Addressing stakeholder interests

Building trusted relationships with our stakeholders is critical to delivering on our goal of creating and sharing prosperity across our value chain.

Our stakeholder strategy is based on regular, proactive and meaningful engagement with our stakeholders to identify their priority interests, concerns and expectations, and to ensure that we address issues affecting our business and their interests in a collaborative manner that is aligned with society's wider goals. We are committed to implementing an integrated approach to engaging stakeholders that promotes a shared vision amid dynamically changing stakeholder positions, and that maintains Kumba's reputation as a trusted corporate leader in creating long-term value.

Our improved stakeholder engagement planning allows for structured and constructive engagements at appropriate levels of the organisation, and leads to increased levels of trust between Kumba and our stakeholders. We host stakeholder days every two years, in which we bring together the boards of directors and executive teams from Kumba and SIOC together with national, provincial and local government representatives, labour unions, host community groups, civil society representatives, suppliers, and business and development partners, to discuss the Company's performance on sustainability and transformation. Feedback received through these events and other engagement platforms, informs our strategic response.

## Identifying our priority stakeholders

We use the following criteria to prioritise the many individuals and organisations that have a stake in Kumba:

The degree to which we depend on the stakeholder's support in achieving our strategic goals

The degree to which the stakeholder can influence organisational performance

The significance of the issues linking the stakeholder to Kumba and how the stakeholder is impacted by such

The risks that we are exposed to should we not deliberately plan our interventions to address stakeholder issues

## Engaging our key stakeholders

Informed by the criteria, we have grouped our stakeholders as outlined in the table on pages 72 to 75. Through our interactions, we identified their priority interests, concerns and expectations. We carefully review the associated impacts on the capitals to identify the most effective trade-offs to ensure that we reach our common goals in a sustainable manner.

→ For more information on how Kumba responds to material stakeholders' interests, please refer to page 32 in our SR.



### Investment community, shareholders, BEE partners

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Shareholders/ investors (including strategic shareholders Anglo American plc and IDC; and our BEE partners (Exxaro and SIOC-CDT)</li> <li>Sell-side and buy-side analysts</li> </ul>	<ul style="list-style-type: none"> <li>Investor days and roadshows</li> <li>SENS announcements</li> <li>Website</li> <li>Results reporting presentation</li> <li>Mine visits</li> <li>Analyst round table</li> <li>Individual meetings</li> <li>Investor conference</li> <li>Board meetings</li> <li>Results presentations</li> <li>Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Life-of-mine extension</li> <li>Impact of Covid-19 pandemic on sales and supply of critical equipment and capital spares</li> <li>Anglo American vaccination approach</li> <li>Management of costs and mining inflation</li> <li>Impact of unscheduled maintenance on production, costs and capital expenditure</li> <li>Securing mining rights and other regulatory issues</li> <li>Transformation and empowerment status</li> <li>Payment of dividends</li> <li>Social value and the Dingleton resettlement</li> <li>Managing logistical constraints on IOEC</li> <li>Environment, social and governance (ESG) issues</li> <li>Capital expenditure</li> </ul>	



## Employees and trade unions

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>NUM, AMCU, Solidarity</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing dialogue through established channels</li> <li>Operational leadership teams</li> <li>Visible felt leadership (VFL)</li> <li>Tripartite health and safety initiative</li> <li>Future forums</li> <li>Managers/team dialogues – Surveys and employee presentations</li> <li>Focus groups</li> <li>Company intranet and newsletters</li> <li>Electronic notice boards/public display, Mobi app</li> <li>Stakeholder days</li> <li>Executive roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Conditions of employment</li> <li>Wages and benefits (wage negotiations)</li> <li>Housing and living conditions</li> <li>Changes in shift patterns</li> <li>Safety and health (Kumba response to Covid-19)</li> <li>Employee share ownership scheme</li> <li>Job grading and career progression</li> <li>Productivity, production and performance</li> <li>Life-of-mine and/or strategic direction</li> <li>Transformation</li> <li>The future of work</li> </ul>	



## South African government

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>National departments: Mineral Resources and Energy, Water and Sanitation, Environmental Affairs and Nature Conservation, Cooperative Governance and Traditional Affairs, Public Works, Public Enterprises, National Treasury and South African Revenue Service (SARS)</li> <li>Northern Cape provincial governments</li> <li>District municipalities (DM) and local municipalities (LM) where Sishen and Kolomela operate – John Taolo Gaetsewe DM, Gamagara LM, Tsantsabane LM, GA Segonyana LM and Joe Morolong LM, ZF Mgcawu DM</li> </ul>	<ul style="list-style-type: none"> <li>Mine visits</li> <li>Stakeholder days</li> <li>Meetings</li> <li>Presentations</li> <li>Workshops</li> <li>Press releases</li> <li>Annual reports</li> <li>Website</li> <li>Rehabilitation trust</li> <li>Regulatory audits/inspections</li> <li>Integrated development programme forums</li> <li>Working groups</li> <li>Council presentations</li> <li>Local economic development forums</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance, especially on safety, health and environmental performance (Kumba response to Covid-19)</li> <li>Anglo American vaccination approach</li> <li>Transformation and B-BBEE delivery</li> <li>Community development and progress on the implementation of social and labour plans</li> <li>Legacy initiatives beyond the life-of-mine</li> <li>Licensing authorisations</li> <li>Creating jobs through growth</li> <li>Sustained contribution to national tax base</li> <li>Contribution to local infrastructure and service delivery</li> <li>Ensuring responsible governance practices and respect for human rights</li> <li>Dingleton resettlement (relocation of remaining homeowners and institutions, and the sustainability and integration of Siyathemba, demolishing and de-proclamation of Dingleton)</li> <li>Municipal capacity development</li> <li>Timely resolution of tax-related matters</li> <li>Local employment (women, youth and people with disabilities)</li> <li>Local procurement</li> <li>Public-private partnerships</li> <li>Journey to FutureSmart™ Mining</li> </ul>	



# Addressing stakeholder interests

continued



## Host communities

Stakeholder	Engagement channel	Key interests, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Tsantsabane and John Taolo Gaetsewe community groups, and our labour sending communities</li> </ul>	<ul style="list-style-type: none"> <li>Complaints and grievance procedure</li> <li>Socio-Economic Assessment Toolbox and other community engagement sessions</li> <li>Website, Facebook and Twitter</li> <li>SMME workshops and Chief Executive engagements with business forums</li> <li>Stakeholder day</li> <li>Advertorials, radio interviews, flyers and notices</li> <li>Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Localised preferential procurement and employment opportunities</li> <li>Social and labour plans</li> <li>Enterprise development</li> <li>Community investment initiatives, to last beyond life-of-mine</li> <li>Nature of engagement structures</li> <li>Management of environmental impact</li> <li>Kumba response to Covid-19</li> <li>Anglo American vaccination approach</li> <li>Transparency and engagement measures</li> <li>Financial compensation for Dingleton community</li> <li>Education</li> <li>Journey to FutureSmart™ Mining</li> <li>Host stakeholder days every two years</li> </ul>	



## Media

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>National and local media</li> </ul>	<ul style="list-style-type: none"> <li>Holding statement</li> <li>Press releases</li> <li>Mine visits and media day</li> <li>Interviews</li> <li>Advertorials</li> </ul>	<ul style="list-style-type: none"> <li>Company performance</li> <li>Dingleton resettlement</li> <li>Good corporate citizenship</li> <li>Mining rights and regulatory issues</li> <li>Strategy and company sustainability</li> <li>Labour relations</li> <li>Transformation</li> <li>Technology roadmap</li> <li>Markets and products</li> <li>Kumba response to Covid-19</li> <li>Anglo American vaccination approach</li> </ul>	



## NGOs

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Action Aid Family South Africa;</li> <li>Raising leaders foundation;</li> <li>Love life</li> </ul>	<ul style="list-style-type: none"> <li>Mine visits</li> <li>Stakeholder days</li> <li>Annual report</li> <li>Website</li> <li>Meetings</li> <li>Round tables</li> </ul>	<ul style="list-style-type: none"> <li>Funding for community development</li> <li>Collaboration on community projects</li> <li>Human rights</li> <li>Dingleton resettlement</li> <li>Transparency in environmental disclosures</li> <li>Responsible mining</li> </ul>	



## Suppliers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Suppliers; and</li> <li>Service providers</li> </ul>	<ul style="list-style-type: none"> <li>Direct supplier engagements</li> <li>Annual reports and website</li> <li>Meetings with local community business forums</li> <li>Workshops</li> <li>Contractor days</li> </ul>	<ul style="list-style-type: none"> <li>Procurement opportunities, even beyond Kumba</li> <li>Contract terms and performance</li> <li>Promoting localised procurement</li> <li>Development of an industrial park in Kathu</li> <li>IOEC tariffs and penalties and efficiencies/optimisation</li> <li>Collaboration with junior miners</li> <li>Safety and Health</li> <li>Kumba response to Covid-19</li> <li>Anglo American vaccination approach</li> <li>Journey to FutureSmart™ Mining</li> </ul>	



## Political parties

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>African National Congress;</li> <li>Democratic Alliance</li> <li>Economic Freedom Front</li> <li>New parties around where we operate</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Annual reports</li> <li>Website</li> </ul>	<ul style="list-style-type: none"> <li>Similar to South African government issues above</li> </ul>	



## Business peers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Minerals Council of South Africa</li> <li>Neighbouring mining companies (Northern Cape mining leadership forum)</li> <li>Other businesses operating in local municipalities</li> </ul>	<ul style="list-style-type: none"> <li>Meetings and presentations</li> <li>Leadership forums</li> <li>Annual reports</li> <li>Website</li> <li>Safety tripartite sessions</li> </ul>	<ul style="list-style-type: none"> <li>Mining Charter review and its impact on the industry</li> <li>Local preferential procurement</li> <li>Education and career development and critical skills</li> <li>General knowledge sharing on our approach to managing material issues</li> <li>A joint socio-economic development strategy for the Northern Cape – collaborative regional development – the Impact Catalyst</li> <li>Safety and Health (Kumba response to Covid-19)</li> <li>Transnet</li> <li>Eskom</li> </ul>	



## Customers

Stakeholder	Engagement channel	Key interest, concerns or expectations	Impact on capitals
<ul style="list-style-type: none"> <li>Local and export customers</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Website</li> <li>Technical conferences</li> <li>Mine visits</li> <li>Industry conferences</li> <li>Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Product/service quality and consistency</li> <li>Security of supply</li> <li>Contracts/price</li> <li>Performance reliability</li> <li>IRMA (Initiative for Responsible Mining Assurance) certification</li> <li>ESG</li> </ul>	



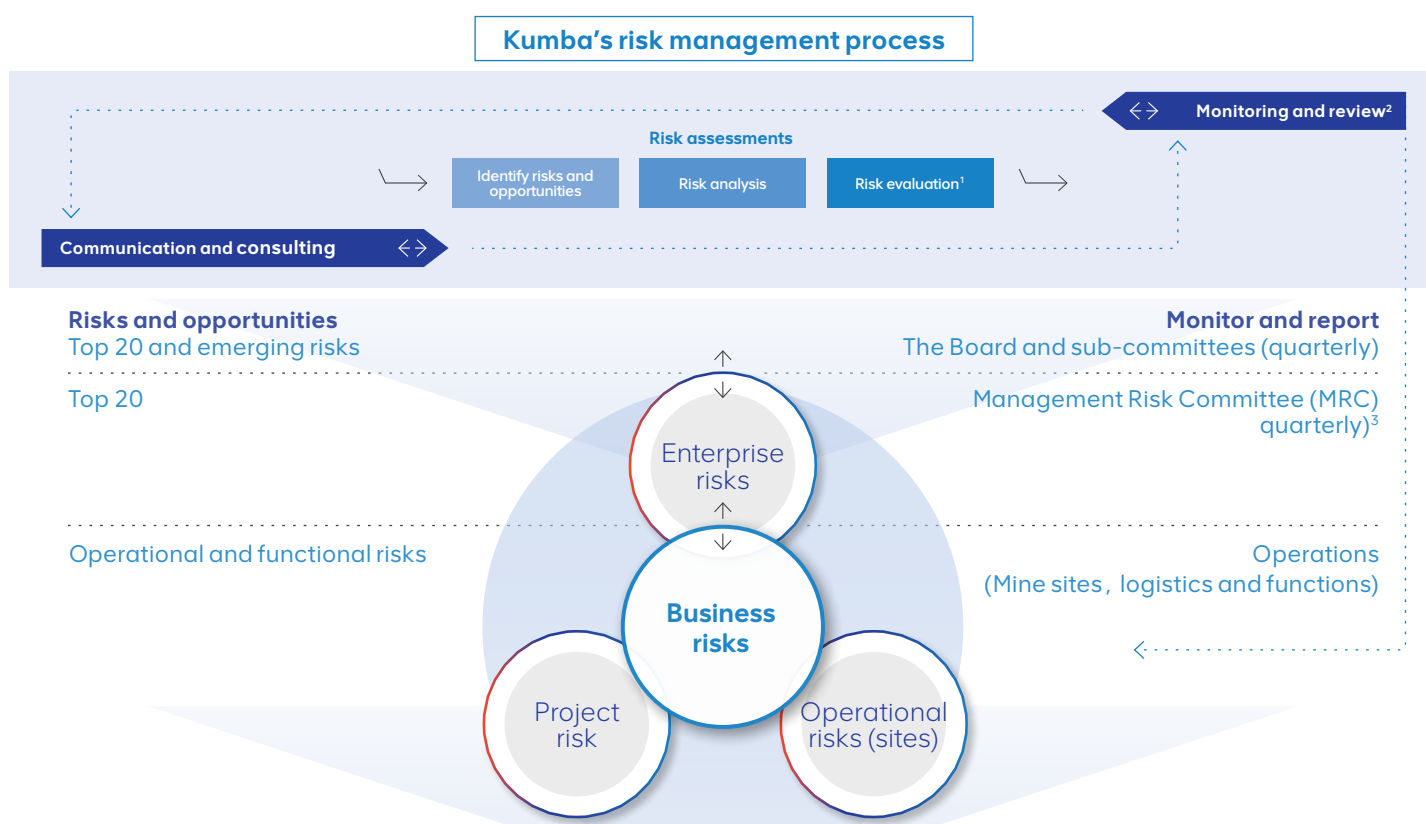


# Material risks and opportunities

The mining industry faces numerous risks, many of which are volatile and uncertain, requiring agile decision-making and effective risk management strategies that mitigate exposure and harness available opportunities.

Kumba's Board sub-committees oversee the integrated risk management process and receive regular feedback from management on all risk-related activities. The Board sub-committees regularly assess all risk governance structures and lines of defence to ensure that roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalating risks and opportunities within the Company are appropriately defined and responded to.

**The Board sub-committees and Kumba's management team promote a culture of risk governance and awareness throughout the organisation.**



<sup>1</sup> Ensure that appropriate controls and responses are in place to mitigate the risks and manage identified opportunities (recorded in risk registers).

<sup>2</sup> Regularly analysing and monitoring the effectiveness of current controls (three lines of defence). Regular and timely reporting to Exco, the risk and opportunities committee and the Board. Risk management is integrated within management's everyday agenda to ensure that mitigation actions for identified risks are implemented.

<sup>3</sup> The MRC is a sub-committee of Exco responsible for managing risks.

## Risk appetite and tolerance

Kumba defines risk appetite as the nature and extent of the risk the Company is willing to accept in the pursuit of its objectives; risk tolerance refers to the organisation's strategic capacity to accept or absorb risk.

Risk appetite and tolerance are high on the Board's agenda and are a core consideration of our enterprise risk management approach. Risk appetite and tolerance consider the relationship between the potential consequences of key risks and the actual condition of the controls or management actions that mitigate those consequences. The Board reviews and approves the risk tolerance and appetite on a quarterly basis, to ensure effective delivery of the Company's strategy in the context of a continuously changing operating environment.

To measure risk appetite, we have developed a matrix that combines an assessment of the consequences of our risks with the status of management actions and/or internal controls that prevent or mitigate that risk. Risks that have significant consequences will be within appetite if controls or management actions are in place. Risks can only exceed appetite if a significant consequence is not sufficiently controlled or management actions have not yet been implemented to an extent that the risks can be described as being effectively managed.



## Pursuing opportunities

Our risk management process includes specific provision for identifying and realising business opportunities. We define an opportunity as a set of exploitable circumstances with uncertain outcome, requiring commitment of resources and that may involve exposure to risk.

**In alignment with our Tswelelopele programme aimed at securing Kumba's "Transformation to full potential", we have committed resources to realising the following opportunities:**

### Opportunities

	Value pillar
Significantly improving margins through various initiatives that will optimise our production portfolio to deliver the price premium associated with higher-quality ore	
Public sector partnerships to increase port throughput and capacity in the logistics value chain to enable Kumba to re-direct lower local sales to export markets	
Transition to renewable energy to help enable carbon neutrality across our operations	
Continued automation and roll-out of safety technology, to ensure safe and efficient production of iron ore	
Partnering with national/international donor organisations and implementing agencies to improve impact on our surrounding communities	
Identify and unlock Horizon 3 opportunities, including decarbonisation	
Future enabled workforce, to enable employees with the necessary skills, knowledge and expertise	

## Catastrophic events/risks

These are high severity, low likelihood events that could result in multiple fatalities or injuries, an unplanned fundamental change to strategy or the way we operate and have significant financial consequences. We do not consider likelihood when evaluating these risks as the potential impacts classify these risks as a priority:

Catastrophic events/risks	Mitigation
<b>Failure of infrastructure or key equipment on the logistics channel</b> A major failure of infrastructure or key equipment on the logistics channel, could result in prolonged rail or port disruption and unavailability	Business continuity plan Contingent business interruption insurance cover Oversight on infrastructure or key equipment maintenance programmes for the logistics channel
<b>Slope failure or dump failure</b> A sudden and unexpected failure of a slope could lead to loss of life, injuries, environmental damage, reputational damage, financial costs and loss of production	Geotechnical design Slope stability monitoring Geotechnical inspections Emergency response plans and emergency preparedness plans
<b>Tailings storage facility failure</b> A release of waste material leading to loss of life, injuries, environmental damage, reputational damage, financial costs and production impacts with potential loss of licence to operate	Inspections and regular audits by Manager technical services and the Operational Risk Assurance process Automated warning system Emergency response plans and emergency preparedness plans
<b>Fire and/or explosion</b> Fire and explosion risks are present at all mining operations and processing facilities	Fire prevention and detection measures Event risk reviews identify key fire and explosion risks and provide mitigation recommendations Emergency response plans and emergency preparedness plans



# Material risks and opportunities continued

## Emerging risks

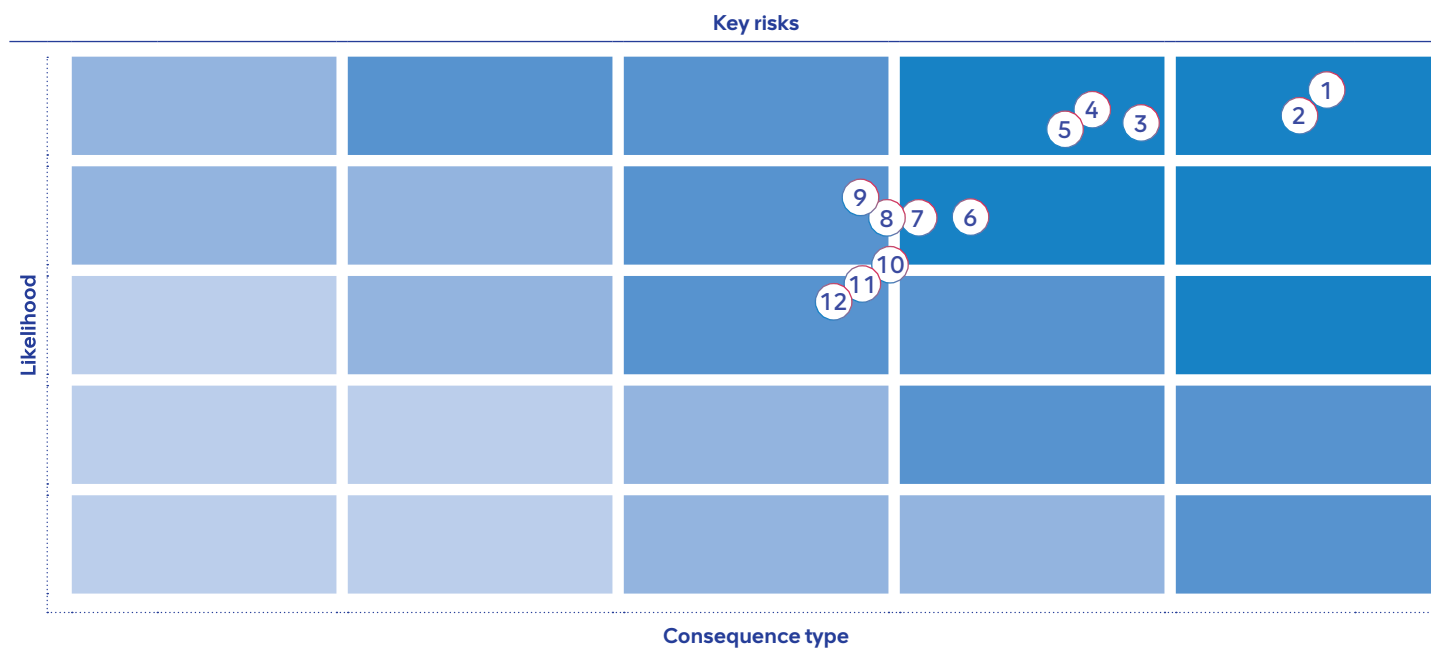
Emerging risks are risks that should be monitored as they may become significant risks in due course. Following are some of the emerging risks that Kumba has identified:

Evolving ESG stakeholder expectations	Timely delivery of strategic projects	New large-scale global iron ore deposits	Class action lawsuit
<p>Kumba continues to receive specific ESG-related disclosure requests from various stakeholders. Failure to manage and respond to investor expectations, particularly linked to ESG, may result in reputational damage for the Company.</p> <p>Kumba continues to engage with various stakeholders to ensure appropriate ESG information is communicated.</p>	<p>In response to the rapidly changing mining and economic environment, we have embarked on various strategic projects to sustain and expand the business. Any delays or cost escalation in delivering these projects will impact our business case.</p> 	<p>New large-scale global high-grade iron ore deposits totalling more than two billion tonnes are being developed, the largest integrated mining and infrastructure development currently planned. This will impact the market dynamics when these projects come online in ~ 2030. We are currently assessing the implications on our business.</p>	<p>A class action settlement was signed (in May 2018) between a number of South African mining companies who have historical or current interests in the gold mining sector (including Anglo American) that will see compensation paid to eligible mineworkers suffering from silicosis or tuberculosis. More class action lawsuits could be instituted by law firms on behalf of mineworkers for occupational health and other related claims. Kumba continues to monitor and review possible exposure with regards former employees who were exposed to occupational dust. We have conducted an assessment on current occupational dust management to ensure that control measures comply with legislative requirements and industry benchmarks.</p>



## Our key risks

The following heat map shows the residual rating for the key material risks facing Kumba in 2021. A residual risk refers to the remaining risk exposure after all identified mitigation measures have been applied. The impact of external factors beyond management's control are key contributors to the current high residual risk ratings.



### Key risks

1	Global health pandemic	←
2	Cyber risk	↑
3	Safety and health	←
4	Socio-economic challenges	↑
5	Commodity markets and currency fluctuations	↓
6	Managing change (transformation of the business)	↓
7	Operational performance	↓
8	Third-party infrastructure (IOEC operating efficiency)	↓
9	Current South African governance and political challenges	←
10	Fiscal compliance	←
11	Sustained power disruption	New
12	Climate change – carbon emissions and extreme weather impacts	New



All risks impacted by the Covid-19 pandemic will be identified with this icon.



# Material risks and opportunities continued

The following table presents the key risks that we have identified as having a potential impact on our ability to mine safely and achieve our strategic imperatives. In prioritising these risks, we have considered both internal and external risks; we have designed and implemented appropriate mitigation strategies depending on the severity of impact and likelihood of occurrence of each risk.

1	<b>Global health pandemic</b>	 	<b>No change in risk (2020: 1)</b>
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## Root cause

Large-scale outbreak of the SARS-CoV2 virus, increasing morbidity and mortality globally and causing significant economic, social and political disruption, impacting the wellness of our people and communities and resulting in interruption to normal operations



Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>Health and wellbeing of our people</li> <li>Short-term fiscal shocks and longer-term negative shocks to economic growth impacting demand and/or reduced prices for commodities and products produced and marketed</li> <li>Pandemic mitigation measures can cause significant social and economic disruption</li> </ul>	<ul style="list-style-type: none"> <li>Preventative measures to stop the spread of the virus within host community in collaboration with the government</li> <li>Site emergency response plans, business continuity and crisis management plans</li> <li>Covid-19 vaccine roll-out programme for employees, contractors, family members and the broader local communities, ensuring convenient access to vaccination sites</li> <li>Ongoing mental health and employee fatigue awareness and engagement</li> <li>Ongoing support to our host communities through our WeCare programme</li> </ul>	<p> Eliminate fatal incidents through a culture of zero harm</p> <p><b>Key enabler</b></p> <p> Leadership and culture</p> <p> Provide leadership through responsible citizenship</p>

## Outlook

Continued campaigns to tackle vaccine hesitancy, including raising awareness of the benefits and providing incentives to promote uptake

Engaging with various stakeholders on implementing vaccines for employees and contractors on a risk-based approach that focuses on those situations and roles across the business which have the highest risk



2	<b>Cyber risk</b>		<b>Increase in risk (2020: 6)</b>
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## Root cause

With increased use of technology, integration of operating technology platforms and working from home, there is enhanced exposure to cyber-attacks

These attacks have become increasingly frequent and sophisticated globally, with attractive returns for criminals



Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>Cyber-attacks can lead to a loss of commercially sensitive information, theft of intellectual property, disruption to operations, financial loss, and negative impacts on reputation</li> <li>Safety risk as a result of loss of control of operating systems due to cyber-attack</li> </ul>	<ul style="list-style-type: none"> <li>Identify IT assets and understand vulnerabilities</li> <li>Protective measures in place include restricting access to servers and PCs, reducing use of portable media, and extending awareness</li> <li>Detect security incidents on our network, firewall and cloud services through roll-out of IBM's QRadar system</li> <li>Respond rapidly to incidents by integrating our security tools with our IT service management platform</li> <li>Recovery measures include risk assessments, mitigation plans and incident scenarios</li> <li>Ongoing security training and awareness campaigns to raise appreciation of information security threats</li> </ul>	<p> Use technology to extract maximum value</p> <p><b>Key enabler</b></p> <p> Leadership and culture</p>

## Outlook

Cyber-crime is an ever-evolving and increasingly sophisticated threat requiring increased monitoring and investment in security capability





3	Safety and health	 	No change in risk (2020: 3)
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### Root cause




There are inherent safety risks associated with mining activities across the value chain. A continuously changing operating environment and conditions can heighten these risks

Key priority unwanted events with the potential to cause harm to employees and contractors include: transportation risk; release of uncontrollable energy (electricity and other forms of energy); moving machinery interacting with people; working at heights; and uncontrolled ignition of combustible material such as explosives

Failure to manage occupational hazards that will impact the health of employees and host communities and may result in additional costs (liabilities, legal costs, reputational damage, diseases outbreaks)

Failure to manage community health risks resulting in an impact in the operations (biological agents- e.g., Cholera outbreak, mental health – including GBV and substance abuse etc.)



Impact on value	Mitigating actions	Strategic ambition
<ul style="list-style-type: none"> <li>Apart from physical harm to employees and contractors, failure to maintain high safety levels may impact negatively on employee morale, the achievement of production targets and our licence to operate</li> </ul>	<p>Various initiatives have been implemented as part of our commitment to zero harm:</p> <ul style="list-style-type: none"> <li>Comprehensive Covid-19 mitigation measures</li> <li>Proactive and supportive programmes (WOW initiatives)</li> <li>Sacred covenant code with employees and families to do our utmost to minimise harm</li> <li>Implement safety improvement plans and EOF framework</li> <li>Risk and change management systems in place</li> <li>Focus on priority unwanted events and critical controls</li> <li>Preventing repeat incidents through effective learning from incidents</li> <li>Driving disciplined and consistent execution of the basics and compliance with safety standards</li> <li>Scheduled VFL interventions with employees</li> <li>Implementation and monitoring control to reduce exposure of occupational hazards</li> </ul>	<p> Eliminate fatal incidents through a culture of zero harm</p> <p><b>Key enablers</b></p> <p> Provide leadership through responsible citizenship</p> <p> Leadership and culture</p>

### Outlook

We will maintain our strong focus on reinforcing safety practices that eliminate harm and fatalities, and harness a culture of heartfelt leadership to influence and entrench the right safety culture and continue to provide health and mental health support to our employees



# Material risks and opportunities continued

4	Socio-economic challenges		Increase in risk (2020: 8)
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## Root cause

Low levels of economic growth in South Africa, worsened by the impact of the Covid-19 pandemic, exacerbate existing challenges of poverty, inequality and unemployment prevalent in our host communities

Poor socio-economic conditions in these communities increase expectations for employment and other socio-economic benefits

Governance and political challenges could impact key stakeholders on whom we depend



Impact on value	Mitigating actions	Key enablers
<ul style="list-style-type: none"> <li>Increased reliance and growing expectations on mining companies by local government and communities</li> <li>Community activism and lack of local service delivery may cause disruptions at operations</li> <li>Increased cost of living on our host communities</li> <li>Negative impact on investor confidence in South Africa and higher cost of doing business</li> <li>Instability within municipalities in our host communities and lack of municipal capacity</li> </ul>	<ul style="list-style-type: none"> <li>"Yes Programme" to put more local graduates at Kumba for work exposure</li> <li>Localised preferential procurement targets and opportunities have been set</li> <li>Implement municipal capacity development programme</li> <li>Partnerships with like-minded organisations for maximum impact being pursued</li> <li>Anglo American education programme</li> <li>Community development programmes</li> <li>Supplier development programme</li> <li>Develop a shared vision and shared value journey with communities, youth, municipality, provincial government, NGOs, religious organisations, peer mining companies and local business</li> <li>Impact Catalyst initiative in the Northern Cape to drive sustainable economic growth</li> <li>Social Way 3.0 implementation</li> </ul>	<ul style="list-style-type: none"> <li> Provide leadership through responsible citizenship</li> <li> Proactively engaging with key stakeholders</li> </ul>

## Outlook

Structural challenges in the South African economy and broader political environment are likely to persist into the short to medium term, significantly compounded by the pandemic, impacting business and investor confidence and further raising community expectations



5

## Commodity markets and currency fluctuations



Decrease in risk (2020: 2)

## Root cause

Demand for Kumba's products is strongly influenced by world economic growth, particularly in Europe and Asia (notably China). The anticipated ramp-up in low-cost iron ore supply from the majors, and the shift in the Chinese economy from infrastructure-led to consumer-led growth, is expected to maintain downward pressure on current price levels. Increased environmental restrictions in China, particularly in the context of worsening air quality, continue to curtail capacity of sinter plants, shifting the demand toward direct-charge inputs products such as pellets and Lump ore, which results in favourable Lump premiums



As Kumba's iron ore export prices are determined in US\$, we negotiate iron ore prices in this currency with customers. By contrast almost all of our costs are incurred in Rand

Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>As a price-taker, changes in iron ore prices significantly impact Kumba's revenues, profitability and cash flow</li> <li>Revenue is in US\$. While some capital and other expenditures are incurred in US\$, the majority of our costs are denominated in Rand</li> <li>A fluctuating currency can have both positive and negative impacts on our revenue and cash position</li> </ul>	<ul style="list-style-type: none"> <li>Key iron ore market indicators and trends are constantly monitored, providing real-time and robust market insights to support agile decision-making and action from production to market</li> <li>We employ price-risk management mechanisms to mitigate exposure and impact of price volatility</li> <li>We are maximising the Fe units of product sold to customers to take advantage of the higher index prices for high-grade products</li> <li>Continue to develop customers and market penetration in regions that value premium products (Europe, Japan and South Korea)</li> <li>Our continuous focus on cost stewardship and production efficiency improvements help to protect margins and improve cash flow</li> <li>Our policy is not to hedge currency risk. A natural hedge is achieved through our foreign sales that are denominated in US\$</li> <li>Regarding capital expenditure exposure, our currency risk is managed by ensuring that the foreign exchange movements do not materially increase the budgeted foreign exchange capital cost</li> </ul>	<ul style="list-style-type: none"> <li> Compete through premium products</li> <li> Operate mines at lower unit costs</li> <li> Unlock full infrastructure potential</li> <li><b>Key enabler</b></li> <li> Reinforce product quality and consistency</li> </ul>

## Outlook

Market fundamentals for iron ore remain uncertain. Although current iron ore prices remain within a reasonable range, the shift in Chinese market drivers and additional supply from low-cost producers create further uncertainty on the longer-term sustainability of current prices

The Rand/US\$ exchange rate is anticipated to remain volatile due to its sensitivity to global markets and continuing political and macro-economic challenges in South Africa

Ongoing geopolitical events could further impact the iron prices and exchange rate



# Material risks and opportunities continued

6

## Managing change (transformation of the business)



Decrease in risk (2020: 5)

### Root cause

Kumba's ability to remain competitive in the global seaborne iron ore industry is at risk over the medium to long term due to various factors:

- uncertain iron ore price outlook
- potential market downturn
- increases in cost inflation
- competitive impact of the higher comparative stripping ratio and transport costs, with Kumba being in the third quartile of the global cost curve
- peak production tapering off by 2035
- inability to drive change and rapidly adapt to the external environment to achieve the targeted break-even price



Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>• Potentially unprofitable business in the short to medium term</li> <li>• Declining asset/market value impacting future cash flow</li> <li>• Reduced future ability to acquire new footprint, due to capital intensive nature of iron ore operations</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-year programme in place to increase our margin by 2022, touching every part of our business</li> <li>• Evaluating options to sustainably extend our Northern Cape footprint to 2040</li> <li>• Exploration activities and low-grade opportunities to extend the life-of-mine for both operations</li> <li>• Safety improvement plans, including the EOF prevention framework, have been developed and are in place</li> <li>• Continuous alignment of Tswelelopele strategic ambitions to business plan</li> </ul>	<ul style="list-style-type: none"> <li>Identifying and realising opportunities</li> <li>Use technology to extract maximum value</li> <li>Unlock full infrastructure potential</li> <li>Compete through premium products</li> </ul>

### Key enablers

- Leadership and culture
- Reinforce product quality and consistency

### Outlook

Maintaining a committed focus to improving margins, extending the life of our Northern Cape operations to 2040, and achieving zero fatalities



7	Operational performance		Decrease in risk (2020: 4)
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### Root cause

Our ability to meet current year production targets and contain costs of production can be hampered by various factors including: non-adherence to mine to plan; failure of key equipment; limited exposed ore; feed strategy not executed to plan; high stripping ratios; change management fatigue; and non-retention of key employees



Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>Qualities may be negatively impacted</li> <li>Higher than budgeted unit cost due to lower than budgeted production</li> <li>Higher mining cost due to additional contractor capacity as well as trucking-in of additional finished product</li> <li>Compliance to plan not achieved, posing a risk to following years</li> <li>Increased safety risks</li> <li>Reduced profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Continuous focus on OEE improvement and execution schedule compliance</li> <li>Feed strategy to increase product quality impact and production tonnes</li> <li>Budget execution plans to prioritise high risk areas and drive performance</li> <li>Monitoring compliance to mine to plan and mine to design</li> <li>Implementation of the Anglo Operating Model</li> </ul>	<ul style="list-style-type: none"> <li> Implement the Anglo Operating Model</li> <li> Use technology to extract maximum value</li> <li> Operate mines at lower unit costs</li> <li> Unlock full infrastructure potential</li> <li><b>Key enablers</b> <ul style="list-style-type: none"> <li> Reinforce product quality and consistency</li> <li> Leadership and culture</li> </ul> </li> </ul>

### Outlook

Targeted efforts to significantly improve operational efficiencies to drive achievement of operational targets and utilisation of current equipment fleet

Focused equipment maintenance to improve availability and reliability





# Material risks and opportunities continued

8

## Third-party infrastructure (IOEC operating efficiency)

Decrease in risk (2020: 7)

### Root cause

We export our ore to customers through the Sishen/Kolomela-Saldanha IOEC that is owned and operated by Transnet. We require a stable rail and port infrastructure network that operates reliably at design capacities

Any incidents on the IOEC (such as derailments) affect business continuity

Ageing infrastructure requires significant maintenance to improve reliability and efficiency and maintain capacity, particularly as we extend our life-of-mine

There is pressure from new market entrants, including manganese producers, to gain access to the IOEC, as well as requests from Transnet to allow BEE players access to the IOEC



Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>An adverse impact on logistical capabilities and failure to obtain supporting facilities may pose a business continuity risk</li> <li>Unavailability of key infrastructure affects delivery of products to customers and impacts revenue</li> <li>IOEC challenges can also increase freight costs</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing engagement with Transnet to optimise the channel throughput. Joint executive steering committee established</li> <li>Following improvements at the port:               <ul style="list-style-type: none"> <li>increasing minimum vessel size at the port</li> <li>improved direct loading from rail together with increased loading rates</li> <li>simplified stockyard layout to reduce time lost from stacking and reclaiming</li> </ul> </li> <li>Improved operational flexibility at our operations to maximise Fe units/quality of the ore to take advantage of higher prices for premium ore</li> <li>Improved on-mine operating parameters: optimised loading, reduced loading variability and improved turnaround times</li> <li>Proactively seek solutions to introduce BEE players on the IOEC to limit operational risk</li> <li>Engage other IOEC users to optimise overall system efficiency as part of the industry forum</li> </ul>	<p> Unlock full infrastructure potential</p> <p><b>Key enabler</b></p> <p> Proactively engaging with key stakeholders</p>

### Outlook

Continue strengthening the relationship with Transnet to further explore opportunities to improve the stability of the network and to deliver enhanced efficiencies to achieve targeted throughput



9

## Current South African government and political challenges



No change in risk (2020: 9)

### Root cause

Continuing governance challenges and political uncertainty in the country can impact key stakeholders that we depend on in our business, including in particular within critical SOEs such as Eskom and Transnet

A failure to resolve critical country-specific issues such as low economic growth, policy uncertainty, quality education, healthcare and infrastructure challenges, and persistent corruption negatively impacts Kumba and our host communities

Impact on value	Mitigating actions	Key enablers
<ul style="list-style-type: none"> <li>A challenging political and macro-economic environment negatively impacts investor confidence and raises the cost of capital</li> <li>Unstable communities and workforce can impact production and safety</li> <li>Potential impact on quality of relationships with regulators, communities and other stakeholders</li> <li>Protracted domestic policy uncertainty and continued deterioration in perceptions of the quality of governance</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing stakeholder engagement with government and regulator through Anglo American and development of social compact</li> <li>Scenario planning and analysis on South Africa's direction as a country and identify actions through Anglo American plc</li> </ul>	<ul style="list-style-type: none"> <li> Provide leadership through responsible citizenship</li> <li> Proactively engaging with key stakeholders</li> <li> Leadership and culture</li> </ul>

### Outlook

Rating agencies have maintained South Africa's sovereign credit rating to sub-investment grade, meaning the country now has a junk rating from all three major international rating agencies. Structural challenges in the South African economy and broader political environment are anticipated to persist, particularly given the profound socio-economic impact of the Covid-19 pandemic

10

## Fiscal compliance



No change in risk (2020: 10)

### Root cause

Kumba's ability to comply with applicable tax legislation including the ability to identify and respond to legislative amendments and new taxes in a timely manner

An increased focus and frequency in audits from SARS

Different interpretations of tax regulations

Impact on value	Mitigating actions	Key enablers
<ul style="list-style-type: none"> <li>Potential non-compliance may result in penalties, additional tax and interest</li> <li>Reputational damage as Kumba may be seen as an irresponsible corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing engagement with SARS with the assistance of Group Tax and Group Legal</li> <li>Ensure all policies and procedures are in place to ensure we remain compliant with applicable tax legislation</li> </ul>	<ul style="list-style-type: none"> <li> Provide leadership through responsible citizenship</li> <li> Proactively engaging with key stakeholders</li> </ul>

### Outlook

We anticipate continued focus from SARS on various interpretations of the tax legislation



# Material risks and opportunities continued

11

Sustained power disruption

\$

Bar chart

Globe

New risk

Root cause

The state-owned energy utility in South Africa (Eskom) continues to face chronic challenges relating to finances, sustainability, skills, maintenance of ageing infrastructure and more recently equipment design flaws in new power stations units

Ageing infrastructure of Eskom, coupled with the performance well below specification of the new build power stations, has led to a shortage of power availability in the short to medium term

Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"><li>Unplanned and short notice electricity supply outages leading to loss of production and logistic challenges at the port</li><li>Potential damage to plant and equipment</li></ul>	<ul style="list-style-type: none"><li>Initiate curtailment procedures, agree a detailed plan with Eskom and daily monitoring of energy usage</li><li>Detailed emergency plans in place to mitigate short notice electricity supply outages.</li><li>Participation in the energy user group.</li><li>Continuous improvement of efficiencies in the production process</li></ul>	<div><div>Use technology to focus on step-change opportunities</div><div>Unlock full infrastructure potential</div><div><b>Key enablers</b><div><div>Provide leadership through responsible citizenship</div><div>Proactively engaging with key stakeholders</div></div></div></div>

Outlook

Investigate wind, solar, hydro and other renewables that can contribute to electricity generation



Operator, Playa Masimola, in the stacker reclaimer section of Kolomela, ore is stored and blended in these areas.



12

## Climate change – carbon emissions and extreme weather impacts





New risk

### Root cause

Climate change is one of the defining challenges of our era and we are committed to being part of the global response to climate change – this presents both risks and opportunities

We are committed to the ongoing realignment of our operations in a responsible manner; however, different stakeholder expectations continue to evolve and are not always aligned. Long-term demand for iron ore produced and marketed may deviate from current assumptions

Changing weather patterns and an increase in extreme weather events may impact operational stability and our local communities. Our carbon emission reduction targets are partly reliant on new technologies that are at various stages of development

Impact on value	Mitigating actions	Strategic focus areas
<ul style="list-style-type: none"> <li>Potential loss of stakeholder confidence leading to negative impact on value, cash flow and profitability</li> <li>Operational disruption in the event of extreme weather events</li> <li>Long-term demand for iron ore may differ from current assumptions based on societal demands for reducing emissions</li> <li>We may fail to achieve carbon reduction targets in the event that new technologies are not effective or embedded in our operations</li> </ul>	<ul style="list-style-type: none"> <li>We have articulated our climate change plans, policies and progress and engage with key stakeholders to ensure they understand them</li> <li>Our SMP includes specific targets for reductions in carbon emissions, energy and water usage</li> <li>Evaluate and understand the full impact of scope 1, 2 and 3 emissions on our business and ensuring we are strategically and physically resilient for the future</li> <li>Updated and enhanced the high rainfall readiness plans and infrastructure to enable quicker recovery from heavy rainfall events</li> </ul>	<ul style="list-style-type: none"> <li> Use technology to focus on step-change opportunities</li> <li> Unlock full infrastructure potential</li> </ul> <p><b>Key enablers</b></p> <ul style="list-style-type: none"> <li> Provide leadership through responsible citizenship</li> <li> Proactively engaging with key stakeholders</li> </ul>

### Outlook

**Wind, solar, hydro and other renewables must contribute to electricity generation and low-carbon hydrogen will play a significant role to replace fossil fuels in the transport of ore**

**The steel industry must greatly accelerate the shift in steelmaking from the traditional method using a BF-BOF to less carbon intensive approaches based on feeding EAFs with either DRI-EAF or recycled steel (scrap-EAF)**

**Hydrogen-based DRI-EAF has the potential to be the lowest-carbon primary steelmaking method, especially with the use of green hydrogen. Hydrogen can also potentially be injected in the BF-BOF method to offset some of the use of coal and reduce emissions.**





# Our performance

2021 has been an exceptional year of delivery. Our continued focus on prioritising the safety, health and livelihoods of our colleagues and communities is evident in us achieving more than five years of fatality-free production. Despite weather and logistical challenges, production increased by 9% to 40.9Mt. Strong prices, combined with our high-quality products and operational resilience, resulted in a record EBITDA of R64.6 billion, while our disciplined capital allocation and robust balance sheet have enabled us to declare a final cash dividend of R30.50 per share.

## Material matters discussed in this section

- Delivering on the strategy
- Chief Financial Officer's review
- Operational performance
- Remuneration report
- Ore Reserves (and Saleable Product) and Mineral Resources





General view of the stacker reclaimer at the ore stockyard.





# Delivering on the strategy

Kumba's continued strong performance this year in an operating environment that continues to be impacted by the global pandemic, is testament to the effective execution of our Tswelelopele strategy, aided in the first half of the year by a more buoyant iron ore price. Our Tswelelopele strategy, which we have been implementing since 2017, has sought to unlock Kumba's full potential and deliver value for all our stakeholders by enhancing our margins, extending the life of our assets beyond 2040, eliminating all fatal incidents, and becoming the employer of choice in South Africa.

**This year we continued our activities to embed our safety culture, remaining fatality-free for more than five years and achieving a 54% improvement in the TRCFR. Our EBITDA margin improved six percentage points to 63%, assisted by stronger ore prices and a higher Lump premium, offset by a stronger currency, increased inflation due to higher fuel and freight costs. Operationally, production volumes increased by 9% to 40.9 Mt following the recovery from Covid-19 disruptions in the prior year and improved plant availability and reliability. Through UHDMS technology we extended the life-of-mine of Sishen with four years to 2039. We made further progress this year in working with Transnet to improve rail performance and to identify options to extend the longevity of the rail and port logistics network. These activities have been underpinned by our continuing focus on instilling the right culture across the Company.**

## Strategic focus areas

### Sustainably operate mines at a lower unit cost to remain competitive through a lean support and core cost base and a step-up in productivity

To strengthen our competitiveness in the context of continuing market volatility and heightened cost competition, since 2017 we have been driving an ambitious programme to lower the unit cost at our mines. We have been realising efficiencies across our operations by reducing our core cost base, implementing a lean support structure, and delivering a step-up in productivity. We continue to implement the Anglo Operating Model throughout our business (see separate strategic focus area below); this is providing the foundation to shift the benchmark efficiency closer to P101, a best-in-class industry benchmark, as part of our commitment to driving operations to their full potential.

This year, our focused efficiency efforts contributed to overall cost savings of R0.9 billion, bringing the total savings from our programme to R4.1 billion since 2017. The break-even price increased to US\$56/tonne for the year, with currency losses as the Rand strengthened against the US Dollar, cost escalation due to higher diesel prices and mining-related inflation, higher on-mine costs driven by geological changes and increased maintenance as well as higher freight and royalty rates. At Sishen, the unit cost of production was R432/tonne for the year, R70/tonne higher than 2020, and at Kolomela the unit cost was R324/tonne, up R20/tonne year-on-year. We have set a target of R1.0 billion of savings by 2022, through initiatives focused on our fixed cost base and further optimisation of outside services. This should mitigate the increase in maintenance costs and other cost escalations.

### Compete through premium products and differentiated customer relationships

Due to the geographical location of our operations, the geological nature of our ore body and Transnet (third-party) logistical constraints, Kumba is not able to compete effectively with large global iron ore producers on a volume basis. We have thus chosen to compete by maximising the price premium through the provision of premium quality products and differentiated customer relationships.

We have the unique advantage of being primarily a Lump producer with a product that has a recognised exceptional chemical and metallurgical quality. The highest quality and most important iron ore for steel-making are haematite ( $\text{Fe}_2\text{O}_3$ ) and magnetite ( $\text{Fe}_3\text{O}_4$ ). Haematite is the more sought-after ore and the preferred raw material in more efficient and climate-sensitive steel-making mills. It accounts for approximately 95% of South Africa's iron ore production. Our iron Ore Reserves are all of high-quality haematite allowing us to produce both high-quality Lump and high-grade sinter Fines for the domestic and export markets. We build on this advantage. By understanding and responding to the specific technical needs of different customers, we are able to offer niche products. This reflects Kumba's ability to capture Fe premia of US\$2/tonne, as well as a market premium of US\$3/tonne in excess of our target of US\$2/tonne above market levels.

→ Further details on the quality of Kumba's iron ore, and the resulting price premium, are provided on page 94 (strategic enabler relating to reinforcing product quality and consistency).

### Implement the Anglo Operating Model to ensure stable and capable processes leading to the delivery of business expectations

We continued this year with rolling out the Anglo Operating Model, a structured management system that provides a sequenced and repeatable set of work-steps guiding employees to achieve the intended purpose of their team's work as efficiently as possible. By reducing variation and providing clarity, the Anglo Operating Model is a critical element of our cost-cutting drive across the Company. We met our target of achieving "Go-Live" across all elements of the Anglo Operating Model in Mining, Plant and Core Engineering by the end of 2021 and reached stabilisation in work management in all core areas.

Production volumes increased this year, improved performance reflects the impact of Covid-19 in 2020 and increased plant availability and reliability, along with improved ore supply as mining recovered. At Sishen, volumes were 2.2 Mt higher than the prior year and at Kolomela production increased by 0.9 Mt. Excessive rainfall in the first quarter and the subsequent impacts on mining conditions, affected both our waste movement and operational efficiencies, particularly at Sishen. High saturation levels in the clay horizon meant that these impacts were felt well into quarter three as we were challenged with low equipment utilisation. In the second half, we saw a 13% recovery at Sishen, demonstrating the effectiveness of our rain recovery plans. We've updated our rain recovery plans based on the learnings from last year and we are recovering after major events much quicker. Most of the fleet went through major overhauls in 2021, delivering good improvements in availability and reliability up to the fourth quarter, when like many of our peers in the industry, global supply chain disruptions impacted our HME spares availability.



## Extend life of current mines through UHDMS technology and business development activities

In 2021 Kumba achieved a major milestone by delivering on our ambition, set in 2018, of replenishing Kumba's Ore Reserves by 200 Mt on or before 2022 through efficiency improvements, improved resource utilisation and exploration. In line with this strategy, we have successfully increased the Ore Reserve by a cumulative 322.8 Mt (before depletion) was achieved against a target of 200 Mt set at the commencement of Tswelelopele.

The feasibility study of the Sishen UHDMS project (conversion of DMS plant into a UHDMS) was approved in the first quarter of 2021, contributing a further 135.3 Mt low-grade Ore Reserves to the Sishen portfolio. The Sishen life-of-mine was extended from 15 to 18 years (2039) with the inclusion of the UHDMS project although from 2035 to 2039 annual production will be in the order of 10 to 15 Mt. The Kapstevel South pit at Kolomela was increased, adding an additional 12.9 Mt Ore Reserves, extending the life-of-mine from 2032 to 2034. Near-mine exploration between the two Northern Cape operations continued.

This year, the net increase of 10% (+70.0 Mt) in Ore Reserves and a material decrease of 20% (-139.0 Mt) in Mineral Resources (year-on-year) is primarily the result of the conversion of Measured and Indicated low-grade Mineral Resources to Ore Reserves at Sishen (UHDMS project). The approval of the UHDMS project for Sishen mine added 135.3 Mt low-grade Ore Reserves to the portfolio, while the enlargement of the Kapstevel South pit at Kolomela Mine contributed a further 12.9 Mt additional Ore Reserves. The overall Saleable Product has, however, decreased 2% primarily as a result of production, which was partially offset by the addition of Saleable Product attributable to the Sishen UHDMS project.

For Sishen, an 18-year reserve life at an average 24.0 Mtpa (29.2 Mtpa for the first 13 years and 10.4 Mtpa for the last five years) Saleable Product output has been quoted in 2021. For Kolomela, a 13-year remaining reserve life, at an average 11.2 Mtpa (13.5 Mtpa for the first five years and 9.8 Mtpa for the last eight years) Saleable Product output has been quoted in 2021.

## Focus on the Northern Cape as the region contains the most attractive ore bodies for both current operations and targeted brownfields exploration

We have retained our strategic commitment to leverage our endowment in the Northern Cape, targeting a 2040 life-of-mine ambition, achieved through enhanced efficiency and optimisation, our UHDMS project, and the Northern Cape exploration programme. Our commitment to capital discipline means that we will only invest in high return projects and at the right time of the cycle.

Kolomela will launch a study in 2022 to convert the 59.1 Mt Measured and Indicated Mineral Resources of the Ploegfontein deposit to Ore Reserves. The deposit is located within the mining right area but not considered in the current life-of-mine plan.

SIOC has continued its exploration activities in the Northern Cape province, including drilling on near-mine properties in relative proximity to existing operations that have been identified as potential iron ore mineralisation targets through its regional genetic geological model. Access for exploration has been achieved through option agreements with current third-party right holders. If the properties are prospective, and meet Kumba's expected criteria, Kumba has the right to take up 70% of the ownership in the assets.

## Use technology to extract maximum value from ore, focusing on step-change opportunities

Technology innovation is key to delivering on our purpose of re-imaging mining to improve people's lives, and underpins our commitment to FutureSmart Mining™. We have been investigating and implementing various game-changing opportunities, using digitisation and innovative technologies to achieve our zero harm target, maximise current and future resource utilisation with less waste, water and energy, and drive down costs by improving productivity and efficiencies.

Recent technology and digitisation initiatives at Sishen and Kolomela include:

- Completing the roll-out of an automatic collision avoidance system at Sishen
- Rolling out autonomous drilling at Sishen
- Completing the installation of guided spotting on 21 trucks and two shovels at Kolomela
- Progressing with plant automation and advanced process control with the DMS cyclone and drum plant valve at Kolomela
- Completing the roll-out of real-time condition-based monitoring at Kolomela and making progress at Sishen
- Using drone technology with scanners and cameras to create three-dimensional images to calculate volume

## Unlock full infrastructure potential to support maximum in export volumes over the medium term

Due to the distance of our mining operations from the Saldanha port, Kumba faces higher rail costs and increased associated logistical challenges than our competitors. We have been collaborating with Transnet to investigate and initiate various rail and port performance and operational improvement projects with the aim of unlocking and extending the full potential of the IOEC to at least 2040.

Debottlenecking the logistics value chain remains a high priority. To address the rail infrastructure and equipment maintenance challenges, we've increased engagements with Transnet and industry peers. Following these engagements, there was an improvement in equipment reliability and shipping throughput. This, contributed to export sales improving by 6% in the second half. In the short term, further uplift from the improvement of the rail infrastructure will help lift speed restrictions. In addition, the three-year major equipment refurbishment programme at Saldanha port is expected to be completed in 2022. Shifting systematically to larger Cape-size vessels also increased shipping capacity. Following these interventions, the IOEC line is not yet back to pre-pandemic levels. However, we have seen progress although there is still room for improvement. In the medium term, there is potential for performance uplift with the commissioning of a third Tippler at Saldanha port and shorter periods of shut down for maintenance.

## Identifying and realising opportunities beyond the existing operations, based on our asset base and competencies

To enhance our potential for longer-term growth, we are identifying a range of various growth opportunities that fit well with Kumba's current strategic direction, and that provide for global decarbonisation goals and operate within a circular economy. These "close to core" opportunities will seek to leverage our core capabilities and resources, including both our agility as a smaller mid-tier player and our access to the broader Anglo American group.

These various opportunities are being actively pursued, form part of our longer-term time horizon, and are expected to deliver value within the next five to seven years.



# Delivering on the strategy continued

## Strategic enablers

Underpinning our strategic ambition is a sustained focus on our key strategic enablers:

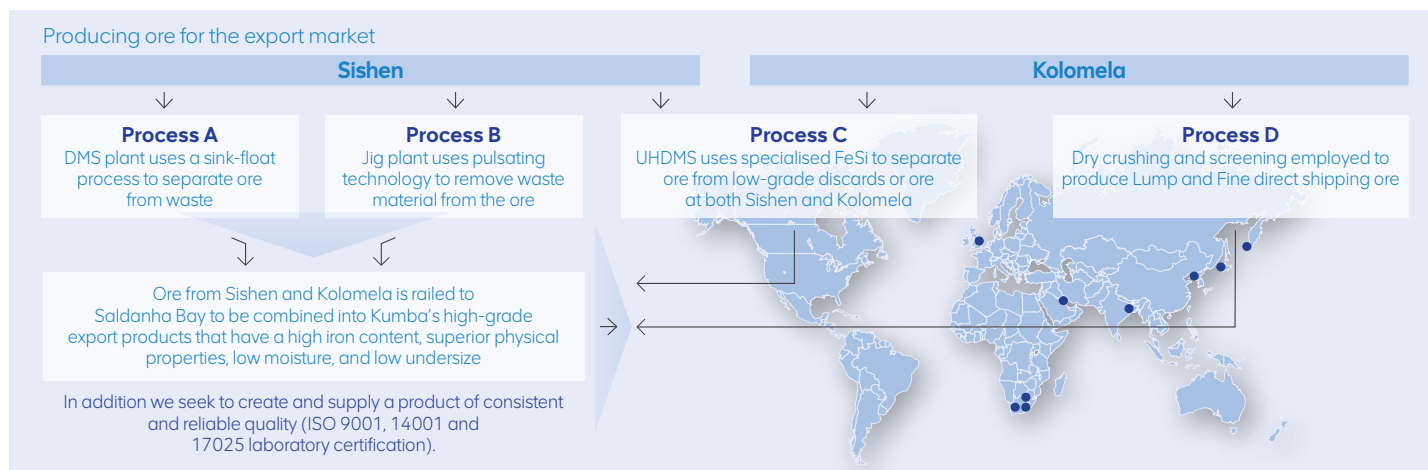


### Align marketing and operational activities to ensure that product produced efficiently matches customer needs

To consolidate our position in an increasingly competitive market, we place a strong focus on developing a thorough understanding of our clients' expectations; this enables us to deliver high-quality products and strengthen relationships with clients. We consciously blend between the various products to maximise value and regularly undertake customer segmentation studies to identify which customers value particular physical and/or chemical properties in our products, and we use this information, together with mine planning information, to tailor our product specifications to match customer demands.

Sales continued to be constrained by Transnet's logistics systems. Total sales were flat at 40.3 Mt, with export sales of 40.2 Mt. Domestic sales were reduced with 0.2 Mt year-on-year, as a result of lower demand from ArcelorMittal SA.

Our approach to producing ore for the export market at our Sishen and Kolomela operations is outlined in the following diagram:



### Reinforce product quality and consistency

Our product quality is a competitive differentiator. Since 2012 we have been driving a strong focus on consistently delivering a high-quality product and on increasing the Lump ratio; both of these features attract premia against the standard product sold in the market.

Our high average Fe content of 64.1% Fe, and our Lump:Fine ratio of 69:31, enable us to sell our product in an over-supplied iron ore market and to attract Fe and market premia relative to standard products. The marketing team continued to excel in 2021. Even with increased iron ore price volatility and the moderation of iron ore prices in the second half, we delivered an average realised FOB export price of US\$161/wmt (US\$164/dmt), 18% above the benchmark price. This reflects Kumba's ability to capture Fe premia of US\$2/tonne, as well as a market premium of US\$3/tonne in excess of our target of US\$2/tonne above market levels.

During 2021 traditional markets outside of China experienced relative stronger economic recovery, China's share of export sales decreased to 43% of our export sales portfolio (2020: 62%) with sales to Europe/MENA increasing to 34% (2020: 19%) and sales to Japan and South Korea up to 23% (2020: 17%). Contractual sales comprised 90% (2020: 77%) of export sales; 58% of sales (2020: 69%) were on a CFR basis with the remainder sold free-on-board.

### Proactively engaging with key stakeholders to reinforce our partnership approach

Regular, proactive and meaningful engagements with our stakeholders are essential to developing trusted relationships, a critical foundation for delivering on our strategic focus areas. In keeping with this, Kumba hosts stakeholder days every two years, bringing Kumba and SIOC boards of directors and the executive team together with national, provincial and local government, labour unions, business and development partners, suppliers, host community groups and civil society, to discuss transformation and sustainability. The next Stakeholder Day will be on 21 September 2022, after the scheduled event in 2020 was suspended due to the national lockdown responding to the Covid-19 pandemic. During the pandemic, we have adapted our channels of engagement and expanded our use of digital communication to ensure regular and effective engagements. Kumba's stakeholder engagement strategy is closely aligned to the recently adopted Anglo American South Africa strategic stakeholder engagement strategy, adhering to its principles as well as integrating the processes and principles outlined in the Anglo American Social Way 3.0.

→ Further details on our stakeholders and stakeholder engagement activities are provided on page 72



## Provide leadership through responsible citizenship displaying care for safety, health and the environment

Managing our most material ESG impacts, and providing leadership through responsible corporate citizenship, delivers material competitive benefits for Kumba: it protects the safety, health and productivity of our employees; assists us in attracting and retaining talent; reduces potential legal liabilities; protects the natural resources we rely on; delivers valuable resource efficiencies; and is essential in maintaining our social licence to operate. As part of the Anglo American Group, we are responding through our commitment to FutureSmart Mining™ and our sustainable mine plan, which is linked both to the UN Sustainable Development Goals and our business strategy.

Following is a high level summary of our 2021 performance on our most material sustainability impacts:

### Safety and health

- Remaining fatality-free for five consecutive years, reflecting our strong safety culture, underpinned by critical control risk monitoring, risk reduction initiatives and EOF programme
- Reduction in lost-time injuries (LTIs) to eight (2020: 18)
- TRCFR of 0.80 against a target of 2.01 (2020: 1.74)
- Tragically 29 Covid-19-related fatalities; 3,121 positive cases and 95% recovery rate
- Sixth consecutive year of no new cases of NIHL
- Achieved all three of the 90:90:90 targets on HIV management set by the UNAIDS, with 90% of our permanent employees knowing their HIV status, and 100% of identified seropositives maintaining antiretroviral therapy. Of those, 90% of those have undetectable viral loads, against a targeted 90%.

### Environmental

- 3.6% decrease in total CO<sub>2</sub> intensity and 4.5% decrease in energy intensity, year-on-year
- Refined our site-specific energy and carbon projects and finalised targets to achieve the group goals of 30% reduction in energy intensity and absolute GHG emissions by 2030 (baseline 2016)
- Progressed with plans to develop a 60 MW to 80 MW solar PV plant at Sishen and select suitable partners for renewable energy generation
- Sixth consecutive year with no level 3 to 5 environmental incidents
- 15 PM10 dust exceedances – four exceedances per station allowed per year
- 138.8 ha rehabilitated in 2021; both Sishen and Kolomela exceeded reshaping
- Kumba received top score in the Endangered Wildlife Trust's annual biodiversity performance ratings targets
- Developed and started implementing plans to achieve compliance with the requirements of the global industry standard on tailings management

### Social

- R10.3 billion procurement on HDSA businesses (2020: R9.8 billion), including R4.1 billion on more than 300 host community suppliers (up from R3.7 billion in 2020, and R500 million in 2017)
- An industry-first R1.6 billion mining contract was awarded to a new black-owned and community-based joint venture to mine iron ore at our Kolomela
- Successful conclusion of the world-class Dingleton Resettlement Project, undertaken in line with the best practice codes of the International Finance Corporation and the Anglo American Social Way.
- R257.5 million direct social investment (2020: R263.6 million)
- 26 schools supported through the Anglo American Education Programme
- 29% women in management (2020: 27%); 25% women in total workforce (2020: 24%)

A detailed review of our sustainability strategy, SMP and ESG performance is provided in our comprehensive SR:

→ <https://www.angloamericankumba.com/investors/annual-reporting>

## Leadership and culture, embedding a culture that fosters safety, diversity, innovation and organisational effectiveness

Our approach to leadership and culture is the most significant enabler for our Tswelopele programme. Over the last four years we have been cultivating a unique experience for our employees, implementing innovative, high-quality leadership and culture interventions, focused on robust employee engagement, team development, a leadership 360-degree capability assessment, bespoke leadership programmes through globally recognised Duke Corporate Education, and diversity workshops. These efforts are underpinned by our Kumba Leadership Code, which is fully aligned with the Anglo American plc values. Building on the foundations established through these ongoing interventions, we are now focusing more specifically on leader-led actions and behaviours to incrementally achieve leadership alignment and commitment to new, more effective ways of working.

Kumba's team-driven performance management approach, called Team+, for middle management and above employees, aims to foster a purpose-led high-performance culture where everyone is working together as one team to deliver on our strategic objectives and performance targets. Business and team performance are measured against a structured set of key strategic business objectives cascaded throughout the non-bargaining category.

In building leadership capability and fostering the right culture, Kumba is committed to accelerating the recruitment, development and promotion of designated groups. We are encouraged that women account for 33% of our talent pool, of which 55% is represented by black women.

We have maintained strong employee relations, reflected in an employee turnover rate of 3.2%, well below the 7.6% industry benchmark. We conduct quarterly employee engagement dipstick surveys and an annual deep dive survey at our operations to gain insights into how effectively we are engaging with our employees and delivering on our objectives, and to better understand where we can improve.

Further information on our activities in supporting employees – including details on promoting diversity, managing talent, engaging employees and investing in skills development – is provided in our SR:

→ <https://www.angloamericankumba.com/investors/annual-reporting>





# Chief Financial Officer's review

**Kumba delivered another strong set of results with EBITDA up 41% to R64.6 billion and attributable free cashflow of R30.5 billion, as we harnessed the benefit of improved production volumes and robust iron ore prices for our high-quality products and achieving further progress against our strategy.**



**Bothwell Mazarura**  
Chief Financial Officer

## Enhancing shareholder returns

Growth of 41% to achieve record EBITDA of R64.6 billion

Achieving a cumulative R4.1 billion cost savings since 2018

Achieved an average realised FOB export price of US\$161/wmt, 18% above the benchmark price

Strong headline earnings of R33.3 billion, translating into R103.65 per share

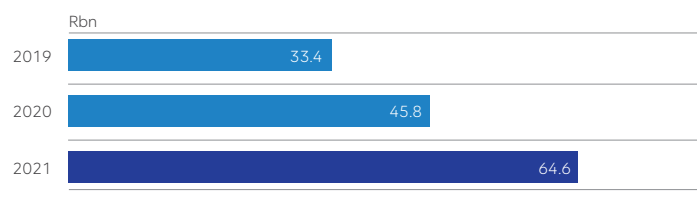
Final cash dividend of R30.50 per share, with total cash dividend of R103.20 per share

## Enhancing shareholder returns and maximising value

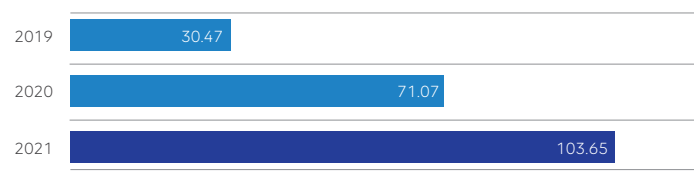
Kumba has transformed into a value-focused business through our Tswelelopele strategy of margin enhancement and ambition to extend our life-of-mine to 2040. Since implementing this strategy in 2018, our EBITDA margin has grown from 42% (2017 baseline) to 63%. The quality of our products has improved, with a Lump ratio increasing from 66% to 69%.

In conjunction with this, our price premium has grown from US\$11/tonne to US\$25/tonne. Cost discipline helped unlock cumulative cost savings of R4.1 billion, further supporting margin enhancement and earnings growth. The ROCE of 147% increased significantly from 109% in the previous year.

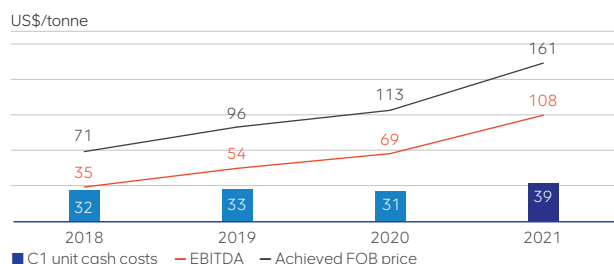
### EBITDA



### Headline earnings per share



## Value-focused strategy driving margin gains





## Delivery against key focus areas:

**Our three strategic levers continued to support Kumba's strategy of unlocking its full asset potential and delivering shareholder returns:**

### 1 Focus on margin enhancement

During 2021, Kumba delivered another set of record results with an EBITDA margin of 63%, up six percentage points from 57% in the prior period. Our marketing team contributed to a 42% increase in the average realised FOB iron ore price of US\$161/wmt (2020: US\$113/wmt), 18% above the benchmark price. Further margin benefits came from cost savings of R0.9 billion. However, cost and geological inflation remain a challenge. Cost discipline and operational efficiency continue to be a priority as we drive further savings initiatives across our business. We are targeting a further R1.0 billion in cost savings is planned for 2022.

Kumba's break-even price increased to US\$56/tonne, up US\$11/tonne from the previous year and is attributable to currency losses as the Rand strengthened against the US Dollar, cost escalation caused by a rising diesel price and mining-related inflation, higher on-mine cost driven by geological changes and increased maintenance, and stronger freight and royalty rates. This was partially offset by higher price premiums and lower SIB capital expenditure.

Our product portfolio ranges from standard and premium Lump and Fines to super-premium Lump with an average quality of 64.1% Fe and a Lump:Fine ratio of 69:31. We captured a US\$22/tonne uplift from the Lump and Fe premia and a US\$3/tonne market premium resulting in a higher average realised price of US\$161/tonne for 2021.

Kumba's export sales to traditional markets outside of China increased to 57% (2020: 38%). China's share of export sales decreased to 43% (2020: 62%), while export sales to the EU/MENA/Americas region increased to 34% (2020: 19%) and Japan/South Korea/Taiwan to 23% (2020: 17%). The share of premium products comprised 19% of total sales (2020: 18%).

### 2 Strong financial discipline

Capital expenditure of R8.0 billion (2020: R6.1 billion) comprised of R3.7 billion of SIB spend, R1.7 billion of deferred stripping, and R2.6 billion of expansion capex. Capital creditors increased to R1.8 billion compared to R0.3 billion in the previous year. The 2021 full-year cash capex net of capital creditors was R6.3 billion.

SIB capex relates to capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping spend was reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining. Expansion capex, included the Kapstevel South project (R2.0 billion), execution of the UHDMs project (R0.2 billion), and the balance relates to P101 operational efficiency initiatives and technology.

### 3 Delivering sustainable returns

Kumba's balance sheet remains resilient, with continued strong cash generation providing flexibility in a volatile market environment. Through our capital allocation framework, cash generated from operating activities will be used for our tax commitments, SIB capital and dividends to shareholders in line with our dividend policy. Excess discretionary cash flow is deployed in the best long-term interests of shareholders with consideration of further investment in the business and incremental returns to shareholders.

For 2021 Kumba delivered a ROCE of 147% (2020: 109%) and robust attributable earnings of R33.3 billion (2020: R22.8 billion).

Our dividend policy targets a pay-out range of between 50 and 75% of headline earnings to shareholders. Shareholder returns are prioritised while maintaining a strong flexible capital structure that protects the balance sheet from market volatility and ensures that an appropriate level of capital is allocated to life extension projects and long-term growth prospects.

With Kumba's substantial cash flow generation of R65.0 million, demonstrating the success of our Tswelopele strategy and tailwinds from strong iron ore prices and premia in the first half of 2021, the headline earnings per share for the year were R103.65 (2020: R71.07). The Board declared a final cash dividend of R30.50 per share (2020: R41.30), resulting in a total cash dividend for the year of R103.20 per share (2020: R60.90). This equates to 100% of headline earnings for 2021.



# Chief Financial Officer's review continued

## 2021 Financial performance

→ The analysis of our performance drivers should be viewed together with the strategy on pages 54 to 71 and 92 to 95 of this report.

### Revenue – benefit of higher prices offset by currency

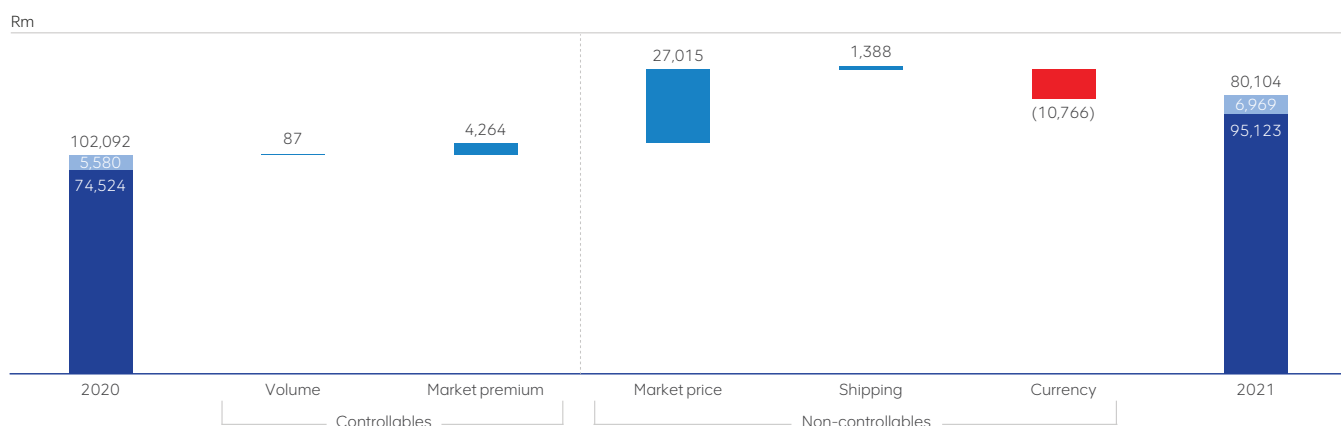
Total revenue increased by 27% to R102.1 billion compared to R80.1 billion for 2020, mainly as a result of a 42% increase in the average realised iron ore price of US\$161/tonne (2020: US\$113/tonne), partially offset by a stronger Rand/US\$ exchange rate of R14.79/US\$1 (2020: R16.47/US\$1). Shipping revenue increased by R1.4 billion due to higher freight rates, offset by lower CFR volumes and the strong local currency.

The US\$48/tonne increase in the average realised FOB export price was due to the US\$51/tonne higher Platts 62 index price, partially offset by a US\$9/tonne increase in the Platts freight rates, resulting in a US\$42/tonne higher FOB Saldanha Platts price of

US\$139/tonne. This was further enhanced by Lump and Fe premium of US\$22/tonne, and marketing premium of US\$3/tonne.

Total sales of 40.3 Mt were in line with that of the previous year, despite local sales decreasing 70% to 0.1 Mt (2020: 0.3 Mt), as a result of lower off-take by ArcelorMittal SA. For the year, 58% of sales were on a CFR basis compared to 66% in the prior period. Contractual sales increased to 90% of total export sales volumes (2020: 77%). China represented 43% (2020: 62%) of Kumba's total exports, and the share of the EU/MENA/Americas region increased to 34% (2020: 19%), with Japan and South Korea increasing to 23% (2020: 17%).

### Revenue



### Operating expenditure – driven by higher mining costs

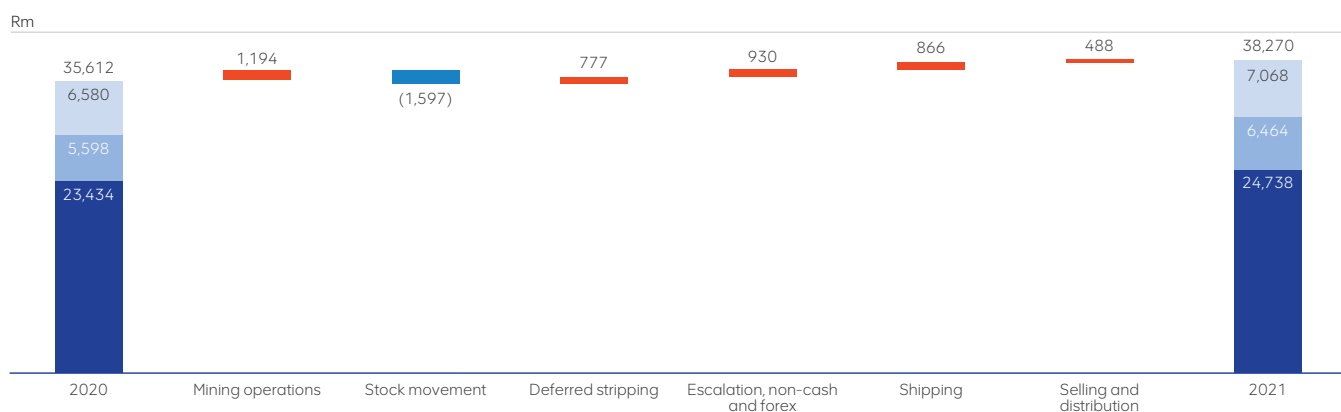
Operating expenses (excluding mineral royalties and impairment) increased by 7% to R38.4 billion, compared to R35.8 billion in the prior year, mainly due to increased operational costs (R1.3 billion) and higher logistics costs (R1.3 billion).

Selling and distribution costs were R488 million higher due to Transnet tariff increases, higher logistics volumes and increased demurrage. Freight costs of R6.5 billion were R866 million higher

on the prior period due to stronger freight rates, offset by 2.9 Mt lower CFR shipping volumes and currency movements.

Cost discipline across the value chain coupled with our cost savings initiatives, aimed at offsetting inflation-related costs and reducing controllable cost, delivered savings of R0.9 billion, realising cumulative cost savings of R4.1 billion, since initiating the cost savings programme in 2018.

### Operating expenditure

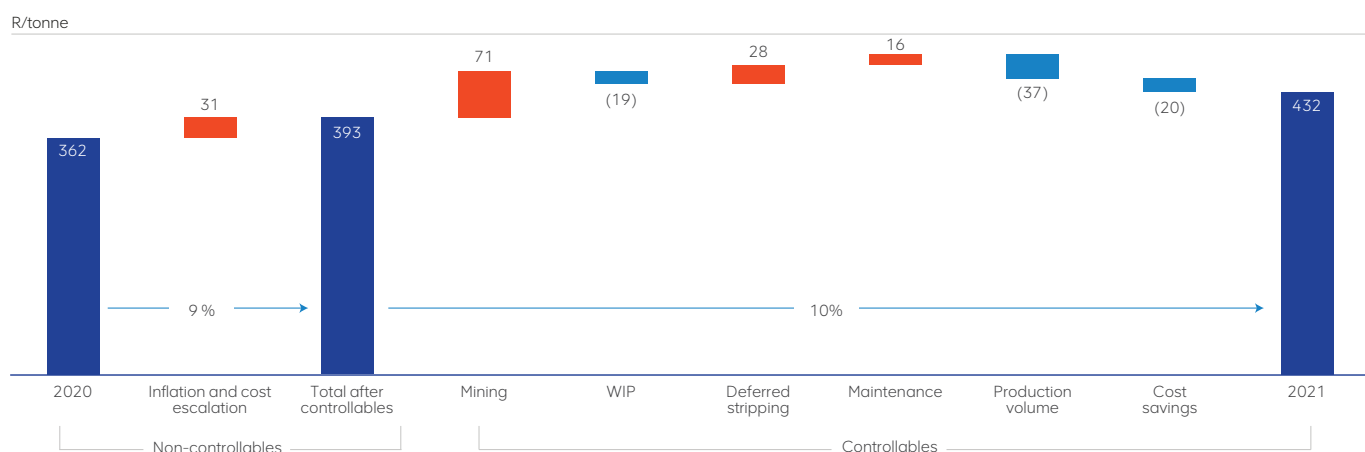


<sup>1</sup> Excluding mineral royalty, impairment and expected credit losses.



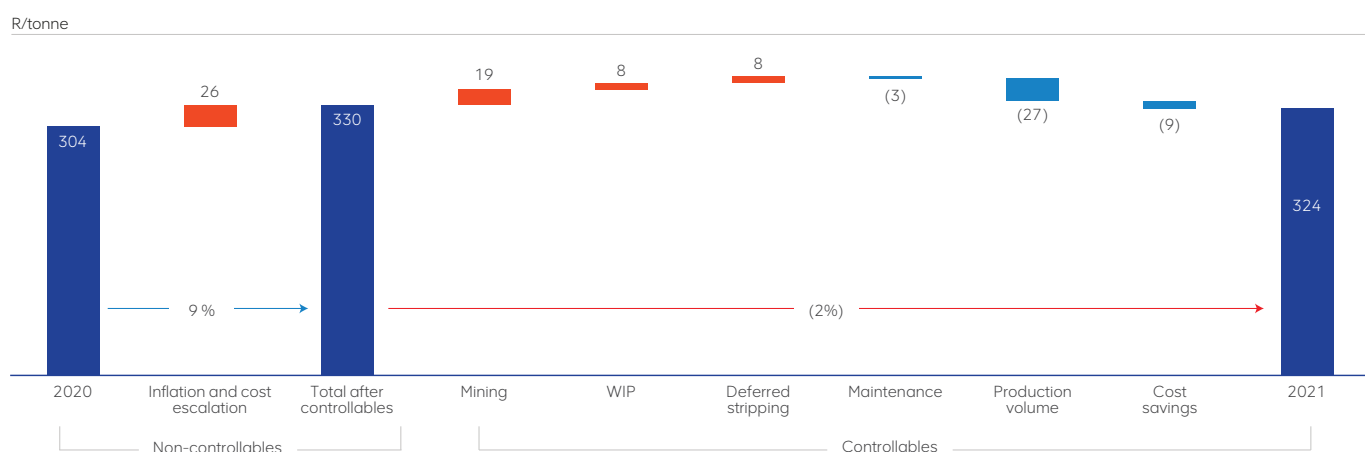
Sishen's unit cash costs increased by 19% to R432/tonne (2020: R362/tonne). The increase was driven by inflationary pressures of 9% in key cost items such as diesel, wages and supply chain-related expenses, coupled with higher mining inflation from longer haulage distances, as well as lower capitalisation of stripping costs. This was partly offset by an increase in production volumes and cost savings achieved. In addition, Sishen incurred higher maintenance costs to improve equipment availability and reliability.

### Sishen unit cash costs



Kolomela's unit costs increased 7% to R324/tonne (2020: R304/tonne). The increase was driven by inflationary pressures of 9% in key cost items such as diesel, wages and supply chain-related expenses, along with higher mining inflation from longer haulage distances, and lower capitalisation of stripping costs. Partly offset by an increase in production volumes and cost savings.

### Kolomela unit cash costs







# Chief Financial Officer's review continued

## Break-even price – impacted by non-controllables

Kumba's break-even price increased to US\$56/tonne, US\$11/tonne higher from US\$45/tonne in 2020, and is attributable to currency losses as the Rand strengthened against the US Dollar, cost escalation caused by a rising diesel price and mining-related inflation, higher on-mine cost driven by geological changes and increased maintenance, and stronger freight and royalty rates. This was partially offset by higher price premiums and lower SIB capital expenditure.

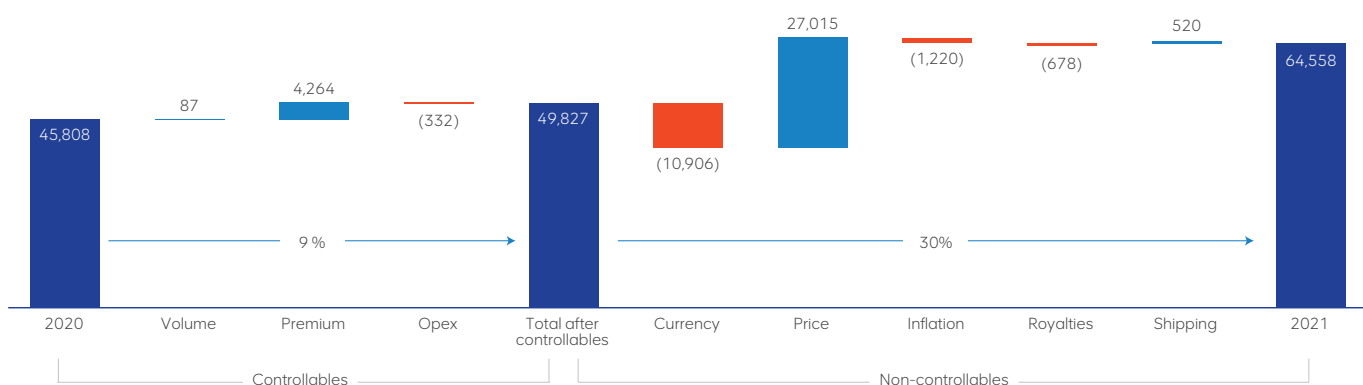
## EBITDA – strong margins

Kumba delivered an EBITDA of R64.6 billion, representing an increase of 41% compared to R45.8 billion in the previous year. Stronger market prices and higher premia for our products together with higher sales volumes, were partially offset by a 10% strengthening of the currency and higher operating expenses due to increased mining activities compared to 2020, which was impacted by Covid-19.

Kumba's EBITDA margin increased by six percentage points to 63% (2020: 57%), the group's mining operating margin, which excludes net freight profit incurred on shipping operations, improved to 62% (2020: 55%). Net profit increased by 47% to R43.7 billion (2020: R29.8 billion).

## EBITDA

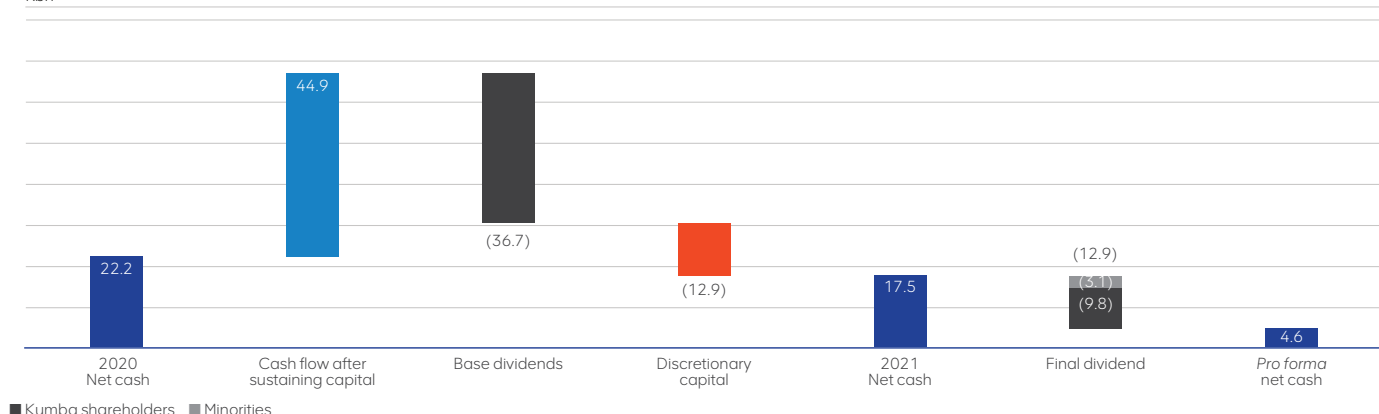
Rm



## Robust and efficient balance sheet

### Capital allocation

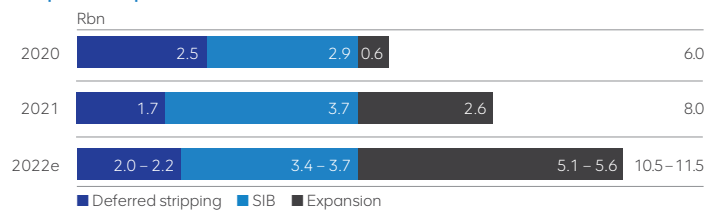
Rbn





## Capital expenditure to sustain and develop our business

### Capital expenditure



Kumba's capital expenditure for 2021 was R8.0 billion (2020: R6.1 billion). The total spend consisted of the following:

- R3.7 billion from SIB activities, mainly spent on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business.
- R2.6 billion on expansion capex, includes Kapsteveld South project (R2.0 billion), execution of the UHDMs project (R0.2 billion), and the balance relates to P101 operational efficiency initiatives and technology.
- R1.7 billion in deferred stripping capex was reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining.

### Stakeholder value created

Kumba has built a strong track record of delivering sustainable returns through the cycle. Our balance sheet remains stable driven by strong cash generation supported by higher EBITDA. With continued currency fluctuations, increased cost pressure and a logistics-constrained environment, Kumba remains committed to maintaining a strong balance sheet.

Taking all these factors into account coupled with our dividend policy of a 50 to 75% pay-out ratio of headline earnings, the Board declared a final cash dividend of R30.50 per share with a total cash dividend for 2021 at R103.20 per share, together with our interim dividend of R72.70 per share, the total dividend for the year increased by 69% and represents 100% of headline earnings.

Kumba ended the year with a net cash position of R17.5 billion (2020: R22.2 billion), after cash flow from operations, tax paid, capex and dividends. Cash flow from operations increased by 61% to R65.0 billion (2020: R40.3 billion), due to higher EBITDA. Working capital decreased due to lower trade and other receivables, which was partially offset by higher inventories as finished stock increased to 6.1 Mt (2020: 4.8 Mt).

We created stakeholder value by paying income tax of R16.6 billion (2020: R10.1 billion) and mineral royalties of R4.6 billion (2020: R3.0 billion) to government, providing capex of R8.0 billion (2020: R6.1 billion), and distributing dividends to shareholders of R48.2 billion (2020: R15.0 billion).

Kumba's debt facilities consist of an R8 billion revolving credit facility that matures in 2024 and uncommitted facilities of R8.2 billion, all of which were undrawn at 31 December 2021. Financial guarantees issued in favour of the DMRE in respect of environmental closure liabilities were R4.1 billion. The annual revision of closure costs reflected a further shortfall of R293 million in respect of the rehabilitation of Sishen and Kolomela. Guarantees for the shortfall will be issued in due course.



# Chief Financial Officer's review continued

## Key financial risk factors affecting performance

**The primary financial risks to which Kumba is exposed are market, counterparty credit and liquidity risk. These are rigorously monitored by management according to the oversight and risk management framework, while the Board oversees the process.**

→ For further information refer to the review of our risks and opportunities on page 76

## Risk management policy

### Commodity price

→ For more detailed information on financial risk management refer to the AFS pages 70 to 77

Exposure to future price movements occurs as the selling price is based on quoted market prices stipulated in the contract that is provisionally determined between 30 and 180 days after delivery to the customer. Risk is managed through iron ore swaps and futures contracts that enable closer alignment between sales prices and reference prices set by the group.

EBITDA impact of R560 million per US\$1/tonne change in export iron ore price

### Currency

For exposure to foreign currency movements it is group policy to use only derivatives for hedging purposes and not to engage in speculative transactions. Hedging is only considered in very limited circumstances and in strict compliance with the Company's treasury risk policy.

EBITDA impact of R630 million per R0.10/US\$ change in the exchange rate

### Export sales volume

→ For more detail refer to the review of risks and opportunities on page 76

Export sales volumes are exposed to various operational risk factors which are mitigated on a case-by-case basis.

EBITDA impact of R190 million per 100 kt change in sales volumes

### Counterparty credit

→ For more information refer to note 33 of AFS

Counterparty credit risk exposure is diversified among high-quality financial institutions with acceptable daily settlement limits. Kumba also relies on letters of credit to limit the risk of financial loss from our customers.

### Interest rate

→ For more information refer to note 33 of AFS

Kumba's policy is to borrow at floating rates and minimise the after-tax cost of debt for the group. Board approval is required for fixed rate debt.

### Liquidity

→ For more information refer to note 33 of AFS

Adequate cash and credit facilities are maintained to meet all short-term obligations and to ensure that the group can meet all known forecast strategic commitments using the appropriate debt instruments.

### Tax

→ For more information refer to pages 78 and 79 of the SR

Tax risk management forms part of Kumba's overall risk management process and ensures that we comply with applicable tax legislation. It also enables the Company to timeously identify and respond to legislative amendments and new taxes. We seek to maintain a long-term, open, constructive relationship with tax authorities and the government in relation to tax matters.

### Increased production cost pressure

→ For more information refer to page 98

Continued cost pressure from the rising geological inflation, higher input costs and rising mineral royalties from higher iron ore prices, places pressure on margins and necessitates a concerted effort to further reduce costs. A review of operating expenses conducted during the year identified additional cost savings from our fixed cost base and the optimisation of outside services.

## Other specific items and events during the year

### Changes in estimates to environmental rehabilitation and decommissioning provision

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. Estimates and assumptions are employed in determining the amount and timing of the future cash flows and the discount rate.

The life-of-mine plan on which accounting estimates are based only includes Proved and Probable Ore Reserves as disclosed in Kumba's 2021 annual Ore Reserves and Mineral Resources statement. The increase in the closure cost estimates was mainly due to an increase in footprints. The financial provision increased by R61 million mainly due to reduced cash flows resulting from revised life-of-mine at Sishen and Kolomela and the impact of a 0.6% decrease in the discount rate from 4.3% to 3.7% (in real terms), at Kolomela.



The effect of the change in the estimate of the rehabilitation and decommissioning provision is detailed below:

	31 December 2021
<b>Rand million</b>	
Decrease in environmental rehabilitation provision	(14)
Decrease in decommissioning provision	(35)
Decrease in profit attributable to the owners of Kumba	(40)
<b>Rand per share</b>	
Effect on earnings per share attributable to the owners of Kumba	(0.12)

### National Environmental Act (NEMA)

The minister of Forestry, Fisheries and the Environment has determined that requirements for creating financial provisions to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current MPRDA. This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were re-published on 10 November 2017, 17 May 2019 and 31 August 2021. The deadline for compliance has been extended to June 2022. These amendments are expected to result in provision of additional funding for the undiscounted closure costs, which will be required during the first half of 2023 if the effective date remains unchanged.

→ For more information refer to page 99 of the SR

### Taxation

Kumba contributes economic value to the government of South Africa and to the host communities in the Northern Cape with taxes paid through the life-cycle of our operations and across our value chain. Our tax contribution of R22.7 billion for 2021 reflects corporate income tax of R16.6 billion, mineral royalties of R4.6 billion and indirect taxes of R1.5 billion.

The Company's tax contribution represents a significant portion of the economic value delivered to the government and our host communities. The following cash payments were made to the jurisdictions in which the group operates:

#### Total tax contribution by category

Rand million	2021	2020
Corporate income tax	16,603	10,146
Mineral royalties	4,612	3,001
Payroll tax	1,387	1,226
Skills levy	50	33
UIF	23	23
<b>Total</b>	<b>22,675</b>	14,429

### Outlook for 2022

Our financial guidance for 2022 is set out below.

Guidance (unaudited)	2022
<b>Total sales (Mt)</b>	<b>39 – 41</b>
<b>Total production (Mt)</b>	<b>39 – 41</b>
Sishen	~27
Kolomela	~13
<b>Waste stripping (Mt)</b>	
Sishen	155 – 175
Kolomela	55 – 65
<b>On-mine unit costs (R/tonne)</b>	
Sishen	R490 – 520
Kolomela	R350 – 370

The production guidance for 2023 was maintained at 39 and 41 Mt and in 2024, production is expected to be between 41 and 43 Mt following the completion of the UHDS project.

Our capital expenditure is expected to be between R10.5 billion and R11.5 billion for 2022, including the deferral of R0.7 billion (SIB R0.5 billion and Expansion R0.2 billion) of non-critical capital expenditure from 2021. The increase is driven by:

- Higher SIB spend of between R3.4 billion and R3.6 billion, largely comprised of plant and infrastructure replacement and upgrade. Further spending includes projects to improve safety, environmental sustainability and equipment reliability, capital spares, information management and housing.
- Expansion capex of between R4.1 billion and R4.5 billion, to develop the Kapstevel South pit at Kolomela and the UHDS project, while continuing to invest between R1.0 billion and R1.1 billion in our P101 efficiency programme, including the autonomous haul trucks.
- Deferred stripping capex will reduce to between R1.9 billion and R2.1 billion, following lower stripping ratios at certain pushbacks at both of the mines.

Overall, it should be noted that iron ore export prices and the Rand/US\$ exchange rate are key factors influencing Kumba's financial performance. Shareholders are advised that these forecasts have not been reviewed or reported on by our external auditors.

### Acknowledgement

In closing, I would like to acknowledge the finance team for their commitment, smart work and integrity during the year and for supporting the business to unlock further value. As a key business partner our team continues to support a cost and capital focus across the value chain, while maintaining a high standard of governance, compliance and financial reporting.

### Bothwell Mazarura

Chief Financial Officer

16 March 2022



# Summarised consolidated statement of financial position

as at

Rand million	31 December 2021	31 December 2020
<b>ASSETS</b>		
Property, plant and equipment	43,233	40,165
Right-of-use assets	393	465
Biological assets	31	24
Investment in associate	50	—
Investments held by environmental trust	795	656
Long-term prepayments and other receivables	166	144
Deferred tax assets	1	1
Inventories	4,349	3,741
<b>Non-current assets</b>	<b>49,018</b>	<b>45,196</b>
Inventories	6,781	5,858
Trade and other receivables	7,366	8,756
Current tax assets	793	—
Cash and cash equivalents	17,925	22,707
<b>Current assets</b>	<b>32,865</b>	<b>37,321</b>
<b>Total assets</b>	<b>81,883</b>	<b>82,517</b>
<b>EQUITY</b>		
Shareholders' equity	44,617	47,446
Non-controlling interest	13,841	14,744
<b>Total equity</b>	<b>58,458</b>	<b>62,190</b>
<b>LIABILITIES</b>		
Lease liabilities	275	335
Provisions	2,595	2,607
Deferred tax liabilities	10,526	9,586
<b>Non-current liabilities</b>	<b>13,396</b>	<b>12,528</b>
Lease liabilities	146	179
Provisions	221	117
Trade and other payables	9,011	6,693
Contract liabilities	389	194
Current tax liabilities	262	616
<b>Current liabilities</b>	<b>10,029</b>	<b>7,799</b>
<b>Total liabilities</b>	<b>23,425</b>	<b>20,327</b>
<b>Total equity and liabilities</b>	<b>81,883</b>	<b>82,517</b>



## 1. Natural resources

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations.



## 2. Financial capital

Kumba ended 2021 with net cash of R17.5 billion.

Kumba holds deposits of R357 million which are subject to statutory restrictions and therefore are not available for general use.

Included in cash and cash equivalents is an amount of R2,857 million that is restricted and required to cover initial margins under derivative contracts and are held at trading exchanges.

Total debt facilities at year end amounted to R16.2 billion, all of which were undrawn at 31 December 2021.

Kumba's committed debt facilities consist of an R8.0 billion revolving credit facility that matures in 2024, and uncommitted facilities of R8.2 billion at 31 December 2021.

Kumba was not in breach of any of its financial covenants during the year. The covenants are balance sheet-linked and recognise the cyclical nature of our business, offering improved access to the facilities through the cycle.



## 3. Manufactured assets

The group's working capital position remained healthy, ensuring sufficient reserve to cover short-term positions. Net working capital decreased by R3.3 billion from 31 December 2020 to R4.2 billion. This decrease is mainly due to an decrease in trade receivables due to debtors settling their accounts before year end. This was partially offset by higher inventories as finished stock increased to 6.1 Mt (2020: 4.8 Mt).

During the year, the group increased the provision for potentially non-recoverable work-in-progress inventory, and plant spares and stores to R784 million (2020: R650 million) and R312 million (2020: R276 million), respectively. No inventory was written off during the year (2020: R762 million of WIP inventory). The total inventory write-down of R170 million (2020: R902 million) has been recognised in the statement of profit or loss.



## 4. Natural resources

The total rehabilitation and decommissioning provision of the group were R2.7 billion at the end of 2021 (2020: R2.7 billion). The measurement of this provision is a key area where management's judgement is required. The closure provisions are updated at each balance sheet date for changes in future cash flows and the discount rate. The life-of-mine plan on which accounting estimates are based only included Proved and Probable Ore Reserves as disclosed in the ORMR.



## 5. Natural resources

The group has issued financial guarantees in favour of the DMRE in respect of its environmental rehabilitation and decommissioning obligations to the value of R4.1 billion (2021: R3.4 billion).

As a result of the annual revision of closure costs, a shortfall of R293 million arose. Guarantees in respect of the shortfall will be issued in due course.





# Summarised consolidated statement of profit or loss

for the year ended

Rand million	31 December 2021	31 December 2020	
Revenue	102,092	80,104	6
Operating expenses	(42,441)	(39,105)	7
Expected credit losses on financial assets	(143)	(161)	
<b>Operating profit</b>	<b>59,508</b>	40,838	8
Finance income	779	624	9
Finance costs	(285)	(258)	
<b>Profit before taxation</b>	<b>60,002</b>	41,204	
Taxation	(16,345)	(11,363)	10
<b>Profit for the year</b>	<b>43,657</b>	29,841	
<b>Attributable to:</b>			
Owners of Kumba	33,266	22,779	
Non-controlling interests	10,391	7,062	
	43,657	29,841	
<b>Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)</b>			
Basic	103.67	71.03	
Diluted	103.37	70.79	



## 6. Natural resources

The group's total revenue increased by 27%, mainly as a result of the 42% increase in the average realised iron ore export price to US\$161/wmt (2020: US\$113/wmt).



## 7. Manufactured assets

Operating expenditure (excluding royalties and impairment) of R38.4 billion increased with 7%, compared to R35.8 billion in the prior year, mainly due to increased operational costs (R1.3 billion) and higher logistics costs (R1.3 billion).

Selling and distribution costs were R488 million higher due to Transnet tariff increases, higher logistics volumes and increased demurrage. Freight costs of R6.5 billion were R866 million higher on the prior period due to stronger freight rates, offset by 2.9 Mt lower CFR shipping volumes and currency movements.

Sishen's unit cash costs increased by 19% to R432/tonne (2020: R362/tonne) and Kolomela's unit costs increased 7% to R324/tonne (2020: R304/tonne). The increases were driven by inflationary pressures of 9% in key cost items such as diesel, wages and supply chain-related expenses, together with higher mining inflation from longer haulage distances, as well as lower capitalisation of stripping costs. These were partly offset by an increase in production volumes and cost savings achieved. In addition, Sishen incurred higher maintenance costs to improve equipment availability and reliability.



## 8. Manufactured assets and natural resources

Operating profit of R59.5 billion increased by 46% (2020: R40.8 billion), mainly due to the 42% increase in the average realised FOB export iron ore price to US\$161/wmt, partially offset by a stronger Rand of R14.79/US\$ (2020: R16.47/US\$) and higher operating costs due to increased mining activities compared to 2020.



## 9. Financial capital

Finance income relates to interest earned on short-term deposits, finance costs were paid on finance leases and commitment fees.



## 10. Taxation

The group's effective tax rate decreased to 27% (2020: 28%).

## Segmental analysis

	Products <sup>1</sup>		Services			
Rand million	Sishen	Kolomela	Logistics <sup>2</sup>	Shipping operations	Other	Total
For the year ended 31 December 2021						
Total external revenue	67,612	27,511	—	6,969	—	102,092
EBITDA	51,446	21,254	(7,060)	505	(1,587)	64,558
Depreciation	3,327	1,521	8	—	194	5,050
Staff costs	3,141	1,179	37	—	1,263	5,620
For the year ended 31 December 2020						
Total external revenue	51,971	22,553	—	5,580	—	80,104
EBITDA	37,652	16,549	(6,571)	(17)	(1,805)	45,808
Depreciation	3,416	1,376	9	—	169	4,970
Staff costs	3,083	1,147	32	—	744	5,006

<sup>1</sup> Derived from extraction, production and selling of iron ore.

<sup>2</sup> No revenue is reported for this segment as its performance is viewed with reference to volumes railed and rail tariffs.



# Summarised consolidated statement of changes in equity

for the year ended

Rand million	31 December 2021	31 December 2020
<b>Total equity at the beginning of the period</b>	<b>62,190</b>	47,524
<b>Changes in share capital and premium</b>		
Treasury shares issued to employees under employee share incentive schemes	148	88
Purchase of treasury shares <sup>1</sup>	(220)	(201)
<b>Changes in reserves</b>		
Equity-settled share-based payment expense	212	186
Vesting of shares under employee share incentive schemes	(148)	(88)
Total comprehensive income for the year	33,897	22,694
Dividends paid	(36,718)	(11,463)
<b>Changes in non-controlling interest</b>		
Total comprehensive income for the year	10,587	7,036
Dividends paid	(11,490)	(3,586)
<b>Total equity at the end of the year</b>	<b>58,458</b>	62,190
<b>Comprising:</b>		
Share capital and premium (net of treasury shares)	(190)	(118)
Equity-settled share-based payment reserve	323	285
Foreign currency translation reserve	1,789	1,158
Retained earnings	42,695	46,121
<b>Shareholders' equity</b>	<b>44,617</b>	47,446
Non-controlling interest	13,841	14,744
<b>Total equity</b>	<b>58,458</b>	62,190
<b>Dividend (Rand per share)</b>		
Interim	72.70	19.60
Final <sup>2</sup>	30.50	41.30
<b>Total</b>	<b>103.20</b>	60.90

<sup>1</sup> The average price paid for the purchase of shares was R597.70 per share (2020: R438.30).

<sup>2</sup> The final dividend was declared after 31 December 2021 and has not been recognised as a liability in these summarised financial statements. It will be recognised in shareholders' equity in 2022.



## 11. Financial capital

Total shares in issue were 322,085,974 and treasury shares held were 1,202,700 (2020: 1,486,238). All treasury shares are held as conditional awards under the Kumba bonus and retention share plan and the SIOC employee benefit scheme (Karolo).

## Summarised consolidated statement of other comprehensive income

for the year ended

Rand million	31 December 2021	31 December 2020
<b>Profit for the year</b>	<b>43,657</b>	29,841
<b>Other comprehensive income for the year</b>	<b>827</b>	(111)
Exchange differences on translation of foreign operations <sup>1</sup>	827	(111)
<b>Total comprehensive income for the year</b>	<b>44,484</b>	29,730
<b>Attributable to:</b>		
Owners of Kumba	33,897	22,694
Non-controlling interest	10,587	7,036
	<b>44,484</b>	29,730

<sup>1</sup> There is no tax attributable to items included in other comprehensive income and items subsequently reclassified to profit or loss.

The consolidated financial statements from which this extract was derived have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer. The summarised financial statements are prepared in accordance with the requirements of the South African Companies Act, No 71 of 2008 applicable to summary financial statements and minimum requirements of IAS 34 Interim Financial Reporting.

The summarised consolidated financial statements for the year ended 31 December 2021 are derived from the audited consolidated financial statements on which PricewaterhouseCoopers expressed an unmodified opinion. A copy of the auditor's report together with the consolidated financial statements is available for inspection at the Company's registered office.

### Events after the reporting period

Subsequent to 31 December 2021, the group's subsidiaries, Kumba International Trading Limited and Kumba Singapore Pte Limited, concluded short-term working capital financing arrangements with Anglo American Capital plc, to the value of US\$690 million (R10.7 billion) and US\$610 million (R9.4 billion), respectively. SIOC, being the parent company, has extended guarantees to Anglo American Capital plc for amounts drawn under these facilities, up to a maximum of US\$474 million (R7.3 billion) and US\$346 million (R5.3 billion), respectively.



# Summarised consolidated statement of cash flows

for the year ended

Rand million	31 December 2021	31 December 2020
Cash receipts from customers	103,644	74,774
Cash paid to suppliers and employees	(38,674)	(34,435)
<b>Cash generated from operations</b>	<b>64,970</b>	<b>40,339</b>
Finance income received	751	630
Finance expense paid	(175)	(162)
Taxation paid	(16,602)	(10,146)
<b>Cash flows from operating activities</b>	<b>48,944</b>	<b>30,661</b>
Additions to property, plant and equipment	(6,253)	(5,746)
Proceeds from the disposal of property, plant and equipment	44	4
Acquisition of interest in associate	(50)	—
Acquisition of financial asset at fair value through profit or loss	(10)	—
<b>Cash flows utilised in investing activities</b>	<b>(6,269)</b>	<b>(5,742)</b>
Purchase of treasury shares	(220)	(201)
Dividends paid to owners of Kumba	(36,718)	(11,463)
Dividends paid to non-controlling shareholders	(11,490)	(3,586)
Payment of financial lease liabilities	(139)	(149)
<b>Cash flows utilised in financing activities</b>	<b>(48,567)</b>	<b>(15,399)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,892)</b>	<b>9,520</b>
Cash and cash equivalents at beginning of year	22,707	12,865
Foreign currency exchange gains on cash and cash equivalents	1,110	322
<b>Cash and cash equivalents at end of year</b>	<b>17,925</b>	<b>22,707</b>



## 12. Financial capital

The group's cash generated from operations increased 61% to R65.0 billion compared to R40.3 billion in 2020. The cash was used to pay income tax of R16.6 billion (2020: R10.1 billion), mineral royalties of R4.6 billion (2020: R3.0 billion). Dividends to shareholders totalled R48.2 billion (R36.7 billion to owners of Kumba and R11.5 billion to non-controlling shareholders) was paid out.

In 2021 R6.3 billion (2020: R5.7 billion) was spent on capital.



## 13. Financial capital

### Contingent liabilities

As previously reported, during 2018, SARS issued the group with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. The group objected to these assessments after consultation with external tax and legal advisers. SARS disallowed the objection.

On 21 February 2019, the group submitted an appeal against this outcome which was referred to alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter. The ADR proceedings were terminated on 20 February 2020, after which the group submitted a notice to SARS wherein the group confirmed that it wishes to proceed with the appeal to the Tax Court. On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which the group filed its statement of grounds of appeal on 21 October 2020. The pleadings in this matter are now closed and the trial date has been set for May 2022.

On 14 September 2020, SARS informed the group it intends to audit the 2015 to 2018 years of assessments (audit). As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter. The result of the appeal is likely to be determinative of a substantial number, if not all, of the issues to be traversed in the audit. SARS has therefore agreed to hold the audit in abeyance pending the outcome of the appeal to the Tax Court.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2021.

## Headline earnings

for the year ended

Rand million	31 December 2021	31 December 2020
<b>Reconciliation of headline earnings</b>		
Profit attributable to owners of Kumba	33,266	22,779
Net (profit)/ loss on disposal and scrapping of property, plant and equipment	(10)	19
	33,256	22,798
Taxation effect of adjustments	3	(5)
Non-controlling interest in adjustments	1	(3)
<b>Headline earnings</b>	<b>33,260</b>	<b>22,790</b>
<b>Headline earnings (Rand per share)</b>		
Basic	103.65	71.07
Diluted	103.35	70.83



# Operational performance

## Sishen

Challenging year, with excessive rain but good recovery in the second half of the year

### About Sishen

Sishen is our largest operation, producing around 68% of our annual iron ore production. Located close to the town of Kathu in the Northern Cape province, the mine has been in operation since 1953 and is a large open-pit mine. All our mined ore is transported to the beneficiation plant where it is crushed, screened and beneficiated. We are the only haematite ore producer in the world to fully beneficiate its product, made possible through our DMS and jig technology. At year end, the mine had 4,235 permanent full-time employees and 3,199 full-time contractors.

### Outlook

- Life-of-mine stripping ratio of ~3.8 over the life-of-mine (without UHDMS), to exceed 4.5 in 2022
- Life-of-mine stripping ratio of ~3.1 over life-of-mine including Sishen C-grade ore (with UHDMS), to exceed 3.7 in the medium term post UHDMS implementation in 2024
- Waste performance anticipated to remain ~155 Mt to 175 Mt in 2022
- Expected production for 2022 is ~27 Mt
- The feasibility study of the UHDMS project was approved in Q1 of 2021, contributing a further 135.3 Mt low-grade Ore Reserves to the Sishen portfolio, as a result the reserve life increased to 18 years (from 15 years in 2020)
- Unit costs expected to be between R490 and R520/tonne for 2022

### Sishen performance summary

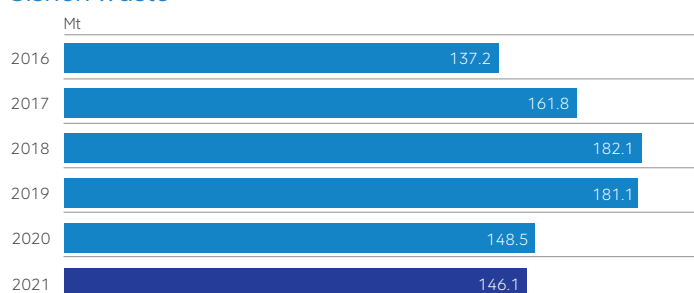
Our FutureSmart™ mining programme pairs technology and digitalisation to improve the safety of our workforce, support the step-up in productivity levels to ensure operational excellence and deliver our environmental and other sustainability goals. Over the Tswelelopele period, we implemented autonomous braking on our haul truck fleets. Mining fleet enhancements have led to a 16% increase in truck utilisation, improved payload performance by 4% and increased shovel volumes by 40%. In the past four years, through optimisation of our load-out station at Sishen, we have increased rail capacity by 400,000 tonnes per year, by increasing the average tonnage per wagon. On the plant side, our advanced process control technology has increased the yield at Sishen's Jig plant by 4%.

The extension of Sishen's life-of-mine to 2040 is on track and being driven by operational efficiency, smart mine design, slope optimisation and UHDMS technology. Over the Tswelelopele period, Ore Reserves have increased by 323 Mt (before depletion) with the majority of the increase attributable to Sishen where the life-of-mine is now 2039 (versus 2032 base case in 2017).

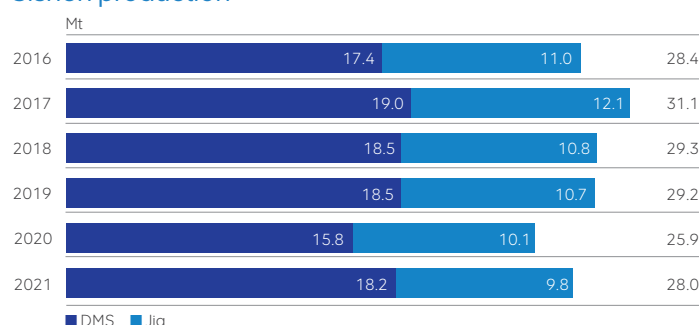
Through UHDMS, we are investing in the next phase of our product development to increase our product premium offering from 18% to 50% of the total volumes produced. The enhanced quality supports our customers that are working to reduce emissions. Given that we will be lowering the cut-off grade, and converting waste to ore, we are reducing our overall footprint, further contributing towards a healthier environment. From a social value perspective, extending Sishen's life-of-mine, will benefit all our stakeholders. With the design and procurement activities underway, on-site activities began in January 2022, and commissioning is on track for the second half of 2023.

- ✓ Production of 28.0 Mt, an increase of 9% compared to 2020 levels, due to the impact of Covid-19 in 2020 and increased plant availability and reliability
- ✓ R114.0 million investment in social and community projects, up from R77.6 million in 2020
- ✓ ISO 14001, ISO 9001, OHSAS 18001 certified
- ✓ A decrease in LTIs of 64% compared to 2020, with zero fatalities (2020: zero)
- ✗ Decrease in product quality from 64.7% Fe in 2020 to 63.2% Fe in 2021
- ✗ Waste removal of 146.1 Mt, down 2.4 Mt compared to 2020, due to weather delays but improving in the second half of the year
- ✗ Unit costs of R432/tonne: R70/tonne higher than 2020, driven by inflationary pressures of 9% in key cost items, coupled with higher mining inflation from longer haul distances, lower capitalisation of deferred stripping and higher maintenance costs, partially offset by higher production volumes and cost savings

### Sishen waste



### Sishen production\*



\* Production for 2021 and 2020 reflected in wmt, with a moisture factor of 1.6%, historic production reflected in dmt.



## Kolomela

### Pleasing ramp up in waste production at Kapstevl South in line with the approved project

#### About Kolomela

Kolomela commenced production in 2011. Situated near the town of Postmasburg in the Northern Cape province, the mine produces Lump ore with excellent physical strength that allows us to meet a niche market demand. The mine produces above the name-plate capacity of 9 Mtpa and with improved efficiencies will deliver ~14 Mtpa over its reserve life. Kolomela was the first mine to successfully introduce automated drilling technology in South Africa. At year end, the mine had 1,448 permanent full-time employees and 1,287 full-time contractors.

#### Outlook

- Waste mining is expected to be in the range of ~55 to 65 Mt in 2022
- Stripping ratio to exceed 4 in 2022, with life-of-mine stripping ratio of ~3.6
- Reserve life of 13 years, due to annual production
- Expected production for 2022 is ~ 13 Mt
- Unit costs expected to be between R350 and R370/tonne for 2022
- Study in 2022 to evaluate converting 59.1 Mt Measured and Indicated Mineral Resources of the Ploegfontein deposit to Ore Reserves

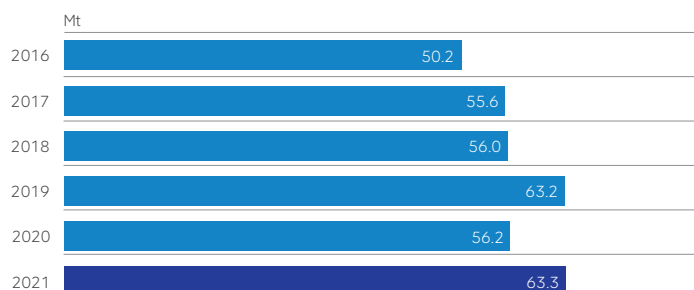
#### Kolomela performance summary

Over the Tswelelopele period, we implemented autonomous braking on our haul truck fleets and our autonomous drilling fleet at Kolomela has improved drilling efficiency, lowered associated costs and reduced the risk of exposure for our operators. In pursuit of operational excellence, we continue to drive efficiencies across the value chain, with the focus on spares management, optimisation of mine plans, improvement of truck payload and implementation of FutureSmart™ technologies.

Developed the Kapstevl South mine, with waste mined of 20.6 Mt in 2021. Construction on the workshops and infrastructure is in progress. Furthermore, Kolomela's Reserve life has increased from 2031 to 2034 with a clear pathway to 2040 through the development of the Ploegfontein and Heuningkranz deposits.

- ✓ Number of LTIs remained consistent, compared to 2020, with zero fatalities (2020: zero)
- ✓ R77.8 million investment in social and community projects, up from R58.2 million in 2020
- ✓ ISO 14001, ISO 9001 certified; OHSAS 18001 compliant
- ✓ Slight increase in product quality to 64.7% Fe in 2021 compared to 64.5% Fe in 2020
- ✓ Waste volumes of 63.3 Mt, 7.1 Mt above 2020 levels, due to ramp-up at Kapstevl South
- ✓ Production of 12.8 Mt, an 8% increase from 2020, reflects the impact of Covid-19 in 2020
- ✗ Unit costs of R324/tonne were R20/tonne higher than 2020, driven by inflationary pressures of 9% in key cost items, coupled with higher mining inflation from longer haul distances, lower capitalisation of deferred stripping and higher maintenance costs, partially offset by higher production volumes and cost savings

#### Kolomela waste



#### Kolomela production\*



\* Production for 2021 and 2020 reflected in wmt, with a moisture factor of 1.6%, historic production reflected in dmt.

- ✓ Positive outcome
- ✗ Neutral outcome
- ✗ Negative outcome





# Operational performance continued

## Saldanha Bay rail and port

### Debottlenecking logistics remains key priority

#### About Saldanha Bay rail and port

Located in Saldanha Bay in the Western Cape province, the Saldanha Bay port is owned and operated by Transnet, a state-owned entity. The port is connected to Sishen and Kolomela by Transnet's Sishen/Kolomela-Saldanha IOEC railway line. Iron ore is exported from the port to markets in the Asia-Pacific, Europe and the Middle East and North Africa.

Continued focus on improved blending strategies, striving to further improve the quality consistency of our products. Closely monitoring performance delivery through a joint executive steering committee with Transnet.

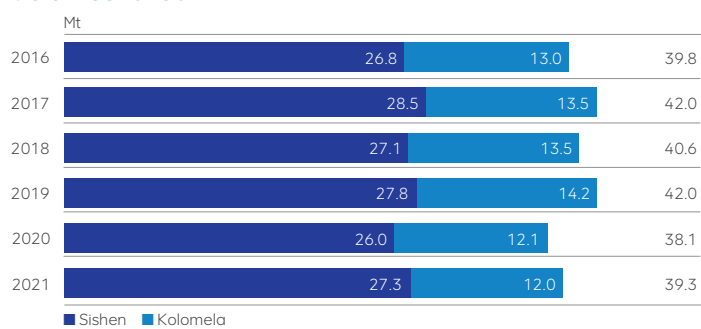
#### Outlook

- Total sales are expected to be between 39 Mt and 41 Mt in 2022, to ensure that we maintain a balanced value chain
- Apart from a constructive demand outlook in China, we are focused on developing markets outside of China. Demand for our high-quality product will continue to grow as steel producers move to more efficient production systems
- Kumba continues to collaborate with Transnet to improve the operational efficiency and ensure that rail and port capacity is optimised – the three-year major equipment refurbishment programme at Saldanha port is expected to be completed in 2022

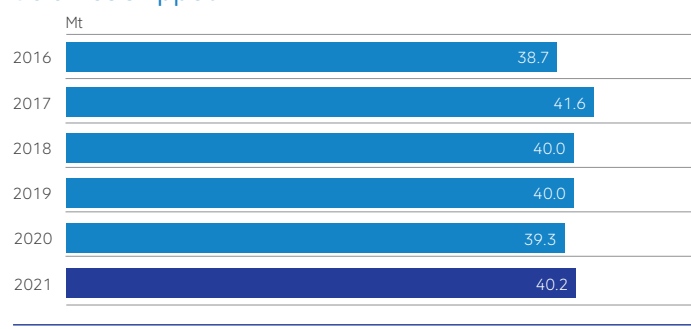
#### Saldanha Bay and port performance summary

- ✓ Following increased engagements between industry and Transnet to address infrastructure maintenance and capacity, improvements were seen in equipment reliability and shipping throughput, resulting in export sales increasing by 6.2% in the second half
- ✓ 39.3 Mt railed to Saldanha Bay port, an increase of 1.2 Mt on 2020
- ✓ 40.2 Mt shipped from Saldanha port, an increase of 0.2 Mt compared to 2020
- ✗ Export sales of 40.2 Mt, a decrease of 0.2 Mt from 2020 due to logistics constraints
- ✗ Higher finished product stock of 6.1 Mt at the end of 2021 compared to 4.8 Mt in 2020

#### Volumes railed\*

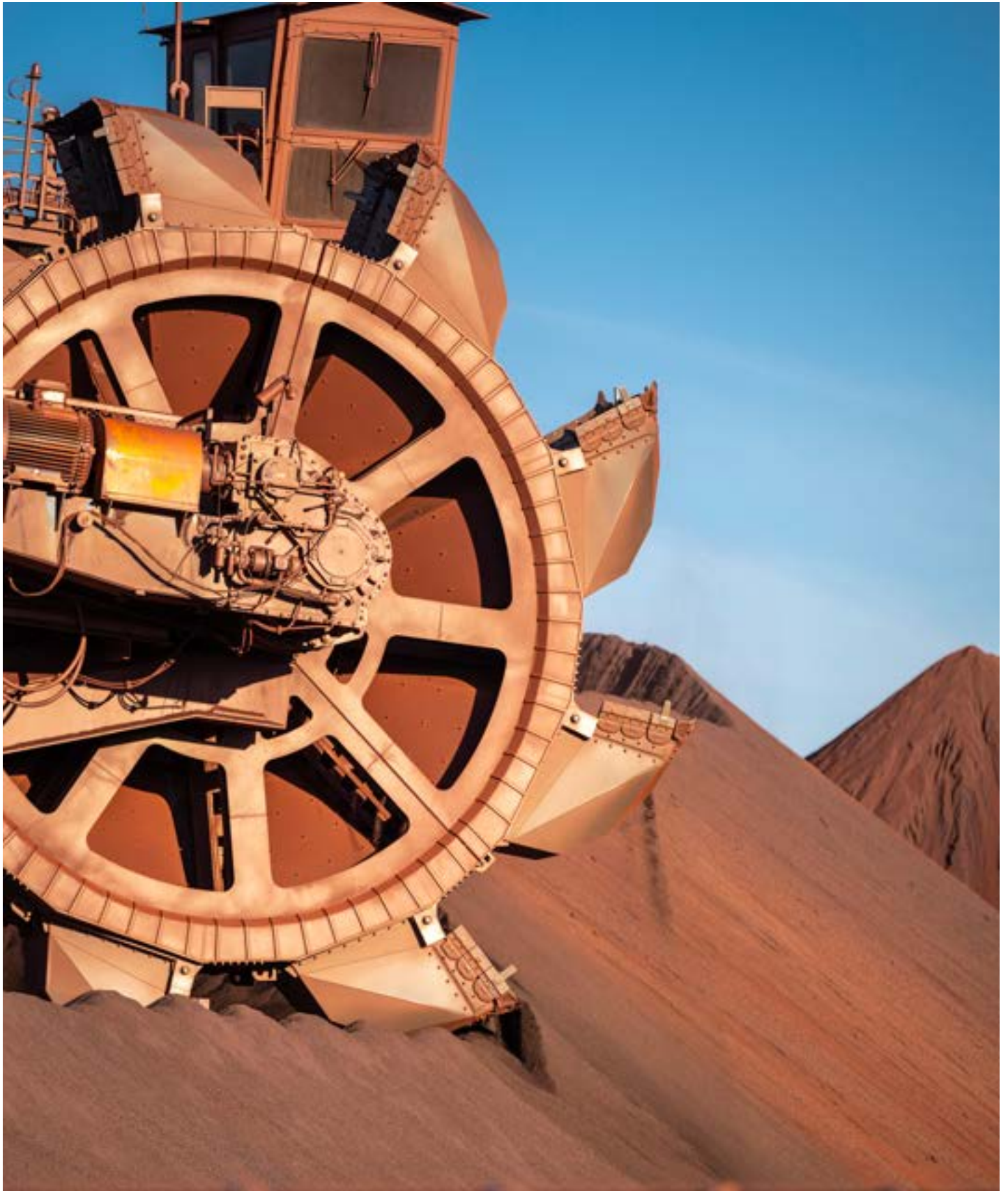


#### Volumes shipped\*



\* Volumes railed and shipped for 2021 and 2020 reflected in wmt, with a moisture factor of 1.6%, historic volumes reflected in dmt.

- ✓ Positive outcome
- ✗ Neutral outcome
- ✗ Negative outcome



*In the Kolomela stacker reclaimer section, ore is stored and blended here.*



# Remuneration report

## Letter from the Chairperson of the Human Resource and Remuneration Committee (Remco)



**Ntombi Langa-Royds**

Chairperson of the Human Resources and Remuneration Committee

Effective delivery of Kumba's long-term growth strategy depends ultimately on the quality of its people and the strength of its leadership team. Our role as the Human Resources and Remuneration Committee (Remco) is to ensure that the Company has the right remuneration and incentive policies and practices in place so that Kumba continues to attract, motivate, and retain the best people. In addition to directly influencing Kumba's ability for long-term value creation, a company's remuneration practices are also of particular interest to many of its stakeholders.

### Delivering our responsibilities as Remco

One of Kumba's strategic objectives, as part of its 2017 Tswelelopele strategy, is to be the employer of choice in the South African mining sector. As members of Remco, it is our responsibility to assist Kumba to deliver on this objective by ensuring that we have appropriate remuneration and reward practices in place, particularly at the executive level. As Remco, we seek to ensure that Kumba provides competitive remuneration that is seen as fair and appropriate in the context of general market conditions and overall employee remuneration, and that provides the right incentives to ensure delivery of the Company's strategic objectives over the short, medium and long term.

Each year, the performance of the Kumba executive team, and overall workforce, is assessed collectively against the Kumba business unit scorecard, as agreed with Anglo American and sanctioned by this Remco. Members of the executive team are mutually responsible for delivering on the scorecard's operational and strategic objectives, and ultimately are held accountable by the Chief Executive and the Board for their individual contribution to achieving the team goals. The Chief Executive is measured against their personal scorecard, which is aligned with the Kumba scorecard. Remco is also responsible for reviewing the

Company's remuneration disclosure in Kumba's annual integrated report to ensure that it is accessible, accurate and complete, and that it is aligned with best practice governance requirements. Through this disclosure, we strive to provide sufficient forward looking information for shareholders to assess the remuneration policy and to approve a resolution in terms of section 66(9) of the Companies Act, 2008.

### Fiduciary duty

Remuneration consultants are engaged by, and report directly to the Human Resources and Remuneration Committee and must be independent from Kumba Iron Ore and Anglo American management. Consultation fees are contractually agreed.

Bowmans is appointed as the external, independent Remuneration Advisor to the Human Resources and Remuneration Committee and their inputs into the Remuneration Policy and its implementation have been independent and objective.

The Human Resources and Remuneration Committee trust this remuneration report provides an accurate overview of the company-wide remuneration policy and its implementation for 2021 and believes that the Policy has met its objectives.



## Key decisions and activities for 2021, incorporating a 2022 future focus

Looking back on Remco's activities during 2021, there are four developments that I wish to highlight, the first two having a strong future focus towards 2022:

- We have reviewed and extended Kumba's broad-based ESOP scheme, Karolo, and are planning shortly to launch a new hybrid ESOP scheme. Under Karolo, more than 5,500 qualifying employees were awarded R20,000 worth of free Kumba shares on an annual basis for three years from 2018, with a three-year vesting period for each award and with awards escalating annually with consumer price index (CPI). Pending the approval and implementation of a new ESOP scheme for employees, shareholders agreed at the AGM in May 2021 to extend Karolo for two more years, while keeping the optionality of extending the scheme for an additional third year if needed. At the same time, the Company is finalising the design and obtaining approvals for a hybrid ESOP scheme structure, comprising an Evergreen component and a vesting component similar to Karolo. If the new scheme is approved and implemented as envisaged, it will be integrated with the extended Karolo scheme for the 2022 overlapping award cycle.
- We have finalised the development of a new employee housing policy that seeks to promote homeownership near the workplace and that implements the necessary measures to ensure decent accommodation for employees. The new policy places greater emphasis on homeownership over rental options, provides for recent regulatory and policy developments, and is fully aligned with the Housing and Living Conditions Standard for the South African Mining and Minerals Industry, as well as with Kumba's long-term sustainability objectives. The Company will be phasing-in the transformed housing policy from January 2022.

- This year we agreed to extend the discretionary short-term critical skills and circumstantial allowance that was introduced in 2020 in recognition of the increased workload on our occupational health personnel and to retain these essential health skills during the pandemic. Initially applicable as a limited duration allowance for 12 months, we agreed this year to extend this for a further six months.
- Following a comprehensive market peer group analysis undertaken by Bowmans, the Committee approved a market adjustment for total remuneration for the Chief Financial Officer and the Head of Operations, with effect from the January 2021 salary adjustment cycle. The market adjustment seeks to ensure better alignment in their total remuneration packages to the median of their respective market peers.

## Appreciation

I would like to thank my colleagues on Remco for their support in ensuring that the Committee delivers on its mandate. On behalf of Remco, I extend our collective thanks to the executive team for their work during this challenging year, with a special word of thanks to outgoing Chief Executive Themba Mkhwanazi. We are delighted to welcome Nompumelelo "Mpumi" Zikalala as the succeeding Chief Executive with effect from 1 January 2022, bringing over 20 years of valuable mining experience. Finally, I would like to acknowledge Kumba's shareholders and proxies who continue to provide valuable insights on our remuneration activities; I encourage you all to please give us any further feedback on the Company's remuneration practices.

## Ntombi Langa-Royds

Chairperson of the Human Resources and Remuneration Committee

16 March 2022





# Remuneration report continued

## Section one: Key remuneration developments and activities

The following are some of the key developments and activities of Remco during 2021.

### Changes to the membership of Remco

The following membership changes to the Human Resources and Remuneration Committee (Remco) of the Board occurred during 2021, being:

- Mrs. Michelle Jenkins was appointed as a member of the Human Resources and Remuneration Committee with effect from 23 July 2021
- Mr. Seamus French stepped down as a member with effect from 31 December 2021

→ For all key decisions made by the Committee, please refer to pages 47 and 48 of the governance section.

### Key activities during 2021

- Progress of Karolo, a broad-based ESOP scheme: Kumba's Envision phase II ESOP was unwound in November 2016 and the replacement scheme, branded as Karolo (meaning "Part of"), was communicated to employees during mid-2018. Under Karolo, some 5,500 qualifying employees ("participants") were awarded R20,000 worth of free Kumba shares (awards escalated annually with CPI) on an annual basis for three years, with a three-year vesting period for each award. Karolo's first award to participants was made in August 2018 (which award has vested in August 2021) and Karolo's last award was made in August 2020 (which award will vest in August 2023). Under Karolo, participants also received dividends over the restricted, vesting period of their awards. The third and last tranche award was made on 3 August 2020 under the original Karolo scheme. Pending the design, approval and implementation of a new ESOP scheme for employees, a shareholder resolution was tabled and approved at the Company's AGM of 14 May 2021 to extend Karolo in its current form for two more years, while keeping the optionality of extending the scheme for an additional third year, if required. A firm commitment will thus be in place for the first new award to take place in August 2021 (which award will vest in August 2024) and for the second award to take place in August 2022 (which award will vest in August 2025), while an option will exist for Kumba to make the third award in August 2023 (which award will vest in August 2026), if the circumstances require it. This approach allows for Kumba to address its employee incentivisation needs for the next three years (in the case that it exercises its option to extend the scheme for a third year), but also allows for Kumba to shorten the ESOP's coverage with a full year in the case that a new ESOP scheme is approved and implemented by May 2022, as envisaged by the Company. Management is in the process of finalising the design and obtaining the relevant approvals for a new, hybrid ESOP scheme structure, comprising an evergreen component and a vesting component similar to Karolo. The new ESOP scheme will be integrated with the extended Karolo scheme for the 2022 overlapping award cycle, should the new scheme be approved and implemented as envisaged. A significant, concurrent milestone with the 2018 first Karolo award vesting on 31 August 2021, was that employees were able to exercise their relevant vesting option via a fully electronic workflow on any supporting mobile device at their own leisure, without the necessity of HR transactional hubs and the associated unproductive time. Kumba utilised its cloud-based, electronic share administration platform service

provider, ShareForce, which has been seamlessly integrated with an Anglo American mobile application platform called Engage for the purpose of administering both the 2021 award grants and the 2018 first award vesting. Aligned to the Company's Tswelelopele programme of working smarter and pursuing digitisation, qualifying employees were encouraged to review and exercise their 2018 award vesting options through Engage. Qualifying employees also had the option to reject the 2021 award, which would otherwise be a deemed acceptance, as per the extended scheme rules. A comprehensive awareness campaign driven by the HR function and supported by the unions, ensured that beneficiaries were able to exercise their relevant share award and vesting options on the mobile platform, within the prescribed 30-day period. The third AGM for Karolo was conducted on 18 June 2021, virtually, via the Microsoft Teams platform.

- Kumba embarked on the consultation and drafting of a transformed employee housing policy during 2019 that focuses on the promotion of homeownership and the required controls to ensure decent accommodation for employees, in line with:
  - Kumba's commitment to being a good corporate citizen, and in support of the Company's evolving employee value proposition (EVP)
  - Employee aspirations – informed by an employee housing survey that was conducted in 2019
  - Company requirements
  - Compliance with the Housing and Living Conditions Standard of 2019.

The intention of the new policy considers a changing legal landscape where more emphasis is placed on homeownership as opposed to just providing rental options, our employees housing aspirations, and Kumba's long-term sustainability objectives. The transformed housing policy was tabled, reviewed and approved by the Remco and the Board for implementation during 2021. Kumba is phasing-in the transformed housing policy as of January 2022. The policy aims to support eligible employees to access safe, decent, and affordable rental accommodation at work, as well as to support employees becoming homeowners at work or elsewhere, within a predefined radius from their place of work. The key objectives of the policy are to:

- Promote a decent standard of accommodation at work for employees
- Facilitate homeownership generally, but particularly near our operations





- Regulate housing benefit options offered to employees
- To be aligned with the Housing and Living Conditions Standard for the South African Mining and Minerals Industry, 2019. The standard sets out principles for mine employee living conditions, as follows: Sufficient, suitable and adequate mine employee living conditions are crucial components linked to productivity of mine employees and must be provided for in an affordable, equitable and sustainable manner by the mining right holder

Kumba recognises that its success is linked to the safety, performance, commitment and wellbeing of its employees and believes that this is impacted by their living conditions, as well as their level of satisfaction with these conditions. Whether an employee takes up Company-provided rental accommodation, or the homeownership options which are being made available, the following minimum specifications support a decent standard of accommodation:

- The accommodation should be fit for habitable use so that occupants enjoy privacy in a secure and safe environment
- The accommodation should be larger than 50 square metres
- The accommodation should be a permanent structure and have walls that are brick built or similar, a roof from conventional roofing materials (tile, iron or thatch) and concrete floor slabs
- The accommodation should have on-site access to water, sanitation and electricity services within the limitations of the levels of reticulation available in the area where the employee wishes to rent or invest
- It should not pose a risk to the health, safety or physical wellbeing of its occupants, its neighbours and visitors
- Extension of the Covid-19 short-term critical skills and circumstantial allowance: As a result of the Covid-19 pandemic and the resultant additional pressure on the national medical healthcare infrastructure, a discretionary short-term critical skills and circumstantial allowance was approved in 2020. In recognition of the increased workload on our occupational health personnel and to retain these essential skills during the high skills demand period introduced by the Covid-19 pandemic in 2020, this limited duration allowance applicable for 12 months was calculated as a percentage of the cost to company (CTC) of the occupational health personnel and paid monthly. The duration may be reviewed at management discretion as appropriate. The payment of the allowance was extended for a period of six months during 2021 from March to August 2021 as to accommodate for the emergence of a renewed wave of Covid infections, originating then from Delta variant of the virus. The payment of the discretionary allowance has been discontinued as of September 2021
- A market adjustment for the Chief Financial Officer and the Head of Operations was approved by the Remco effective with the 1 January 2021 salary adjustment cycle for the Kumba non-bargaining employees. A detailed, total remuneration market peer group analysis has been performed by an external, third-party remuneration advisory service provider to HR and Remco, during November of 2020 to advise the proposed 2021 salary adjustments for the Kumba executive directors, prescribed officers and Company Secretary. The total

remuneration market peer group review median compa-ratio distribution indicated that the total remuneration for the Chief Financial Officer and the Head of Operations is lagging the market median. The CTC (base salary plus employer retirement fund contribution) market adjustment applied, over and above the 2021 general 3.5% inflation adjustment for the non-bargaining category employees, were 5% for the Chief Financial Officer and 2.5% for the Head of Operations respectively. The market adjustment has been aimed at better aligning their total remuneration packages to the median of their respective market peers and in maintaining market competitive packages for our executive directors and prescribed officers. The Chief Financial Officer's remuneration was significantly behind the market during the 2018 peer group benchmarking exercise, but a staggered CTC adjustment during 2018 and 2019, combined with the 2021 market adjustment as mandated by Remco, has brought his total guaranteed pay (TGP) in line with the market and his total remuneration within the targeted market tolerance range. Remco has mandated a total remuneration mix review for the Chief Financial Officer for 2022, specifically with regards to the variable pay components of his package to maintain a competitive alignment to his market peers, without exceeding the market norms pertaining to the TGP component on his total remuneration mix

- Executive leadership changes in 2021 comprised of the former Chief Executive, Themba Mkhwanazi, being appointed as the Chief Executive of the Bulk Commodities business unit within the Anglo American group and Nompumelelo "Mpumi" Zikalala being appointed as the succeeding Chief Executive of Kumba. Both appointments were effective as of 1 January 2022. Mpumi has joined the Kumba Board as an executive director and brings over 20 years of mining experience, having started her career as a Chemical Engineering bursar at Anglo American and having held several senior operational and commercial roles at De Beers. A detailed, total remuneration market review with the assistance of an external, third-party remuneration advisory service provider preceded the appointment of the succeeding Chief Executive. HR and Remco mandated the total remuneration package for the Chief Executive targeted at the median of the market. The mandated approach would avoid the need for future above-inflationary salary increases and would also recognise the significance of her role as the first black woman Chief Executive of the Company
- Senior leadership changes during 2021 were the retirement of the Head of Safety, Health and Environment, Philip Fourie on 31 March 2021, succeeded by Nandi Sibanyoni who was appointed as the Head of Safety, Health and Environment on 1 May 2021. The Head of Human Resources, Virginia Tyobeka, has transferred within the Anglo American group of Companies to Anglo Platinum Limited as Executive Head of Human Resources on 1 August 2021
- The SmartSupport and SmartCore business optimisation restructuring process was successfully and amicably concluded by means of a combination of voluntary early retirement- and voluntary severance packages as well as the redeployment of affected employees to alternative positions and no forced section 189 retrenchments were necessitated



# Remuneration report continued

- Remco training, for new and existing Committee members was conducted in November 2021, to keep abreast of the latest remuneration market practices, developments, emerging trends and related legislative developments such as the Department of Trade, Industry and Competition's Notice 586 of 2021, Companies Amendment Bill, 2021, an invitation for public comment.

## The Human Resources and Remuneration Committee of the Board (Remco)

### Role of Remco and terms of reference

Remco guides the Board by ensuring that Kumba's remuneration and employee benefits-related decisions and policies are aligned to its overall goals, while remaining fair and equitable both to employees and shareholders. The Committee's interests and activities are geared towards developing, maintaining and progressing a strong, competitive human resources environment. The Remco terms of references can be accessed on Kumba's website:

→ <https://www.angloamericankumba.com/investors/corporate-governance>

→ For details on the membership of Remco and attendance of meetings refer to page 48 of the Governance section.

### Remuneration philosophy

Our reward philosophy is based on competitive, fair and transparent remuneration for our employees, and formulated to attract, retain, motivate and reward high-calibre, talented and productive employees. Remuneration components are designed to reward excellent, collaborative team and individual performance, while aligning with our values and strategic objectives and allowing employees to share in the performance and success of the business.

Guaranteed remuneration is aligned to the market median in respect of fixed pay, with variable performance-related pay, both short and long term, included in the total remuneration offering to ensure market competitiveness, with key and critical skills remunerated at the higher end of median scales. Ensuring fair, equitable and consistent application of our remuneration principles and policies, guided by the King IV principles relating to fair and responsible remuneration, is our top priority.

- Remco is firmly committed to its overarching responsibility of ensuring that the principles of accountability, transparency, sustainability and good governance are enacted in all remuneration-related matters. This includes the critical link between executive remuneration and performance against set strategic objectives, with the aim of creating executive engagement and shareholder value.

In the event that the remuneration policy or implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders in the non-binding advisory vote, the Board will delegate representatives to actively engage with dissenting shareholders to address and collate the substantive objections and concerns, and to adapt the policy and/or report as appropriate, taking cognisance of the shareholder feedback and proposals resulting from the engagement and as approved by the Board.

### Fair and responsible remuneration

The main principles and practices that drive our commitment to fair and responsible remuneration are:

- adhering to legislative requirements and prescriptions relevant to remuneration and benefits
- undertaking an annual, external market benchmark of our remuneration package competitiveness across grading and job function/category
- reviewing and adjusting accordingly any salary anomalies lying below the comparable market median within a predetermined threshold
- applying structured policies on appointment and salary movement (promotions, demotions and lateral moves), while linking salaries to functional peer group medians to address equal pay for equal work and any income disparities based on gender, race or other demographics
- ensuring that all permanent and fixed-term employees in the Company are eligible to participate in a STI scheme, as appropriate
- designing and executing HR strategic initiatives to enhance the overall employee work experience and improve the EVP offering to our employees
- driving for continuous improvement and future proofing of our underlying employee engagement process and systems interfaces toward digitisation and mobile platforms, enabling higher efficiency and effectiveness in employee service delivery and towards the Company's Tswelelopele programme strategic drive of becoming the employer of choice
- staying abreast of the latest market trends and offerings pertaining to remuneration and the remuneration mix of benefits as to ensure that we remain relevant and competitive in our reward offering

### Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers.



## Remuneration framework

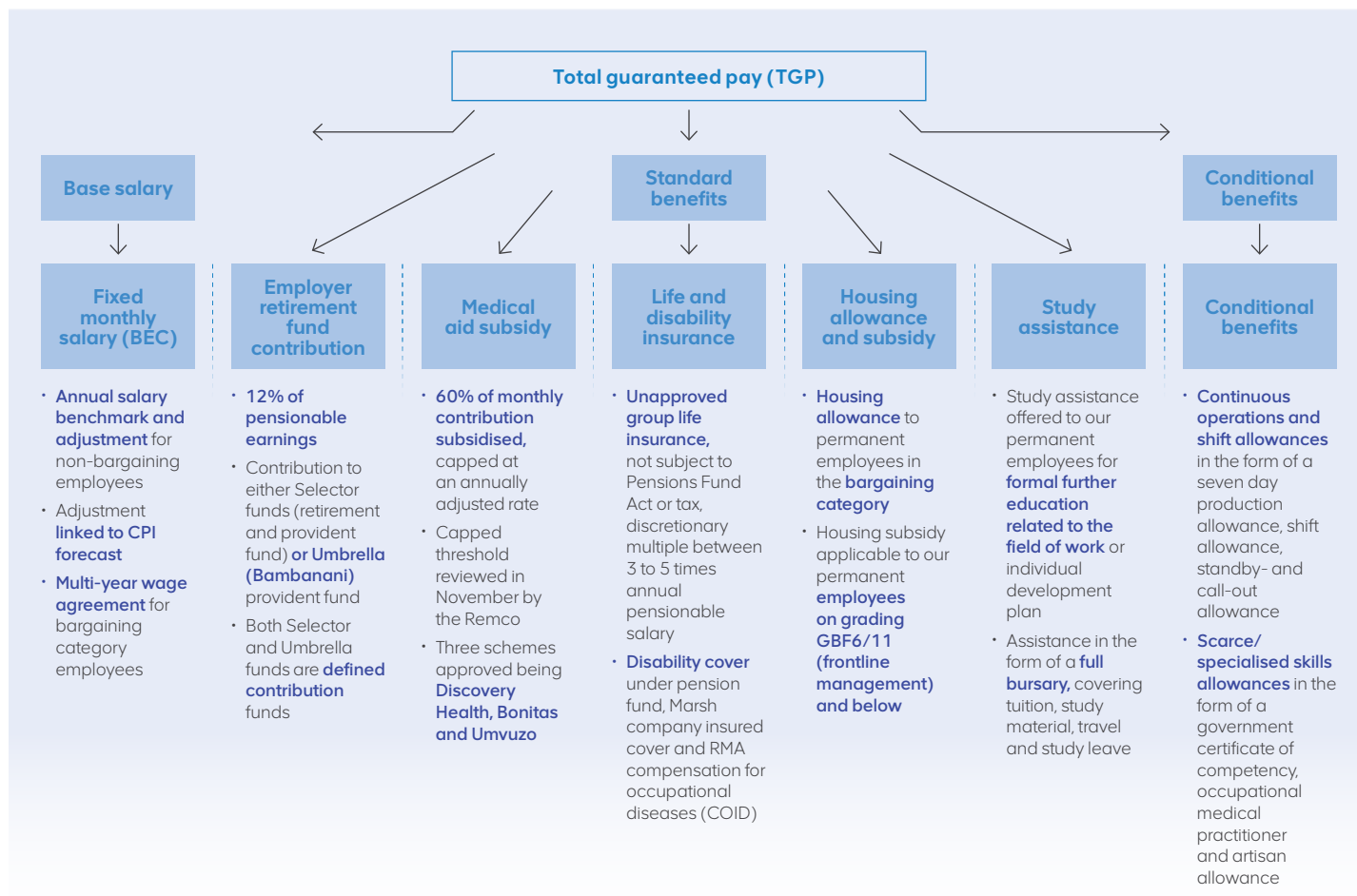


Diagram A – TGP elements

The strategic purpose of TGP is:

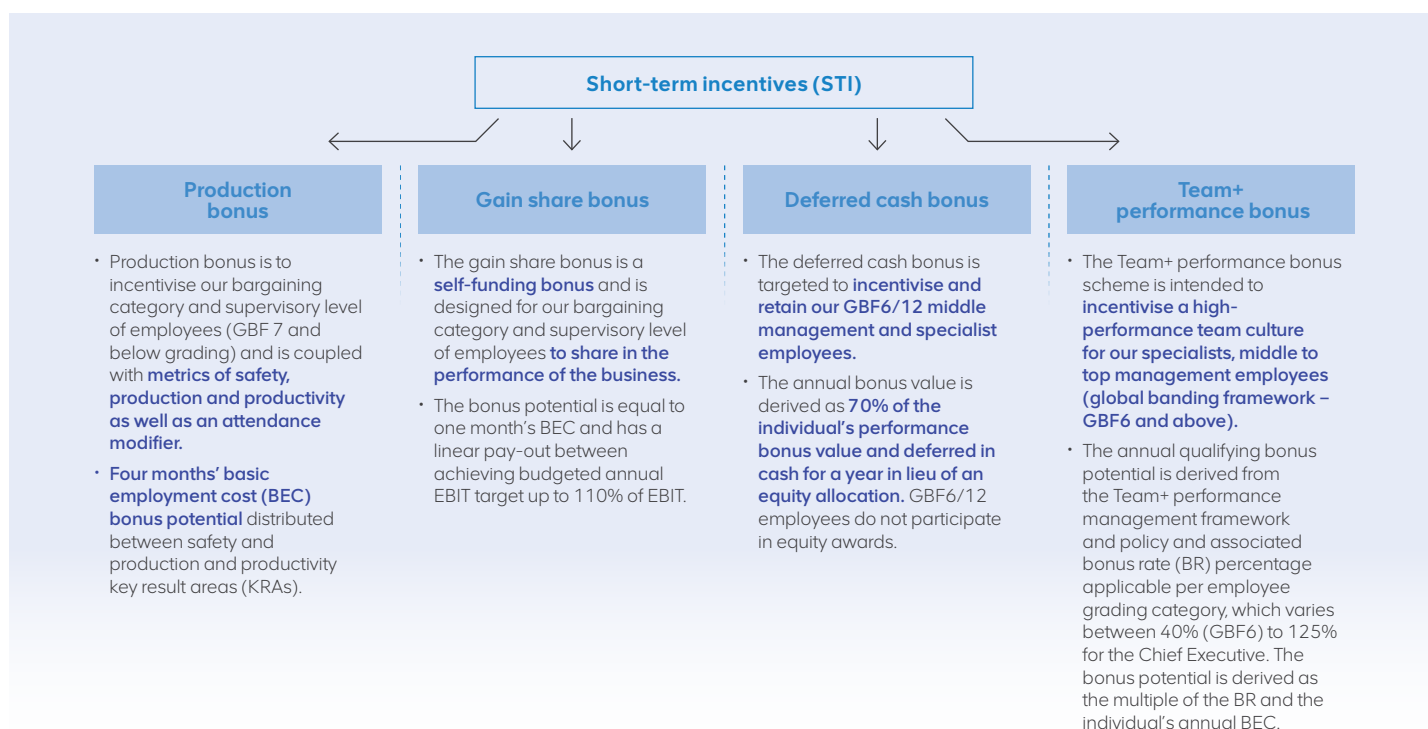
- to attract, motivate and retain high-calibre, talented and productive employees in a competitive market and to recognise their skills, experience and contribution to the Company's values
- ensuring that our pay is competitive in the industry and market-related
- being able to comply with legislative provisions and negotiated contractual commitments

- reinforcing and enhancing the principle that employees are the key stakeholders of our company
- ensuring an appropriate and flexible benefit mix (retirement fund, medical aid, group life etc.) to serve best our employees' dynamic lifestyle and life stages needs

The eligibility for conditional benefits are dependent on rarity of skill, job-specific roles and responsibilities and legislative requirements



# Remuneration report continued



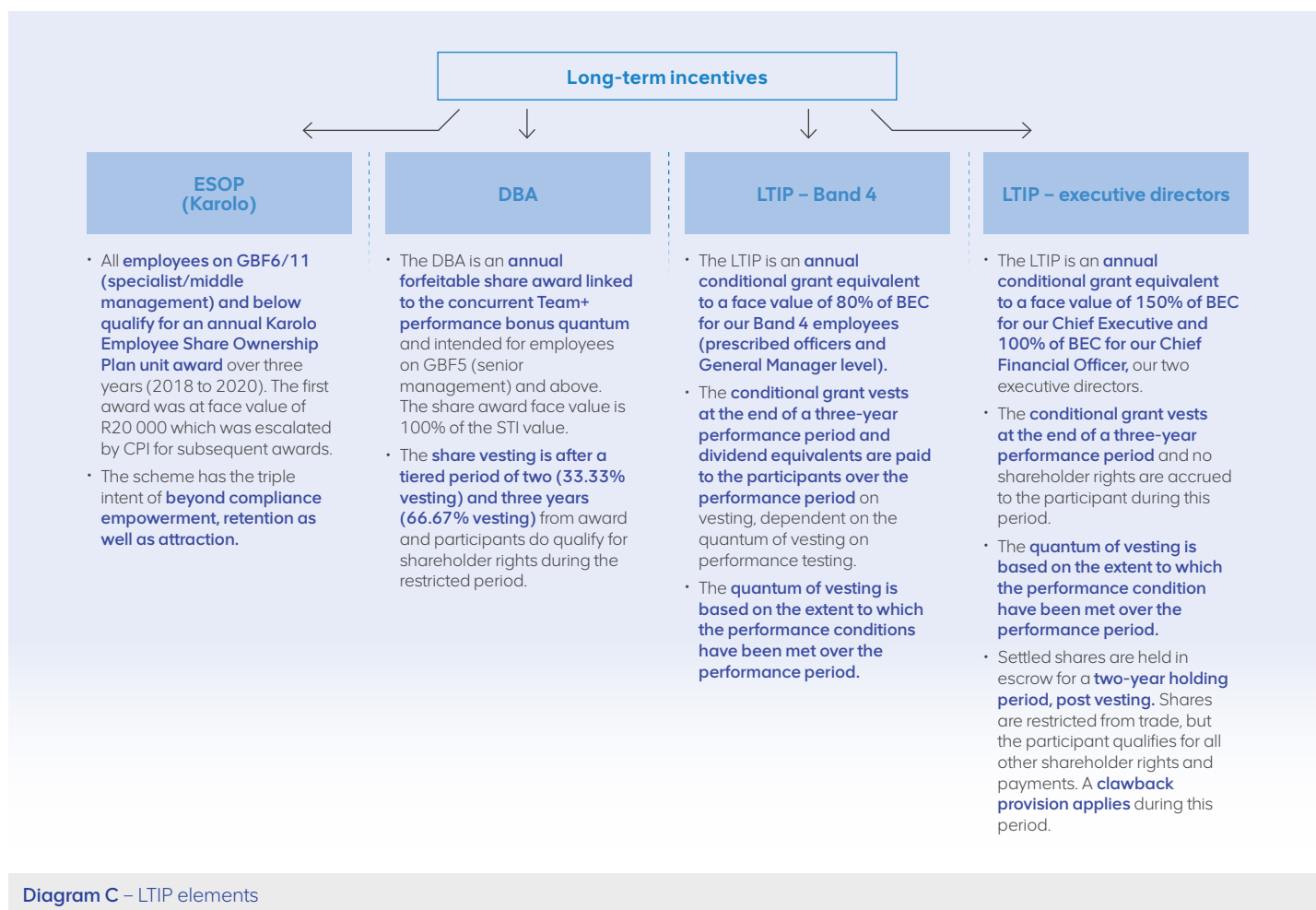
**Diagram B – STI elements**

The STI rewards employees, who as contributing members of teams, meet or exceed the committed annual performance targets and is aimed to align the achievement of financial, operational, safety, health, environmental, productivity, overall equipment effectiveness (OEE) and company strategic objectives at a corporate and operational or site level. The level and depth of metrics are based on the applicable STI scheme

and the associated grading and sphere of control of the participating employees. The achievement of stretch targets at a company, business unit, functional and team level are also encouraged by this incentivisation while allowing our employees to participate in the gains attributed to strong or exceptional Company performance during the financial year.



Brumilda Catherine Kasper, and SHE training officer Nosipho Michell Besnaar, in the newly revamped training centre at Kolomela.



Kumba's share incentive plans are structured to optimise the organisation's overall EVP position, while providing benefits that will assist the Company to attract, retain and incentivise executives and top talented employees towards sustained performance.

The plans are designed to align management and shareholder interests, and grow shareholder value. The objectives are to motivate long-term sustainable performance, and retain business-critical and top talented employees while incentivising employees towards the achievement of ambitious business transformation through the Tswelelopele strategy and culture programme.

### Executive directors' and prescribed officers' remuneration

When assessing the performance of the Company and its executive directors and prescribed officers, the Committee is mindful of its obligation to our shareholders, as elaborated in our remuneration framework. The remuneration of executive directors and prescribed officers consists of fixed and variable components designed to ensure a substantial portion of the total reward remuneration package is linked to the achievement of the Company's strategic objectives, thereby aligning incentives to the creation of sustainable shareholder value.

### Fixed remuneration

The total package per role is compared to levels of pay at the market median in JSE-listed companies of comparable size and complexity within the industry sector. Annual salary benchmark reviews are conducted to ensure market competitiveness and pay relevance.

The Company contributes 12% of pensionable salary to approved retirement funds. Medical aid is subsidised at 60% of the contribution to a maximum amount determined by market comparisons. Risk insurance benefits include life cover and death-in-service benefits, subject to the rules of the approved Kumba retirement funds. The Company provides additional death and disability cover to employees through its insurance risk and compensation for COID underwriting policies.

### Variable remuneration

The variable remuneration of the executive directors and prescribed officers consists of cash (annual Team+ performance bonus) and equity instruments (deferred bonus and long-term incentives) applied in combination and with the quantum and conditions appropriate to the scope of responsibility and contribution to operating and financial performance of the respective role.





# Remuneration report continued

The variable remuneration components of our remuneration framework can be summarised as follows for our executive directors and prescribed officers:

Variable pay component	Instrument type	Payment/vesting	Eligibility
Team+ performance bonus	Cash	Annual cash payment in March, following the performance year under review	Executive directors, prescribed officers, senior and middle management employees
DBA	Restricted equity awarded under the bonus retention share plan (BRP) rules	Unconditional vesting, subject to employment condition, with tranches vesting after two and three years respectively.	Executive directors, prescribed officers and senior management employees
Deferred Cash	Cash	Cash deferred for one year	Middle management employees
LTIP	Restricted equity awarded under the performance share plan (PSP) rules	Conditional vesting after three years, with an additional two-year holding period subject to clawback provisions for the executive directors	Executive directors, prescribed officers and qualifying senior managers (general management level employees)

## Team+ performance bonus

The Team+ performance management process focuses on individual and collective team performance driven through collaboration, with annual performance objectives set on three different team levels being group (all Anglo American group functions), business unit (Kumba corporate office and SIB projects) and asset (Sishen and Kolomela). Team+ performance management discussions are ongoing, short-term horizon focused (next few weeks or months) and forward looking. The underlying Team+ bonus performance scorecards comprise two key result area (KRAs) being business results and critical tasks, comprising 100% of the bonus potential, with a supplementary breakthrough accelerator KRA comprising an additional 30% of the bonus potential. The Team+ bonus KRAs are further expounded as follows:

- Business results – measure achievements at the business unit or asset level and at the group level for those in group functions. Business results comprise the key output metrics for the performance year under review – such as financial, operational, safety, health, and environmental key performance measures. This key result area comprises 70% of the overall STI potential.

- Critical tasks – programmes and initiatives that the business unit, asset or group function must deliver during the performance year to be successful in the transformation of the business towards the Kumba Tswelelopele programme and the Anglo American Burning Ambition – for the performance year under review and in future years. This key result area comprises 30% of the overall STI potential.
- Breakthrough accelerator – the breakthrough accelerator is a discretionary award made by the Anglo American GMC for exceptional performance in bringing forward breakthroughs that accelerate the transformation of the business and achievement of the Anglo American “Burning Ambition”. It is worth up to an additional 30% of the BR rate, which can be paid for outstanding achievements, such as early delivery of transformation programmes, inspired innovation, or the development of new pathways.

A diagrammatic overview of the Team+ performance STI calculation methodology is depicted in Diagram D.



### Team (business unit or asset level) performance scorecard



Band	BRP % of annual BEC
Band 4 and 5	60%
Band 6	40%



Diagram D – Team+ bonus calculation methodology

### 2021 long-term incentive plan (granted under the PSP rules)

The purpose of the long-term incentive plan (LTIP) is intended to incentivise, attract and retain high-performing employees as part of the Company's EVP. Awards are subject to underlying LTIP performance conditions which are measured over a three-year period. These conditional vesting performance measures are reviewed and evaluated annually by the Remco. The Remco considers the key business value and ESG drivers in selecting metrics and the alignment of the participants' reward with long-term, sustainable value creation in setting performance targets.

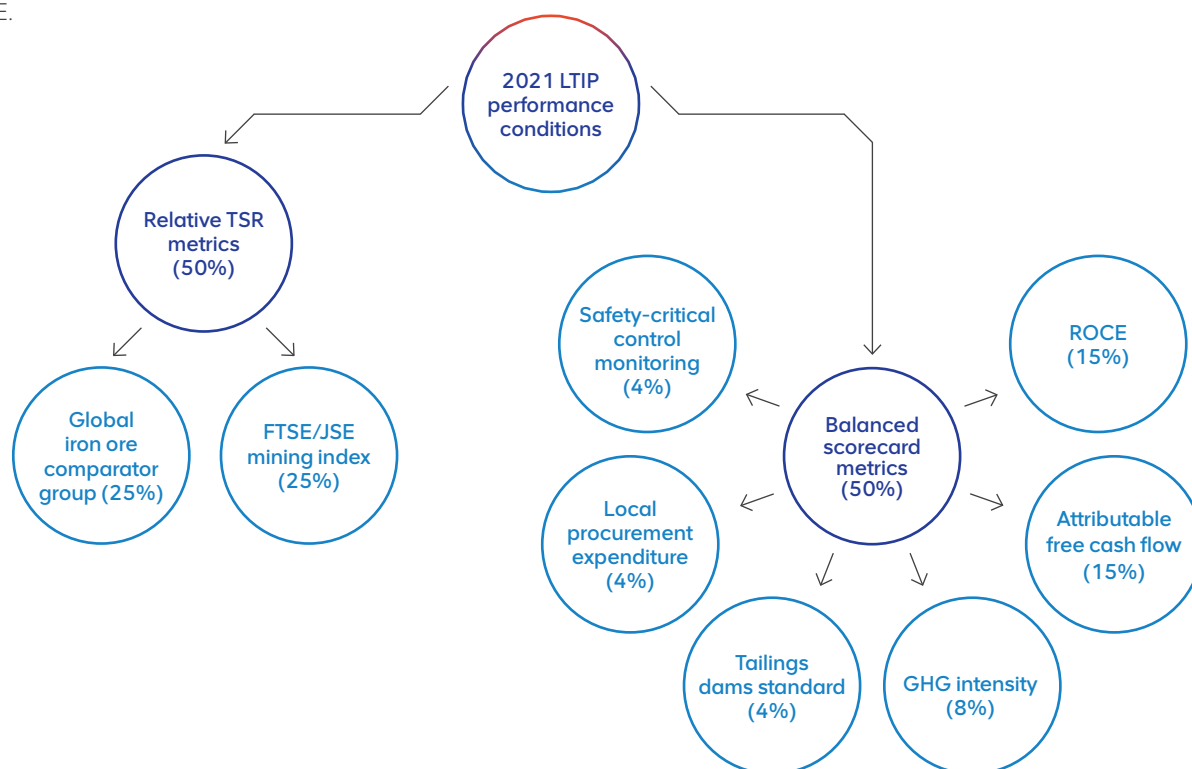


# Remuneration report continued

**Table A** – Changes for the 2021 financial year LTIP grant performance conditions breakdown are summarised below, compared to the 2020 grant:

LTIP performance key result area (KRA)	2020 performance weighting	2020 performance measure	2020 measure weighting	2021 performance weighting	2021 performance measure	2021 measure weighting		
Relative total shareholder return (TSR)	50%	TSR – global iron ore peer group	25%	50%	TSR – global iron ore peer group	25%		
		TSR – JSE/FTSE mining index	25%		TSR – JSE/FTSE mining index	25%		
Balanced scorecard of metrics	30%	Financial measures – 30%		50%	Financial measures – 30%			
		Attributable free cash flow			15%	Attributable free cash flow		15%
		ROCE			15%	ROCE		15%
		ESG measures – 20%			ESG measures – 20%			
		Tailings dams standard			4%	Tailings dams standard		4%
		Energy efficiency			4%	Local procurement expenditure		4%
		GHG intensity			4%	GHG intensity		8%
		PM10 dust control			4%	Safety-critical control monitoring		4%
		Safety-critical control monitoring			4%			

As per the approved changes to the executive directors' remuneration policy in November 2019, the LTIP award performance conditions comprise 50% relative TSR metrics and the balance of 50% balanced scorecard performance metrics, encompassing key financial and ESG strategic deliverables for the Company. The 2021 LTIP award performance condition breakdown is depicted in Diagram E.



**Diagram E** – 2021 LTIP award underpinning performance condition breakdown



The 2021 balanced scorecard measures proposed have remained the same for the most part as in 2020. Two changes have been affected for the 2021 grant, the first being that the greenhouse gas intensity measure has been up-weighted from 4% to 8%, encompassing the energy efficiency measure which is one of the ESG measure's key underlying dependencies. The second change is the replacement of the PM10 dust control environmental measure with a social responsibility measure, being local procurement expenditure. The decision was taken to better balance the balanced scorecard segment towards the

Company's ESG obligations, with the inclusion of a social responsibility measure. The chosen measure strongly underpins the Anglo American group social responsibility measure, being the number of jobs supported off-site for each job on-site. Local procurement expenditure is one of Kumba's key strategic imperatives and has a much clearer line of sight in terms of measurability and was hence the preferred social responsibility measure for the Company. A detailed breakdown of the 2021 LTIP award underpinning performance conditions, targets and vesting schedule is depicted in Table B.

**Table B – 2021 LTIP award performance conditions, targets and vesting schedule**

Performance indicator	% of allocation subject to indicator	Performance indicator	% of allocation subject to indicator	Below threshold target	Threshold target	Stretch target
<b>Total relative shareholder return (TSR) achieved</b>	50%	Global iron ore comparator group	50%	Below median TSR	Median TSR	Upper quartile TSR ranking
		Vesting schedule		0%	25%	100%
		JSE/FTSE mining index	50%	Below the performance index	Performance at the index	Performance at the index + 9%
		Vesting schedule		0%	25%	100%
<b>Balanced scorecard</b>	50%	Attributable ROCE	30%	<37%	37%	40.9%
		Vesting schedule		0%	25%	100%
		Attributable free cash flow	30%	<R8,888m	R8,888m	R10,939m
		Vesting schedule		0%	25%	100%
		GHG intensity	16%	<5% improvement by 2023, indexed on 2020 actual	5% improvement by 2023, indexed on 2020 actual	15% improvement by 2023, indexed on 2020 actual
		Vesting schedule		0%	25%	100%
		Tailings dams standards	8%	<100% level of implementation at all operations	N/A	100% level of implementation at all operations
		Vesting schedule		0%	N/A	100%
		Social responsibility – Local procurement annual expenditure	8%	<28% of 2020 discretionary expenditure	28% of 2020 discretionary expenditure	33% of 2020 discretionary expenditure
		Vesting schedule		0%	25%	100%
		Safety-critical control monitoring	8%	<98%	98%	100%
		Vesting schedule		0	25%	100%

### Executive directors' and prescribed officers' 2021 remuneration policy

The following section provides a comprehensive overview of the executive directors' and prescribed officers' remuneration policy applicable to the 2021 financial year.

#### Elements of remuneration

The key elements of our remuneration framework and structure, which guide payments to all employees, are shown in the Annexure, with a focus on executive directors and prescribed officers. Please refer to the Annexure on pages 155 to 159 of this report.

### Executive directors and prescribed officers' package design and total remuneration opportunity at different levels of performance

The following charts illustrate the pay mix distribution of the Chief Executive Officer (Chart X), Chief Financial Officer (Chart Y) and the prescribed officers (Chart Z) at threshold, on-target and stretch performance for 2021.



# Remuneration report continued

Chart X: Chief Executive pay mix distribution with performance

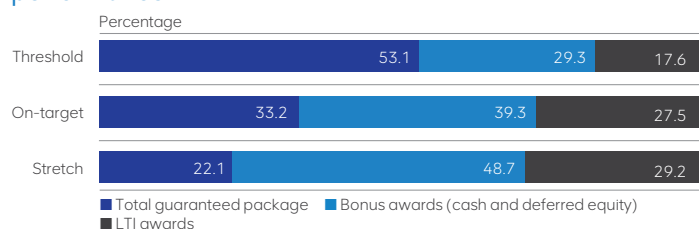


Chart Y: Chief Financial Officer pay mix distribution with performance

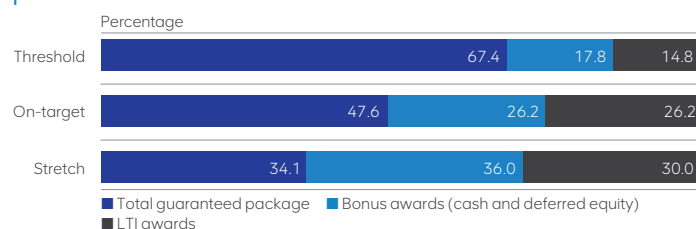
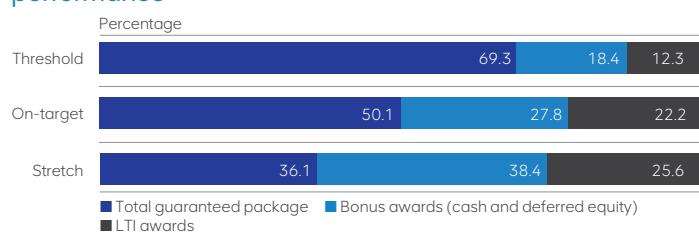


Chart Z: Prescribed officers' pay mix distribution with performance



## Key assumptions

Total remuneration component	Threshold	On-Target	Stretched
TGP	2021 basic salary, benefits and pension.	2021 basic salary, benefits and pension.	2021 basic salary, benefits and pension.
Bonus awards (cash and deferred equity) – Chief Executive	25% of maximum bonus opportunity.	53.6% of maximum bonus opportunity.*	100% of maximum bonus opportunity.
Bonus awards (cash and deferred equity)	25% of maximum bonus opportunity.	52.1% of maximum bonus opportunity.*	100% of maximum bonus opportunity.
LTIP awards	25% of award vesting.	62.5% of award vesting.	100% of award vesting.

\* Performance weighting between Anglo American group financial metrics and Kumba specific metrics impacts the final realised percentage. Normalised for the exclusion of the critical tasks bonus segment as these objectives only have on-target performance measures.





## Changes to the executive directors' remuneration policy for 2021

The current executive directors' remuneration policy continues to be effective and no additional changes have been affected during 2021, over and above the changes that had been implemented during 2020.

### Executive directors and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to six months. The former Chief Executive, Themba Mkhwanazi's contract had a restraint of trade provision for a period of 12 months after the termination of his employment and this condition is also contained in the new Chief Executive, Mpumi Zikalala's contract. There are no additional payments for any of the restraint obligations as the Chief Executive's remuneration is deemed fair and reasonable compensation, inclusive of the restraint obligations.

There is no restraint of trade provisions applicable to the Chief Financial Officer and prescribed officers. No restraint payments have been made during this year. There are no change of control provisions or any provisions relating to payment on termination of employment.

### Appointments of executive directors and prescribed officers

Appointments are subject to approval by the Board and are governed by the business integrity policy.

### Non-executive directors' fees

Non-executive directors do not have employment contracts with the Company or participate in any of the Company's incentive plans. non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the Mol of the Company.

Recommendations on the level of fees payable to non-executive directors, are made by Remco and are approved by the shareholders. non-executive directors' remuneration is determined through the benchmarking of market data, based on a survey of a representative comparator group of JSE-listed companies, as conducted by an independent external service provider. Fees are not dependent on meeting attendance. There are no other supplementary fees payable. Annual fees payable to non-executive directors were approved by shareholders at the AGM on 14 May 2021. The fees are as follows:

### 2021 fees per annum (Rand)

Capacity	Chairperson	Member
Board of directors*	1,731,815	322,445
Lead independent director**	1,267,151	n/a
Audit Committee	378,715	188,361
Strategy and Investment Committee	344,287	171,237
Social, Ethics and Transformation Committee	344,287	171,237
Human Resources and Remuneration Committee	344,287	171,237
Nominations and Governance Committee*	n/a	171,237
Special Board sub-Committee	n/a	171,237

\* The Nominations and Governance Committee is chaired by the Chairperson of the Board and there are no additional fees paid for this responsibility, he is also a member of the Human Resources and Remuneration Committee and the Strategy and Investment Committee and he attends all other committee meetings. He does not receive any additional remuneration in this regard.

\*\* The Lead independent director chairs the Strategy and Investment Committee, he is also a member of the Audit Committee, Nominations and Governance Committee, Human Resources and Remuneration Committee and the Social, Ethics and Transformation Committee. He does not receive any additional remuneration in this regard.



Staff engagement – Exco and staff of Kolomela dancing the Jerusalema dance outside the fatigue centre.



# Remuneration report continued

## Section three: Disclosure on implementation of policies for the financial year

### Guaranteed pay adjustments

#### Average rate of increase for 2021

An inflation adjustment mandate of 3.5% to the CTC (base salary plus employer retirement fund contribution) was approved by the Remco for the non-bargaining category employees, in line with our mining peers and national benchmarks conducted, supported by an external, third-party service provider.

The total reward (TR) remuneration of the executive directors is benchmarked against a comparator peer group of JSE-listed companies of similar size and nature of operations and undertaken by a third-party external service provider. The criteria utilised in the determination of an appropriate peer group were total assets under control, number of employees, revenue and market capitalisation.

In 2020, a multi-year collective bargaining agreement was concluded between Kumba and the representative trade unions, for the period 1 July 2020 to 30 June 2023. Our three recognised trade unions, being the National Union of Mineworkers (NUM), Solidarity and the Association of Mineworkers and Construction Union (AMCU), together with management, concluded the agreement which regulates the annual adjustment percentage. A multi-year wage agreement ranging between an 8.8% increase on the lowest level and 4.6% on the highest level of the bargaining category for the second year (2021) of the agreement, effective from 1 July 2020 until 30 June 2023 was agreed upon and signed by two of the three major trade unions effective 1 July 2020. The remaining trade union accepted the agreement effective 18 December 2020. The agreement was implemented on a backdated basis from 1 July 2020 for members of the remaining trade union.

### Annual performance incentive outcomes – linked to underlying performance

#### Safety performance

Kumba continued to demonstrate a strong safety performance in 2021, achieving a fatality-free record of five years and seven months. Kumba's safety strategy is based on the EOF framework, which drives the business' safety efforts in achieving zero harm and injury reduction.

Kumba's operations recorded their lowest total number of recordable cases of 20 (2020: 39) to date, reducing the TRCFR to 0.80 (2020: 1.74), a 54% improvement. Lost-time injuries reduced to eight (2020: 18) for the period, reflecting a 56% improvement. Of concern was high potential incidents, a leading safety indicator, which increased to 10 (2020: two).

To drive continuous improvement and further increase accountability, Kumba implemented a sustainable risk reduction programme to inculcate a proactive safety mindset and behaviour among the workforce. Through the programme, several areas of improvement have been identified such as the standardisation and simplification of systems, as well as supporting leaders and supervisors with training and the tools to coach, mentor and manage their teams. In addition, the high potential hazard leading indicator reporting and leadership engagements are progressing well and are expected to

contribute towards improved safety outcomes, to ensure that everyone goes home safely each day.

#### Health performance

From a health perspective, Kumba had another successful year with no new cases of occupational diseases. Kumba conducts ergonomic risk assessments and vibration studies for all mobile equipment and tasks involving manual lifting and handling. These are integrated into occupational risk management processes to mitigate associated risks.

Innovative, real-time data analytics help prevent exposure to hazardous agents, such as noise or inhalable particles that reach unsafe levels and provide proactive controls to manage health exposures in the workplace. This allows the business to respond to system and control failures as they occur and predict where maintenance on health hazards is required. As a result, we recorded a 46% reduction in respirable and silica dust exceedances above the occupational exposure level (HEG A for silica and respirable dust exposure), from 24 people in 2020. Progress is supported by the use of automated drilling rigs at mines, to reduce exposure to dust. These have ensured that no visible dust is emitted during reverse circulation drilling.

#### Environmental performance

Mining has a critical role to play in providing many of the metals and minerals needed for a low-carbon economy and sustainability is therefore an integral part of Kumba's business strategy and a key driver of future growth. Kumba has had no major (level 3 to 5) environmental incidents for over six years, and its ambition is to reduce its scope 1 and 2 carbon emissions at its operations by 30% by 2030, including zero scope 2 carbon emissions by 2030. Kumba's environmental management efforts are focused on moving the business towards operating carbon-neutral and less water-intensive mines.

Together with the broader Anglo American group, Kumba is developing solar renewable energy generation and investigating green hydrogen as a renewable energy source for mining activities. Kumba is currently engaged with the permitting process for a solar plant in the Northern Cape.

Having a sustainable water supply is critically important for the health of communities. In recognition of this, Kumba is targeting a 50% reduction in freshwater consumption by 2030 through water efficiency projects, such as the reduction of water usage in dust suppression. In 2021, Kumba supported its communities with over 17 billion litres of freshwater supplied to the local municipality at Sedibeng, as part of the essential services we provide to our local communities.

Kumba is a member of the International Council of Mining and Metals through Anglo American and its tailings dams are required to comply with the Global Industry Standard for Tailings Dams (GISTM) published in 2020. Kumba's Tailings storage facilities are subject to a rigorous risk management programme and achieved 96% compliance against the Anglo American standard for tailings dams. An implementation plan is underway to ensure full compliance against the new standards by 2023. Kumba also continually monitor the performance of its tailings facilities and no significant incidents or events were recorded in 2021.



Kumba understands the importance of rehabilitating the disturbed environment and the business exceeded all its concurrent rehabilitation targets for reshaping, growth medium and seeding. Sishen has reshaped 99.5ha and seeded 80ha. Kolomela has reshaped 38.8ha of land and seeded 42ha. Kumba's multi-disciplinary approach to rehabilitation and closure, as well as increased focus on equipment and personnel availability, ensures that the business continues to see a steady improvement in performance.

### Operational efficiency performance

Kumba continued to invest in its assets and people to drive operational excellence. Kumba's FutureSmart™ mining programme pairs technology and digitalisation to improve the safety of its workforce, support the step-up in productivity levels to ensure operational excellence and deliver on environmental and other sustainability goals. Over the Tswelelope period, Kumba implemented autonomous braking on its haul truck fleets and its autonomous drilling fleet at Kolomela has improved drilling efficiency, lowered associated costs and reduced the risk of exposure for operators. Mining fleet enhancements have led to a 16% increase in truck utilisation, improved payload performance by 4% and increased shovel volumes by 40%. In the past four years, through the optimisation of the load-out station at Sishen, Kumba has increased rail capacity by 400,000 tonnes per year, by increasing the average tonnage per wagon. On the plant side, advanced process control technology has increased the yield at Sishen's Jig plant by 4%.

The operational equipment efficiency of the primary fleet also improved in the second half of the year, increasing from 62% to 67%, reflecting the benefit of the rain recovery plan and major equipment maintenance interventions. Supply chain disruptions began in the third quarter as a consequence of the pandemic, which affected equipment availability. This coupled with the rain challenges earlier in the year, which caused the clay horizon at Sishen to be saturated well into the third quarter, impacted operational efficiencies of the primary fleet, resulting in a 2% year-on-year decrease. Based on the experience of 2021, Kumba has updated its rain readiness plans and infrastructure and has seen a quicker recovery from heavy rainfall events.

In pursuit of operational excellence, Kumba continues to drive efficiencies across the value chain, focusing on spares management, optimisation of mine plans, improvement of truck payload and implementation of FutureSmart™ technologies. Kumba's strategy is to ensure that it optimises the value of its products, in terms of iron ore content and Lump ratio, to maximise the value achieved given the constrained logistical system.

### Production performance

Although weather, logistical challenges and supply chain delays impacted on Kumba's value chain, the business delivered a solid performance across its operations with mining performance improving into the second half. Total tonnes mined increased by 2.0% to 261.4 Mt (2020: 256.3 Mt) and total waste stripping by 2% to 209.4 Mt (2020: 204.8 Mt).

Total production for the year increased by 9% to 40.9 Mt (2020: 37.6 Mt). Sishen produced 28.0 Mt, representing an increase of 9% (2020: 25.8 Mt) and Kolomela's production went up by 8% to 12.8 Mt (2020: 11.9 Mt). The improved performance reflects the impact of Covid-19 in 2020 and increased plant availability and reliability in 2021, along with improved ore supply as mining

recovered. However, in the last quarter of the year, production was hampered by higher stock levels at Sishen and Kolomela following the annual shut down by Transnet for maintenance, adding to already high stock levels as a result of rail performing below planned levels earlier in the year.

Closing finished iron ore stock increased to 6.1 Mt (31 December 2020: 4.8 Mt), with the majority of the stock situated at the mines due to rail constraints. The higher stock levels have been incorporated into production and raiing plans to mitigate uneven rail performance and also ensure that the business is well positioned for the tie-in of the UHDMS plant planned for 2023.

### Cost discipline performance

Achieving a cumulative R4.1 billion in cost saving since 2018 has contributed significantly to the EBITDA margin growing from 45% to 63% in 2021, although cost and geological inflation remains a challenge. Cost discipline and operational efficiency continue to be a priority as Kumba drives further savings initiatives across its business. Kumba is targeting a further R1.0 billion in cost savings for 2022.

### Financial performance

Kumba delivered another record set of financial results with EBITDA up 41% to R64.6 billion and attributable free cash flow of R30.5 billion. The business harnessed the benefit of improved production volumes and robust iron ore prices for its high-quality products, while achieving further progress against strategy.

Strong revenue gains were partly offset by the increase in costs. Higher costs were driven by inflationary pressures including supply chain-related expenses, coupled with higher mining inflation. These were partially offset by higher plant production and cost savings achieved. Sishen's unit costs increased from R362/tonne to R432/tonne and Kolomela's unit cost increased from R304/tonne to R324/tonne. Notably, Sishen's unit cost decreased from R448/tonne at half-year, in line with the higher capitalisation of work-in-progress stock. C1 unit costs increased to US\$39/tonne, remaining below our guidance of US\$40/tonne, partly due to a 10% strengthening in the Rand to an average of R14.79/US\$.

Kumba's robust earnings growth and cash generation led to attributable free cash flow increasing by 47% to R30.5 billion. Through focusing on what the business can control such as safety, production and costs, as well as capturing a product premium above market levels and disciplined capital allocation, Kumba has seen its attributable free cash flow increase more than threefold since 2018.

Capital expenditure (capex) of R8.0 billion (2020: R6.1 billion) largely comprised R3.7 billion of SIB spend, R1.7 billion of deferred stripping and R2.6 billion of expansion capex. The increase in capital creditors of R1.8 billion (2020: R0.3 billion) relates to capital expenditure incurred during the year but not yet paid at the reporting date, net of prior year expenditure paid. The 2021 full-year cash capex net of capital creditors was R6.3 billion (2020: R5.7 billion). SIB capex represents spend on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping capex reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining. Expansion



# Remuneration report continued

capex included the Kapstevél South project (R2.0 billion), execution of the UHDS project (R0.2 billion), and the balance relates largely to P101 operational efficiency initiatives and technology. Disciplined capital allocation has resulted in a ROCE of 147% resulting in 2021, up from 109% in 2020.

## 2021 performance scorecard for the Exco – performance against targets

Aligned with the Anglo American Team\* performance management approach, Exco was assessed against the business unit performance scorecard, set forth for Kumba. The Chief Executive was assessed against his personal scorecard, aligned with the Kumba business unit performance scorecard objectives, but also reflecting his committed strategic- (20% of the scorecard) and personal objectives (10% of the scorecard) for the performance year.

The business unit performance scorecard comprises two KRAs, being:

- business results – key output metrics (financial and operational performance, safety, health and environmental (ESG) objectives for the performance year) which comprises 70% of the STI potential
- critical tasks – programmes and initiatives that the business unit must deliver during the performance year in order to be successful in the transformation of the business towards the Tswelelopele margin improvement, sustainability and P101 productivity objectives. The critical tasks segment comprises 30% of the STI potential

The 2021 Team\* performance against scorecard objectives was reviewed and assessed based on the following cascading process:

- business results – The Kumba scorecard was reviewed and assessed by the Anglo American Corporate Committee and ratified by the Anglo American GMC. The final scoring was communicated to Remco for final review, consideration and approval
- critical tasks – The adjudication of the critical tasks segment of the Kumba scorecard is comparable to the business results segment, but as the critical tasks key result area objectives are interwoven with the strategic and personal objectives of the Chief Executive, this section of the scorecard is assessed independently for the Kumba Chief Executive by the Chairperson of the Kumba Board and the Anglo American Chief Executive of Bulk Commodities and Other Minerals, prior to final review, consideration and ratification by Remco as per their mandate from the Board

## 2021 performance incentive sanctioned adjustments

The Kumba business unit 2021 performance scorecard targets have been adjusted for the KRA targets that have been adversely impacted by uncontrollable events on the Kumba logistics channel to ensure that employees are not unduly disadvantaged on the performance against their respective 2021 STI schemes by the executive management decision to execute the best commercial strategy available to Kumba, rather than simply maximising production, which would maximise their incentive at the expense of an optimal strategic outcome for Kumba. The approved adjustments, as sanctioned by the Anglo American Corporate Committee, the GMC as well as HR and Remco, were affected to the performance targets of the following performance metrics impacted:

- Kumba business unit EBITDA at fixed prices (adjusted for commodity pricing and exchange rate). A downward adjustment of US\$152 million was approved on the 2021 target.
- Kumba business unit sustaining attributable free cash flow at fixed prices (adjusted for commodity pricing and exchange rate). A downward adjustment of US\$152 million was approved on the 2021 target.
- Kumba business unit Saleable Production tonnes. A downward adjustment of 1,366 Mt was approved on the 2021 target.
- Kumba business unit, unit cost. An upward adjustment of FOB US\$0.74/tonne was approved on the 2021 target.

The adjustment has been sanctioned for all Kumba employees participating in the annual performance incentive scheme, including the Chief Executive.

On the approval and recommendation of the Anglo American GMC, an additional three points were added to the 2021 performance incentive outcomes group-wide, across all the Anglo American business units. This upliftment is in recognition and to reward the resilience and adaptability that was required from employees during 2021 to generate the production and financial results of this record year in the Anglo American group and Kumba, which has seen significant returns to shareholders. A significant additional effort has been required across the workforce to respond to the impacts of the ongoing Covid-19 crisis. The additional points upliftment has not been applied to our Chief Executive's 2021 performance scorecard. The recommended three points upliftment to the 2021 performance scorecards for employees on a Band 6 (middle management and senior specialists) and above grading, as well as to the production bonus for the Band 7 grading (frontline management) and below employees, has been reviewed, sanctioned and adopted by HR and Remco.





## 2021 performance scorecard for the Exco – performance against targets

Weighting			Below threshold	Between threshold and target	Between target and stretch	Stretch and beyond
Group financial targets						
12	EPS Anglo American group at fixed prices				✓	
	EPS Anglo American group at actual prices					✓
	Sustaining attributable free cash flow at fixed prices				✓	
Business unit – financials						
15	EBITDA at fixed prices (adjusted for price/exchange rate)			✓		
	EBITDA – adjustment target			✓		
	Sustaining operating free cash flow at fixed prices (adjusted for price/exchange rate)			✓		
	Sustaining operating free cash flow – adjustment target				✓	
	ROCE					✓
Business unit – operational						
23	Saleable production			✓		
	Saleable production – adjustment target			✓		
	BU unit cost		✓			
	BU unit cost – adjustment target		✓			
	Mine compliance				✓	
Safety, health and environment						
20	Injuries (TRCFR)					✓
	Environmental systems					✓
	Health systems					✓
	EOF				✓	
Critical tasks						
30	Mandatory critical task	Localised procurement			✓	
	Mandatory critical task	RDP actions incorporated into the 2021 – 2025 business plan			✓	
	Mandatory critical task	Redesigning operations		✓		
	Optional critical task	Implement technology programme in support of site breakthrough		✓		
	Optional critical task	Anglo Operating Model and planning implementation			✓	
Overall performance rating – unadjusted targets						71.4
Overall performance rating – adjusted targets						75.4
Overall performance rating – Anglo American plc group uplift with 3 points						78.4





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## 2021 performance scorecard for the Chief Executive – performance against targets

The annual performance scorecard for the Chief Executive is designed to encompass the key strategic objectives of the Company for the performance year under review and is done in conjunction with the Anglo American group to ensure alignment with group objectives and the Anglo GMC objectives.

Performance towards the long-term strategic objectives of the Tswelelopele programme and Anglo American Burning Ambition are also taken into consideration. The performance weighting of the KRAs are aligned with the changes to the executive directors' remuneration policy for the Chief Executive, pertaining to the rebalancing of the performance measures of the STI implemented in 2020. The KRAs and performance weighting for the 2021 scorecard are as follows:

Weighting			Below threshold	Between threshold and target	Between target and stretch	Stretch and beyond
Group performance						
20	EPS Anglo American group at fixed prices				✓	
	EPS Anglo American group at actual prices					✓
	Sustaining attributable free cash flow at fixed prices				✓	
Business unit performance						
30	BU EBITDA at fixed prices (adjusted for price/exchange rate)			✓		
	EBITDA – adjustment target			✓		
	Sustaining operating free cash flow at fixed prices (adjusted for price/exchange rate)			✓		
	Sustaining operating free cash flow – adjustment target				✓	
	ROCE					✓
	Saleable production			✓		
	Saleable production – adjustment target			✓		
	BU unit cost		✓			
	BU unit cost – adjustment target		✓			
	Mine compliance				✓	
Safety, health and environment						
20	Injuries (TRCFR)					✓
	Environmental systems					✓
	Health systems					✓
	EOF				✓	
Strategic Objectives						
20	Portfolio	Mine life extension up to 2040 (Horizon 2 life-of-mine)			✓	
	Innovation	Value creation and cost savings			✓	
	People	Operational leadership excellence and diversity			✓	
Personal Objectives						
10	Leadership and transformation	Leadership excellence and diversity			✓	
	Stakeholder management	Government, stakeholder, employee and customer interests			✓	
	People/organisation	Social and SMP			✓	
Overall performance rating – unadjusted targets					73.7%	
Overall performance rating – adjusted targets					77.7%	



## 2021 Strategic objectives performance

- **Portfolio** – mining life extension up to 2040 (Horizon 2 life-of-mine): The extension of Sishen's life-of-mine to 2040 is on track and being driven by operational efficiency, smart mine design, slope optimisation and UHDS technology. Over the Tswelelopele period, Ore Reserves have increased by 323 Mt (before depletion) with the majority of the increase attributable to Sishen where the life-of-mine is now 2039 (versus 2032 base case in 2017). At Kolomela, Kumba has further developed the Kapstevel South pit, with waste mined of 20.6 Mt in 2021. Kolomela's Reserve life has increased from 2031 to 2034 with a clear pathway to 2040 through the development of the Ploegfontein and Heuningkrans deposits. Through UHDS, Kumba is investing in the next phase of its product development to increase its product premium offering from 18% to 50% of total volumes produced. The enhanced quality supports customers that are working to reduce emissions. Given that Kumba will be lowering the cut-off grade, and converting waste to ore, Kumba is reducing its overall footprint, further contributing towards a healthier environment. From a social value perspective, extending Sishen's life-of-mine, will benefit all its stakeholders. With the design and procurement activities underway, on-site activities began in January 2022 and commissioning is on track to begin in the second half of 2023 with handover anticipated in the first half of 2024.
- **Innovation** – Value creation and cost saving: Kumba has transformed into a value-focused business. Through the business' Tswelelopele strategy, meaning to "move forward", Kumba set an ambition to enhance its margin and extend life-of-mine to 2040. Since implementing Kumba's strategy over the period 2018 to 2021, the business' EBITDA margin has grown from 42% (2017 baseline) to 63%. Product quality has improved, with the Lump ratio increasing from 66% to 69%. Alongside this, the business' product premium has grown from US\$11/tonne to US\$25/tonne. Cost discipline has helped unlock cumulative cost savings of R4.1 billion, further supporting margin expansion and earnings growth. Kumba is focused on maximising its potential and building on its Tswelelopele strategy, underscored by the business's commitment to responsible business values. Kumba continued to invest in its assets and people to drive operational excellence. Kumba's FutureSmart™ mining programme pairs technology and digitalisation to improve the safety of our workforce, support the step-up in productivity levels to ensure operational excellence and deliver our environmental and other sustainability goals.
- **People** – Operational leadership excellence and diversity: Kumba is 100% aligned with the operational leadership excellence blueprint implementation. The leadership and culture framework has been delivered with Kumba currently being a point of reference within the Anglo American group. Through Kumba's various leadership and culture initiatives the business continues to make progress in fostering an experienced and sufficiently diverse leadership team that demonstrates values-driven behaviour. Kumba conducts an annual 360-degree leadership survey to assess how Kumba leaders are "showing up" in terms of the Leadership Code, against a baseline survey conducted in 2018. The Kumba Expeditions leadership programme provides an "immersive" learning experience aimed at developing leaders with the right capabilities to deliver on the business' leadership code.

Underpinned by the business' Code of Conduct and values, inclusion and diversity policy and mandatory leadership training set out the behaviours the business expects of all its employees and leaders. Kumba implements an inclusion and diversity strategy that aims to achieve the following four outcomes:

- Leaders demonstrably value the diversity and unique contribution of every employee.
- Colleagues feel able to bring their whole selves to work, regardless of gender, sexual orientation, age, race, ethnicity, religion, national origin or disability, including mental health.
- Kumba's workplace is supportive, fair, adaptable and involving for all.
- The working environment is safe, effective and enabling.

The SmartSupport and SmartCore projects as well as the technology pipeline has also well-advanced delivery towards the future workforce during 2021.

## 2021 personal objectives performance

- **Leadership and transformation** – Leadership excellence and diversity: A compelling culture is dependent on leadership being inspiring and motivating Kumba's people and their personal development. Kumba has a diverse range of internal and external programmes to enhance the skills, knowledge and awareness of leaders, equipping them to be more effective in their roles and more accountable for their contribution in driving value. To strengthen Kumba's leadership pipeline, the business implemented the Anglo American leadership development framework, which provides a holistic yet focused approach to developing leadership capabilities. Achieving sustainable and tangible transformation is a business imperative and is core to Kumba's licence to operate. Kumba implements a comprehensive human resources transformation strategy. Kumba's operations are implementing five-year employment equity (EE) plans that set numerical targets and goals for EE, including affirmative action measures.
- **Stakeholder management** – Government, stakeholder, employee and customer interests: Product quality has improved, with the Lump ratio increasing from 66% to 69%. Alongside this, Kumba's product premium has grown from US\$11/tonne to US\$25/tonne. Through UHDS, Kumba is investing in the next phase of its product development to increase its product premium offering from 18% to 50% of total volumes produced. Kumba is in the process of finalising the design and obtaining the relevant approvals for a new, hybrid ESOP scheme structure for its qualifying employees, comprising an evergreen component and a vesting component similar to Karolo. The new ESOP scheme will be integrated with the extended Karolo scheme for the 2022 overlapping award cycle, should the new scheme be approved and implemented as envisaged.
- **People/organisation** – Social and SMP: In partnership with the government, local municipalities and health authorities, we are working with and supporting our local communities. In 2021, we invested a further R35 million in our Covid-19 WeCare programme, taking the total amount invested since the start of the pandemic to R129 million. Our contributions have supported community vaccination programmes in addition to local health clinics with medical equipment and services, relief for small businesses, essential supplies and improved access to

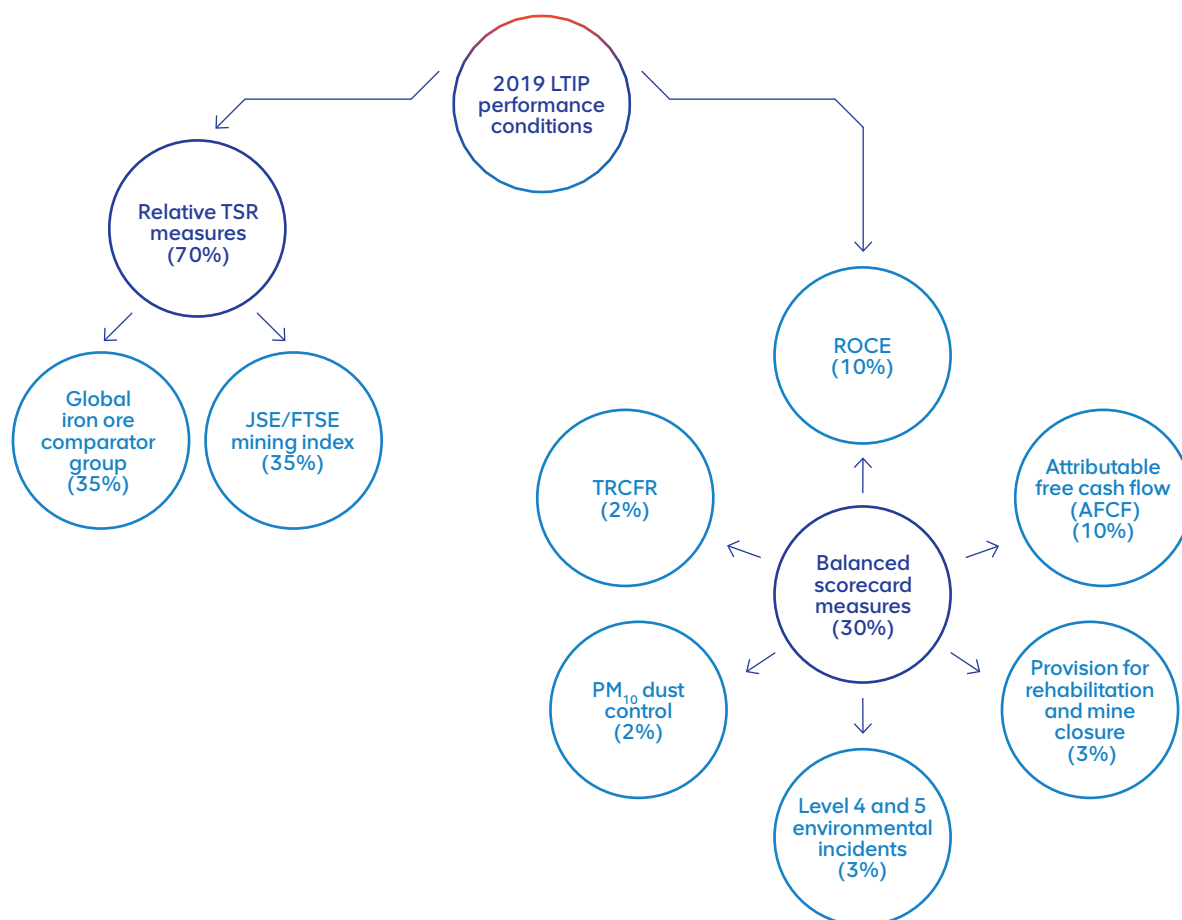


# Remuneration report continued

water for families. Safeguarding livelihoods is equally important to saving lives and we did this by supporting our local host community businesses with R4.1 billion in procurement spend and R258 million in social development projects. Sishen and Kolomela are the best-performing sites in terms of compliance towards the full implementation of the Social Way governance framework by 2022 with an implementation compliance percentage of 77% for Sishen and 87% for Kolomela for 2021. The Kumba average implementation progress is at 78% for 2021.

## LTIP vesting outcomes and awards for the executive directors

During 2019, conditional shares were awarded to the executive directors in terms of the PSP rules. The 2019 LTIP performance measures comprised 70% TSR and a 30% balanced scorecard of performance measures (financial, safety and environmental). The breakdown and weighting of the performance measures are depicted in the following diagram:



The performance conditions have been calculated based on targeted against actual performance during 2021, with reference to the base year (2018) parameters.

### TSR performance and vesting conditions

Of the conditional shares that are subject to the relative TSR performance condition that will vest, 35% is determined by assessing the Company's relative performance to a global iron ore comparator group in terms of TSR. The approved peer group of 10 companies for the period was determined as:

- Companhia Siderurgica Nacional
- EVRAZ PLC
- Ferrexpo Plc
- Fortescue Metals Group Limited
- Aowei Holdings Limited (delisted 26 March 2021)

- Honbridge Holdings Limited
- IRC Limited
- NMDC Limited
- Shougang Hierro Peru Saa (delisted 30 March 2020)
- Vale S.A.

The TSR performance of all the peer group companies, including Kumba Iron Ore, is calculated over the performance period. The TSR performance of Kumba Iron Ore is then compared against the conditional percentile hurdles set to determine the number of awards that will vest. As Shougang Hierro Peru Saa delisted on 30 March 2020 and Aowei Holdings Limited on 26 March 2021, these peer companies were excluded from the peer group. The remaining eight peer weights were grossed up to equal 100% in the peer group quartile calculation.



The remaining 35% of the relative TSR performance condition is measured against the FTSE/JSE mining index, being a capitalisation weighted index comprised of 10 JSE-listed mining

companies and provides an overall indication of Kumba's correlation against other mining companies in the South African environment.

### TSR and vesting conditions – applicable to 70% of conditional shares:

TSR measure	Performance condition weighting	Target	TSR performance	Vesting percentage
Global iron ore peer group	50%		Below the median	0%
		Threshold	Median TSR of the peer group	25%
		Stretch	Upper quartile TSR of the peer group	100%
JSE/FTSE index	50%		Below the performance index	0%
		Threshold	Performance at the index	25%
		Stretch	Performance at the index + 9%	100%

Kumba's TSR performance calculated over the performance period (vesting period) was 35.63%, which places the Company's relative TSR performance above the 50<sup>th</sup> percentile (threshold – 25% vesting) of its global iron ore comparator group, but below the 75<sup>th</sup> percentile (stretch – 100% vesting). Based on the global iron ore comparator group relative TSR condition (35% of the LTIP award), 45.51% of the awards pertaining to this condition vested.

The compounded annual growth (CAGR) in Kumba's TSR is used to measure the Company's performance over the performance period (vesting period). The FTSE/JSE mining index arithmetic average TSR performance over the performance period has been 29.52%, while the Kumba CAGR for the same period has been 35.63%. Based on the JSE/FTSE mining index relative TSR condition (35% of the LTIP award), 75.92% of the awards pertaining to this condition vested.

### Balanced scorecard performance measures – applicable to 30% of conditional shares

Condition	Performance condition weighting	Vesting percentage
ROCE condition	10%	100%
Attributable free cash flow condition	10%	100%
Provision for rehabilitation and mine closure condition	3%	0%
Level 4 and 5 environmental incidents	3%	100%
PM10 dust control	2%	0%
TRCFR	2%	100%

As the threshold hurdles for the provision for rehabilitation and mine closure condition as well as the PM10 dust control condition have not been achieved on performance testing, no awards pertaining to these conditions will vest. The remaining conditions' stretch objectives (100%) have been achieved and 100% of the awards pertaining to these conditions will therefore vest.

### Overall LTIP vesting based on the balanced scorecard and relative TSR performance conditions

The overall vesting of the 2019 LTIP conditional share award, based on the performance testing of both the relative TSR (70%) and balanced scorecard (30%) performance conditions for 2021 is 67.50%.

Condition	Performance condition weighting	Vesting percentage
TSR-Comparator group	35%	45.51%
TSR-JSE/FTSE mining index	35%	75.92%
ROCE condition	10%	100%
Attributable free cash flow condition	10%	100%
Provision for rehabilitation and mine closure condition	3%	0%
Level 4 and 5 environmental incidents	3%	100%
PM10 dust control	2%	0%
TRCFR	2%	100%
<b>Total overall vesting percentage</b>		<b>67.50%</b>



# Remuneration report continued

## Single figure remuneration

R'000	Guaranteed pay and benefits				Additional payments	Short-term incentive	Long-term incentive	Total emoluments	Total emoluments
	Base salary	Benefits	TGP 2021	TGP 2020					
						Cash bonus paid March 2022		2021	2020
<b>Executive directors</b>		10			11	12	13		
TM Mkhwanazi <sup>1,2</sup>	9,885	279	10,164	9,819	1,040	8,704	16,335	36,243	37,663
BA Mazarura <sup>1</sup>	5,699	278	5,977	5,502	—	2,471	5,258	13,706	12,376
<b>Sub-total</b>	<b>15,584</b>	<b>557</b>	<b>16,141</b>	15,321	<b>1,040</b>	<b>11,175</b>	<b>21,593</b>	<b>49,949</b>	50,039
<b>Prescribed officers</b>									
PJP Fourie <sup>3</sup>	708	103	811	3,134	480	328	935	2,554	6,114
V Kumar	3,835	541	4,376	3,094	17	1,804	7,606	13,803	5,564
SA Martin <sup>4</sup>	3,026	274	3,300	3,188	75	1,356	2,783	7,514	7,098
GM Mc Gavigan	3,368	291	3,659	3,534	121	1,505	3,089	8,374	7,014
C Malander <sup>5</sup>	1,914	294	2,208	—	174	900	900	4,182	—
Y Mfolo	—	—	—	992	—	—	—	—	2,116
P Ramchander <sup>6</sup>	2,834	409	3,243	1,044	—	1,333	5,084	9,660	4,867
NM Sibanyoni <sup>7</sup>	1,758	258	2,016	—	439	833	833	4,121	—
TS Smit <sup>8</sup>	8,249	1,548	9,797	9,003	3,861	6,127	17,922	37,707	29,703
SV Tyobeka <sup>9</sup>	1,969	162	2,131	3,528	149	873	2,454	5,607	6,886
F Patel	2,287	294	2,581	2,340	—	1,076	1,076	4,733	3,972
<b>Sub-total</b>	<b>29,948</b>	<b>4,174</b>	<b>34,122</b>	29,857	<b>5,316</b>	<b>16,135</b>	<b>42,682</b>	<b>98,255</b>	73,334
<b>Total</b>	<b>45,532</b>	<b>4,731</b>	<b>50,263</b>	45,178	<b>6,356</b>	<b>27,310</b>	<b>64,275</b>	<b>148,204</b>	123,373

### Notes

<sup>1</sup> 100% of LTIP shares awarded in 2019, with a performance period ending 31 December 2021, vested based on the performance condition testing.

<sup>2</sup> Transferred to Bulk Commodities Anglo American, as Chief Executive from 1 January 2022.

<sup>3</sup> Retired on 31 March 2021. The cash bonus reflects only the *pro rata* bonus, additional payments refer to leave encashment.

<sup>4</sup> 100% of the Anglo American LTIP shares awarded in 2019, when employed at Anglo American Coal SA, vested based on the performance condition testing.

<sup>5</sup> Acting Executive Head of human resources from 1 August 2021 to 31 December 2021. Transferred to Anglo American Platinum Limited effective 1 January 2022. Additional payments refer to leave encashment.

<sup>6</sup> 100% of the Anglo American LTIP shares awarded in 2019, when employed at Anglo American Corporate SA, vested based on the performance condition testing.

<sup>7</sup> Appointed 1 May 2021.

<sup>8</sup> Employed by Anglo American Marketing Limited (Singapore branch), emoluments are paid in Singapore Dollars and Pound Sterling. Values declared are based on an average exchange rate conversion to ZAR as at 31 December 2021. The DBA and LTIP shares awarded are settled in Anglo American plc shares. Included in additional payments are cost of living related allowances and dividend equivalent payments related to the Anglo American plc shares.

<sup>9</sup> Transferred to Anglo American Platinum Limited effective 1 August 2021. Cash bonus reflects the *pro rata* portion earned while employed at Kumba. DBA award granted by Anglo American Platinum Limited. Additional payments refer to leave encashment.

<sup>10</sup> Benefits include employer contributions to a retirement fund and medical aid.

<sup>11</sup> Includes leave encashment, relocation and settlement and acting allowances paid.

<sup>12</sup> Cash bonus is based on the 2021 performance and paid in March 2022.

<sup>13</sup> Face value of DBA shares (awarded in terms of the bonus and retention share plan) awarded in March 2022 derived from the 2021 bonus value.





## Single figure remuneration

R'000	Fees		Total emoluments	Total emoluments
	Directors' fees	Committee fees	2021	2020
<b>Non-executive directors</b>				
MS Bomela	313	505	818	620
N Dlamini	—	—	—	300
S French	313	339	652	601
MSV Gantsho <sup>1</sup>	703	—	703	1,578
TP Goodlace <sup>2</sup>	1,484	—	1,484	1,193
MA Jenkins	319	431	750	627
NB Langa-Royds	319	679	998	947
SS Ntsaluba	319	713	1,032	962
BP Sonjica	313	509	822	781
MJ Tsele <sup>3</sup>	215	151	366	—
D Wanblad	313	339	652	601
<b>Total</b>	<b>4,611</b>	<b>3,666</b>	<b>8,277</b>	<b>8,210</b>

## Notes

<sup>1</sup> Retired on 14 May 2021.

<sup>2</sup> Appointed as Chairperson on 23 June 2021. The Chairperson of the Board, and chairs the Nominations and Governance and Strategy and Investment Committees, however, he does not receive additional remuneration in respect of the committees he serves on.

<sup>3</sup> Appointed on 1 May 2021.



Process controllers, Michael Bezuidenhout and Mzoxolo Ntoto, in the Kolomela direct shipment ore plant control room.



# Remuneration report continued

## 2021 unvested awards and cash flow

The interests of the executive directors and prescribed officers in shares of the Company granted in terms of the various long-term incentive schemes are shown below.

			Number of shares					R'000		
			Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Scheme	Award date	Earliest date of vesting								
Executive directors								8	9	
TM Mkhwanazi										
Kumba share awards										
DBA	1 March 2017	1 March 2022	2,082				2,082	237	950	—
DBA	1 June 2017	1 March 2022	2,585				2,585	295	1,179	—
DBA	9 April 2018	1 March 2023	18,863			12,575	6,288	8,882	2,869	—
DBA	1 March 2019	1 March 2022	24,536				24,536	2,797	11,195	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	22,330				22,330	2,546	10,188	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		10,742			10,742	1,225	4,901	—
LTIP <sup>3,5,6</sup>	1 June 2018	1 March 2023	30,184		15,196	14,988	—	9,732	—	—
LTIP <sup>2,3</sup>	31 May 2019	1 March 2022	24,776				24,776	—	7,631	—
LTIP <sup>2,3</sup>	11 August 2020	1 March 2023	36,430				36,430	—	9,397	—
LTIP <sup>2,3</sup>	1 March 2021	1 March 2024		20,510			20,510	—	5,023	—
Anglo American plc share awards										
DBA <sup>4</sup>	1 March 2020	1 March 2023	27,574	—	—	—	27,574	1,327	17,947	—
Thungela Resources share awards										
DBA <sup>7</sup>	4 June 2021	1 March 2023	2,757	—	—	—	2,757	—	237	—
Sub-total			192,117	31,252	15,196	27,563	180,610	27,041	71,517	—
BA Mazarura										
Kumba share awards										
DBA	9 April 2018	1 March 2021	1,617			1,617	—	1,050	—	—
DBA	1 March 2019	1 March 2022	5,637				5,637	643	2,572	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	6,977				6,977	795	3,183	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		2,907			2,907	331	1,326	—
LTIP <sup>3,5,6</sup>	1 June 2018	1 March 2021	9,798		4,933	4,865	—	3,159	—	—
LTIP <sup>2,3</sup>	31 May 2019	1 March 2022	9,048				9,048	—	2,787	—
LTIP <sup>2,3</sup>	11 August 2020	1 March 2023	13,558				13,558	—	3,497	—
LTIP <sup>2,3</sup>	1 March 2021	1 March 2024	—	8,015			8,015	—	1,963	—
Sub-total			46,635	10,922	4,933	6,482	46,142	5,978	15,328	—

<sup>1</sup> DBA shares awarded in terms of the bonus and retention share plan.

<sup>2</sup> LTIP shares awarded in terms of the PSP.

<sup>3</sup> Post vesting of the awards, an additional two-year holding period, subject to clawback conditions, will apply. Do not qualify for any dividend equivalents during the performance period.

<sup>4</sup> Anglo American plc forfeitable shares were awarded related to his position as member of the Anglo American GMC.

<sup>5</sup> Shares forfeited due to performance conditions not met in full.

<sup>6</sup> Shares vested as a result of performance conditions being met. Shares are subject to an additional two-year holding period during which clawback conditions apply.

<sup>7</sup> As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, Thungela shares were awarded based on existing Anglo American shareholding and in line with the scheme rules.

<sup>8</sup> Includes dividend payments received in March 2021 and August 2021 as well as face value of share vesting during 2021.

<sup>9</sup> Sum total of the estimated fair value of unvested DBA shares, 2019 LTIP award (actual vesting of 65.00%), 2020 and 2021 LTIP awards (estimated vesting of 60%). The value is based on a 3-day volume-weighted average price (VWAP) on 31 December 2021 of R456.27 for Kumba, R650.87 for Anglo American and R1.00 for Thungela Resources shares.

<sup>10</sup> Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.



			Number of shares					R'000		
			Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Scheme	Award date	Earliest date of vesting								
Prescribed officers								12	13	14
PJP Fourie										
Kumba share awards										
DBA	9 April 2018	1 March 2021	3,246			3,246	—	2,108	—	—
DBA	1 March 2019	1 March 2022	3,303			3,303	—	2,318	—	—
DBA	1 March 2020	1 March 2023	3,463			3,463	—	2,430	—	—
DBA <sup>1</sup>	1 March 2021	1 March 2023	—	1,646		1,646	—	1,155	—	—
FSP <sup>1</sup>	9 April 2018	1 March 2021	2,773			2,773	—	1,801	—	—
LTIP <sup>2,8</sup>	31 May 2019	1 March 2022	4,552		1,517		3,035	—	1,402	554
LTIP <sup>2,8</sup>	11 August 2020	1 March 2023	6,140		4,612		1,528	—	394	122
LTIP <sup>2,8</sup>	1 March 2021	1 March 2023		3,457	3,362		95	—	25	6
Sub-total			23,477	5,103	9,491	14,431	4,658	9,812	1,821	682
VJ Kumar										
Kumba share awards										
DBA <sup>1</sup>	1 March 2021	1 March 2023	—	1,884			1,884	215	860	—
LTIP <sup>2</sup>	1 March 2021	1 March 2024	—	4,681			4,681	—	1,147	320
Anglo American plc share awards <sup>4</sup>										
DBA	1 March 2019	1 March 2022	2,431				2,431	117	1,582	—
DBA	1 March 2020	1 March 2023	3,763				3,763	181	2,449	—
DBA	6 May 2020	1 March 2023	944				944	45	614	—
LTIP	1 March 2019	1 March 2022	9,900				9,900	—	5,799	692
LTIP	1 March 2020	1 March 2023	11,000				11,000	—	4,048	402
Thungela Resources share awards <sup>11</sup>										
DBA	1 March 2019	1 March 2022	243				243	—	21	—
DBA	1 March 2020	1 March 2023	470				470	—	40	—
LTIP	1 March 2019	1 March 2022	42				42	—	3	—
LTIP	1 March 2020	1 March 2023	46				46	—	2	—
Sub-total			28,839	6,565	—	—	35,404	558	16,565	1,414
CO Malander										
Kumba share awards										
DBA	1 March 2018	1 March 2021	2,304			2,304	—	1,496	—	—
DBA	1 March 2019	1 March 2022	2,075				2,075	237	947	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	2,175				2,175	248	992	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		1,034			1,034	118	472	—
Sub-total			6,554	1,034	—	2,304	5,284	2,099	2,411	—



# Remuneration report continued

			Number of shares					R'000		
			Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Scheme	Award date	Earliest date of vesting								
Prescribed officers								12	13	14
SA Martin										
Kumba share awards										
DBA	1 March 2019	1 March 2022	2,066				2,066	236	943	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	3,524				3,524	402	1,608	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		1,675			1,675	191	764	—
LTIP <sup>2</sup>	31 May 2019	1 March 2022	4,632				4,632	—	1,427	564
LTIP <sup>2</sup>	11 August 2020	1 March 2023	6,248				6,248	—	1,612	501
LTIP <sup>2</sup>	1 March 2021	1 March 2024		3,518			3,518	—	862	241
Anglo American plc share award <sup>4</sup>										
DBA	1 March 2018	1 March 2021	1,665	—		1,665	—	1,014	—	—
LTIP	1 March 2018	1 March 2021	3,500	—		3,500	—	2,132	—	—
Sub-total			21,635	5,193	—	5,165	21,663	3,975	7,216	1,306
GM Mc Gavigan										
Kumba share awards										
DBA	9 April 2018	1 March 2021	5,128			5,128	—	3,330	—	—
DBA	1 March 2019	1 March 2022	4,018				4,018	458	1,833	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	3,911				3,911	446	1,784	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		1,859			1,859	212	848	—
FSP	9 April 2018	1 March 2021	3,131			3,131	—	2,033	—	—
LTIP <sup>2</sup>	31 May 2019	1 March 2022	5,142				5,142	—	1,584	626
LTIP <sup>2</sup>	11 August 2020	1 March 2023	6,934				6,934	—	1,789	556
LTIP <sup>2</sup>	1 March 2021	24 March 2021		3,904			3,904	—	1,069	267
Sub-total			28,264	5,763	—	8,259	25,768	6,479	8,907	1,449



			Number of shares					R'000		
			Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Scheme	Award date	Earliest date of vesting								
Prescribed officers								12	13	14
P Ramchander										
Kumba share awards										
DBA <sup>1</sup>	1 March 2021	1 March 2023	—	1,418			1,418	162	647	—
LTIP <sup>2</sup>	1 March 2021	1 March 2024	—	3,459			3,459	—	847	237
Anglo American plc share awards <sup>5</sup>										
DBA	1 March 2018	1 March 2021	3,980	—		3,980	—	2,424	—	—
DBA	1 March 2019	1 March 2022	2,547	—			2,547	123	1,658	—
DBA	1 March 2020	1 March 2023	2,900	—			2,900	140	1,888	—
LTIP	1 March 2018	1 March 2021	4,000	—		4,000	—	2,436	—	—
LTIP	1 March 2019	1 March 2022	6,400	—			6,400	—	3,749	447
LTIP	1 March 2020	1 March 2023	7,200	—			7,200	—	2,649	263
Thungela Resources share awards <sup>11</sup>										
DBA	1 March 2019	1 March 2022	254				254	—	22	—
DBA	1 March 2020	1 March 2023	290				290	—	25	—
LTIP	1 March 2019	1 March 2022	27				27	—	2	—
LTIP	1 March 2020	1 March 2023	30				30	—	1	—
Sub-total			27,628	4,877	—	7,980	24,525	5,285	11,488	947
TS Smit										
Anglo American share awards <sup>6</sup>										
DBA	9 March 2018	3 March 2021	12,829	—	—	12,829	—	7,894	—	—
DBA	8 March 2019	8 March 2022	15,427	—	—	—	15,427	736	10,009	—
DBA	9 March 2020	9 March 2023	13,354	—	—	—	13,354	637	8,664	—
DBA	12 March 2021	12 March 2023	—	6,171	—	—	6,171	294	4,004	—
DBA	20 May 2021	12 March 2023	—	872	—	—	872	42	566	—
DBA <sup>10</sup>	16 June 2021	8 March 2022	—	149	—	—	149	4	97	—
LTIP	9 March 2018	3 March 2021	11,500	—	—	11,500	—	7,076	—	—
LTIP	26 March 2019	8 March 2022	20,200	—	—	—	20,200	—	11,795	1,283
LTIP	6 May 2020	9 March 2023	22,600	—	—	—	22,600	—	8,277	710
LTIP	12 March 2021	12 March 2024	—	14,000	—	—	14,000	—	4,868	401
LTIP <sup>10</sup>	16 June 2021	8 March 2022	—	241	—	—	241	—	94	4
Sub-total			95,910	21,433	—	24,329	93,014	16,683	48,374	2,398





# Remuneration report continued

			Number of shares					R'000		
Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Prescribed officers								12	13	14
SV Tyobeka										
Kumba share awards										
DBA	9 April 2018	1 March 2021	4,850			4,850	—	3,149	—	—
DBA	1 March 2019	1 March 2022	4,011				4,011	457	1,830	—
DBA <sup>1</sup>	1 March 2020	1 March 2023	3,905				3,905	445	1,782	—
DBA <sup>1</sup>	1 March 2021	1 March 2023		1,856			1,856	212	847	—
FSP	9 April 2018	1 March 2021	3,126			3,126	—	2,030	—	—
LTIP <sup>2</sup>	31 May 2019	1 March 2022	5,134				5,134	—	1,581	625
LTIP <sup>2</sup>	11 August 2020	1 March 2023	6,923				6,923	—	1,786	555
LTIP <sup>2</sup>	1 March 2021	1 March 2024		3,898			3,898	—	955	267
Sub-total			27,949	5,754	—	7,976	25,727	6,293	8,781	1,447
F Patel										
Kumba share awards										
DBA <sup>1</sup>	1 March 2021	1 March 2023		1,245			1,245	142	568	—
Sub-total			—	1,245	—	—	1,245	142	568	—
Total			499,008	99,141	29,620	104,489	464,040	84,341	192,976	9,642

<sup>1</sup> DBA shares awarded in terms of the bonus and retention share plan.

<sup>2</sup> LTIP shares awarded in terms of the PSP.

<sup>3</sup> Post vesting of the awards, an additional two-year holding period, subject to clawback conditions, will apply. Do not qualify for any dividend equivalents during the performance period.

<sup>4</sup> Anglo American shares previously awarded when employed by Anglo American Coal SA.

<sup>5</sup> Anglo American shares previously awarded when employed by Anglo American Corporate SA.

<sup>6</sup> Anglo American shares traded on the London Stock Exchange (LSE). Value is converted to ZAR at the applicable exchange rate to the declared event.

<sup>7</sup> Shares forfeited due to performance conditions not met in full.

<sup>8</sup> Pro rata shares forfeited as a result of retirement on 31 March 2021.

<sup>9</sup> Shares vested as a result of performance conditions being met. Shares are subject to an additional two-year holding period during which clawback conditions apply.

<sup>10</sup> As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, additional Anglo American (LSE listed) shares were awarded based on existing Anglo American shareholding and in line with the scheme rules.

<sup>11</sup> As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, Thungela shares were awarded based on existing Anglo American shareholding and in line with the scheme rules.

<sup>12</sup> Includes dividend payments received in March 2021 and August 2021 as well as face value of share vesting during 2021.

<sup>13</sup> Sum total of the estimated fair value of unvested DBA shares, 2019 LTIP award (actual vesting of 65.00%), 2020 and 2021 LTIP awards (estimated vesting of 60%).

The value is based on a 3-day VWAP on 31 December 2021 of R456.27 for Kumba, R650.87 for Anglo American and R1.00 for Thungela Resources shares.

<sup>14</sup> Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.



## Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2021 of the directors of the Company and their immediate families (none of whom has a holding greater than 1%) in the issued shares of the Company are detailed below. There have been no material changes to the shareholding since 2021 and the date of approval of the annual financial statements.

Capacity and name	2021			2020		
	Number of shares	Long-term incentive scheme shares <sup>1</sup>	Total beneficial interest	Number of shares	Long-term incentive scheme shares	Total beneficial interest
<b>Executive directors</b>						
TM Mkhwanazi	46,779	83,551	130,330	40,178	70,396	110,574
BA Mazarura	—	20,386	20,386	—	14,231	14,231
<b>Sub-total</b>	<b>46,779</b>	<b>103,937</b>	<b>150,716</b>	<b>40,178</b>	<b>84,627</b>	<b>124,805</b>
<b>Non-executive directors</b>						
MS Bomela	50	—	50	—	—	—
SS Ntsaluba	500	—	500	500	—	500
<b>Sub-total</b>	<b>550</b>	<b>—</b>	<b>550</b>	<b>500</b>	<b>—</b>	<b>500</b>
<b>Total</b>	<b>47,329</b>	<b>103,937</b>	<b>151,266</b>	<b>40,678</b>	<b>84,627</b>	<b>125,305</b>

<sup>1</sup> Granted under the rules of the bonus share plan, bonus and retention share plan and PSP and disclosed in the tables above.



Waste material mined from the western expansion in the Sishen pit is hauled and dumped in the mined-out areas of the pit.



# Ore Reserves (and Saleable Product) and Mineral Resources

This statement is an abridged version of the more comprehensive Kumba Iron Ore 2021 Ore Reserve (and Saleable Product) and Mineral Resource report, which can be accessed at:

→ <https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2021>

Kumba's ability to create value for all its stakeholders is dependent on its key natural resources and the continuous improvement of its ability to mine and beneficiate these resources at its Sishen and Kolomela mining operations to extract niche iron ore Saleable Product.

**Kumba's mineral endowment (all South African based) forms the foundation of its business with the following key focus areas in place to sustainably extract value over the Company's combined mine life:**



**Kumba's Saleable Product, Ore Reserves and Mineral Resources remaining after 31 December 2021 are headlined in the table below:**

Saleable Product (estimated beneficiated product derived from Proved and Probable Ore Reserves as per 2021 life-of-mine plans)	Ore Reserves (inclusive of Saleable Product and estimated currently economically mineable modified portion of Measured and Indicated Mineral Resources as per 2021 life-of-mine plans)	Exclusive ( <i>in situ</i> ) Mineral Resources (in addition to Ore Reserves and estimated via 3D geological modelling and further defined by applying parameters to spatially constrain the portions that have reasonable prospects for eventual economic extraction)
<b>Kolomela</b> 140.7 Mt at 64.7% average Fe	<b>Kolomela</b> 146.5 Mt at 63.6% average Fe (against 50% Fe cut-off grade)	<b>Kolomela</b> 129.4 Mt at 63.1% average Fe (against 50% Fe cut-off grade)
<b>Sishen</b> 424.9 Mt at 63.2% average Fe	<b>Sishen</b> 653.4 Mt at 54.0% average Fe (against 40% Fe cut-off grade)	<b>Sishen</b> 436.3 Mt at 57.0% average Fe (against 40% Fe cut-off grade)
<b>Total</b> 565.6 Mt at 63.5% average Fe	<b>Total</b> 799.9 Mt at 55.8% average Fe	<b>Total</b> 565.8 Mt at 58.4% average Fe
<b>Kumba Saleable Product decreased by 2% (-14.1 Mt) year-on-year.</b>	<b>Kumba Ore Reserve increased by 10% (+70.0 Mt) year-on-year.</b>	<b>Kumba exclusive Mineral Resource decreased by 20% (-139.0 Mt) year-on-year.</b>

The net increase in Ore Reserves and net decrease in Mineral Resources from 2020 to 2021 is primarily the result of the conversion of Measured and Indicated Mineral Resources to Ore Reserves. The approval of the UHDMs project for Sishen added 135.3 Mt low-grade Ore Reserves to the portfolio, while the enlargement of the Kapstevl South pit at Kolomela contributed a further 12.9 Mt additional Ore Reserves.

The overall Saleable Product has, however, slightly decreased year-on-year as the yield associated with the additional low-grade Ore Reserves at Sishen is much lower than yields achieved when beneficiating high- and medium-grade Ore Reserves. The overall gain through the beneficiation of low-grade Ore Reserves could therefore not completely offset the 2021 production.



## Introduction

The 2021 Kumba Saleable Product, Ore Reserves and Mineral Resources estimated to remain after 31 December 2021 as stated in this report, is an abridged version of the online Ore Reserve (and Saleable Product) and Mineral Resource Report, which in turn is a condensed version of the full 2021 in-house Kumba Resource and Reserve Statement and Audit Committee report, derived from detailed site-specific Reserve and Resource Statements; these are structured to address all aspects listed in the Table 1 checklist of reporting and assessment criteria as per the SAMREC Code (2016 Edition) as required by section 12.13 of the JSE listings Requirements.

## Salient features

### Ore Reserve replenishment

Kumba continued to deliver on its Ore Reserve replenishment drive in support of the Company's Tswelelopele strategy, which aims to enhance Kumba's financial margins and sustain its business for the future. Like all other mining houses Kumba faces the challenges associated with the depletion of Ore Reserves. Kumba's ambition set early in 2018, was to extend our life-of-mine through efficiency improvements, resource utilisation and exploration.

The target set at the beginning of Tswelelopele was to replenish (before depletion) Ore Reserves with 200 Mt and Saleable Product by 120 Mt by 2022. In support of this ambition, the following projects/initiatives have been successfully delivered:

- Improved operational efficiencies translating into higher resource to reserve conversion rates in both the Sishen and Kolomela life-of-mine plans from 2018 to 2021
- The implementation of the modular UHDMS plants at Sishen in 2018 to beneficiate the Jig plant discard
- Sishen pit slope optimisation phase 1 (2019)
- Kolomela waste stripping optimisation (2019)
- Sishen pit slope optimisation phase 2 (2020)
- Sishen UHDMS project approval (2021)
- Expansion of Kapstevel South pit at Kolomela (2021)

Kumba has exceeded the initial Tswelelopele targets by 61% on Ore Reserves and 58% on Saleable Product, with a cumulative (2018 to 2021) Ore Reserve replenishment of 322.8 Mt (before depletion of 199.3 Mt run-of-mine) and a cumulative Saleable Product replenishment of 191.0 Mt (before production of 164.0 Mt). After fully accounting for depletion over the period (2018 – 2021), the estimated Ore Reserves have increased by 123.5 Mt and the estimated Saleable Product by 27 Mt.

The latest 2021 replenishment contribution is primarily the result of the Sishen UHDMS project feasibility study being approved in 2021. This project will enable the beneficiation of low-grade ore with the planned upgrade of the existing DMS plant to an UHDMS plant, scheduled for completion towards the end of 2023 with the first product to be delivered from January 2024 onwards. Apart from enabling the beneficiation of low-grade material, the UHDMS technology enables Sishen to increase the average grade of its products until 2035, and increase the reserve life

from 2035 to 2039, with the last five years of production consisting of standard Lump and Fine iron ore products (~10 Mtpa) derived from low-grade Ore Reserves.

### 2021 Progress

- **Tswelelopele Horizon 1** – Improve Kumba Iron Ore's financial margins through achieving benchmark productivities, maximising resource utilisation, cost control and obtaining the maximum price for our superior iron ore products.
  - The Kapstevel South pit layout increased in size (12.9 Mt additional Ore Reserves) with a pit optimisation update considering 2020 long-term economic parameters to align it with the other pit layouts within Kumba.
- **Tswelelopele Horizon 2** – Apply new beneficiation technology and conduct exploration to extend the Company's life-of-mine. The programme focuses on converting lower-grade material to Saleable Product by fully utilising the UHDMS technology and exploration knowledge and expertise in the Northern Cape to discover new deposits both on and off-lease.
  - The Sishen UHDMS project feasibility study was approved in the first quarter of 2021.
  - Kolomela will launch a study in 2022 to evaluate the possibility of converting 59.1 Mt Measured and Indicated Mineral Resources of the Ploegfontein deposit to Ore Reserves. The deposit is located within the mining right area but not considered in the current life-of-mine plan.
  - On the exploration front, SIOC has continued its exploration activities in the Northern Cape province, including drilling on near-mine properties in relative proximity to existing operations that have been identified as potential iron ore mineralisation targets through its regional genetic geological model. Access for exploration has been achieved through option agreements with current third-party right holders. If the properties are prospective, and meet Kumba's expected criteria, Kumba has the right to take up 70% of the ownership in the assets.

The results achieved at the end of 2021 represents the culmination of the Horizon 1 and 2 Tswelelopele journey from a technology and planning perspective.

### Reserve and Resource movements from 2020 to 2021

Saleable Product over the reserve life decreased by 2% (-14.1 Mt) year-on-year, primarily as a result of production which was partially offset by the addition of Saleable Product attributable to the Sishen UHDMS project.





# Ore Reserves (and Saleable Product) and Mineral Resources continued

**Ore Reserves** showed a net year-on-year increase of 10% (+70.0 Mt), mainly due to the addition of low-grade ore to the Sishen Ore Reserve portfolio with the approval of the Sishen UHDMS project in 2021.

**Mineral Resources** (in addition to Ore Reserves) realised a material 20% (~139.0 Mt) decrease from 2020 to 2021, mainly as a result of the conversion of Measured and Indicated low-grade Mineral Resources to Ore Reserves at Sishen mine (UHDMS project).

## Other

### Saleable Product portfolio

The Sishen 2021 life-of-mine plan, with the introduction of the UHDMS technology, was able to increase the percentage of planned premium Saleable Product to 50% (37% Lump and 13% Fines) with the ambition to increase this further over time. Further work is being done to appropriately define the chemical qualities associated with the premium Lump product to ensure alignment between the Ore Reserve capability and the marketing

strategy. The high demand for Kumba's premium product, however, places risk on remaining standard Lump and Fine products in terms of  $Al_2O_3$  and  $K_2O$  contaminant grades.

*As mitigation, Kumba is in discussion with the Anglo American Marketing division to ensure an aligned and optimal way forward where value is maximised while considering the inherent grade characteristics of the Mineral Resources in various planning scenarios.*

### Logistics

Kumba faces several challenges securing its future export logistics capacity, including continued channel underperformance, uncertainty and competition from Manganese for rail and insufficient Northern Cape iron ore resources to sustain a major channel expansion.

*Kumba is actively engaging and making progress with Transnet (state owned railway company) to improve both the performance and longevity of the rail and port infrastructure.*



Manager, Jannik Rotklier, section manager, Dineo Phaladi, and, mining technician, Gundo Nephithidi, at the berm monitoring system in the Leeuwfontein pit. The system monitors any movement or height deficiencies in the berms and sends warnings to the control room.





## Saleable Product

### 2021 Saleable Product statement (referenced against 2020)

Saleable Product estimates tabled below represent the planned beneficiated product derived from Proved and Probable Ore Reserves only, as per the 2021 life-of-mine plans and excludes estimated modified beneficiated Inferred Mineral Resources.

Operation/project	Saleable Product category	2021	2020	2021		2020			
		Yield (%)	Yield (%)	Tonnage (Mt)	Average Grade (% Fe)	Tonnage (Mt)	Average Grade (% Fe)		
Mining operations									
Kolomela <sup>1, 2, 3, 4</sup>									
Saleable Product (from pit)	Proved	96.0	94.9	97.9	64.8	101.1	64.4		
	Probable			31.7	64.5	41.3	64.6		
	Sub-total			129.6	64.7	142.4	64.5		
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	0.0	0.0		
	Probable			11.1	64.2	7.6	64.5		
	Sub-total			11.1	64.2	7.6	64.5		
Total Saleable Product	Proved			97.9	64.8	101.1	64.4		
	Probable			42.8	64.4	48.8	64.6		
	Total			140.7	64.7	150.0	64.5		
Sishen <sup>1, 2, 3, 4</sup>									
Saleable Product (from pit)	Proved	65.0	75.1	269.4	64.7	268.4	65.1		
	Probable			120.4	61.1	151.2	64.1		
	Sub-total			389.8	63.6	419.6	64.7		
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	0.0	0.0		
	Probable			35.1	59.0	10.2	63.8		
	Sub-total			35.1	59.0	10.2	63.8		
Total Saleable Product	Proved			269.4	64.7	268.4	65.1		
	Probable			155.5	60.6	161.4	64.1		
	Total			424.9	63.2	429.7	64.7		
Company									
Kumba									
Grand total Saleable Product	Proved	70.7	79.4	367.4	64.7	369.5	64.9		
	Probable			198.2	61.4	210.2	64.2		
	Grand total			565.6	63.5	579.7	64.6		

<sup>1</sup> Operational status – Steady-state

<sup>2</sup> Mining method – Open-pit

<sup>3</sup> Ore type – Haematite iron ore

<sup>4</sup> Owned by Kumba Iron Ore Limited – 76.3%; Owned by SIOC – 100%

#### Kolomela's Saleable Product decreased by 9.3 Mt (-6%) from 2020 to 2021

The year-on-year Saleable Product decrease is primarily due to production and a reconciliation adjustment. This was partially offset by a revised pit design and subsequent enlargement of Kapstevl South (a deposit scheduled for mining in the 2021 life-of-mine plan).

Movements are detailed in the Kumba Ore Reserve (and Saleable Product) and Mineral Resource (ORMR) report of 2021.

#### Sishen's Saleable Product decreased by 4.8 Mt (-1%) year- on-year

Despite a material year-on-year increase in Ore Reserves as a result of the approval of the Sishen UHDMs project in 2021, the resultant Saleable Product, showed a net year-on-year decrease. The gain in Saleable Product as a result of the project is as at a much lower yield than the norm due to the fact that the additional Ore Reserves are low-grade ore. The gain was offset by annual production, reconciliation adjustments and geological model updates.

Movements are detailed in the Kumba Ore Reserve (and Saleable Product) and Mineral Resource (ORMR) report of 2021.



# Ore Reserves

## 2021 Ore Reserve statement (referenced against 2020)

Ore Reserve estimates tabled below represent the planned (scheduled) run-of-mine derived through modification of currently economically mineable Measured and Indicated Mineral Resources only, as per the 2021 life-of-mine plans and excludes modified Inferred Mineral Resources.

Operation	Reserve category	2021				2020			
		Tonnage (Mt)	Grade (% Fe)		Reserve life (years)	Tonnage (Mt)	Grade (% Fe)		Reserve life (years)
			Average	Cut-off			Average	Cut-off	
Mining operations									
Kolomela <sup>1, 2, 3, 4</sup>									
Ore Reserves (from pit)	Proved	102.0	63.8	50.0	13	104.0	62.8	50.0	12
	Probable	33.0	63.3			42.5	61.6		
	Sub-total	135.0	63.7			146.5	62.5		
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			0.0	0.0		
	Probable	11.5	63.3			11.5	57.4		
	Sub-total	11.5	63.3			11.5	57.4		
Total Ore Reserves	Proved	102.0	63.8			104.0	62.8		
	Probable	44.6	63.3			54.0	60.7		
	Total	146.5	63.6			158.0	62.1		
Sishen <sup>1, 2, 3, 4</sup>									
Ore Reserves (from pit)	Proved	384.9	57.6	40.0	18	348.9	58.8	40.0	15
	Probable	211.3	48.9			209.4	56.6		
	Sub-total	596.2	54.5			558.2	58.0		
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			0.0	0.0		
	Probable	57.2	48.3			13.7	54.6		
	Sub-total	57.2	48.3			13.7	54.6		
Total Ore Reserves	Proved	384.9	57.6			348.9	58.8		
	Probable	268.5	48.8			223.1	56.5		
	Total	653.4	54.0			571.9	57.9		
Company									
Kumba									
Grand total Ore Reserves	Proved	486.9	58.9			452.9	59.7		
	Probable	313.0	50.9			277.1	57.3		
	Grand total	799.9	55.8			729.9	58.8		

<sup>1</sup> Operational status – Steady-state

<sup>2</sup> Mining method – Open-pit

<sup>3</sup> Ore type – Haematite iron ore (including run-of-mine stockpiles)

<sup>4</sup> Owned by Kumba Iron Ore Limited – 76.3%; Owned by SIOC – 100%

**Kolomela realised a year-on-year net decrease in Ore Reserves of 11.5 Mt (-7%)**

Ore Reserve decrease primarily due to production and a reconciliation adjustment. This was partially offset by a revised pit design and subsequent enlargement of Kapstevl South (a deposit scheduled for mining in the 2021 life-of-mine plan). Movements are detailed in the Kumba Ore Reserve (and Saleable Product) and Mineral Resource (ORMR) report of 2021.

**Sishen's Ore Reserves increased materially by 81.5 Mt (+14%) year-on-year**

Ore Reserve increase mainly attributed to the conversion of low-grade *in situ* and stockpiled Mineral Resources to Ore Reserves following approval of the Sishen UHDMs project in 2021. This was partially offset by annual production, geological model update and a reconciliation adjustment. Movements are detailed in the Kumba Ore Reserve (and Saleable Product) and Mineral Resource (ORMR) report of 2021.



# Mineral Resources

## 2021 exclusive Mineral Resource statement (referenced against 2020)

The Mineral Resources are reported in addition to Ore Reserves. Kumba's 2021 (*in situ*) Mineral Resources are not an inventory of all mineral occurrences drilled or sampled regardless of cut-off grade, likely dimensions, location, depth or continuity. Instead, they are a realistic record of those, which under assumed and justifiable technical and economic conditions, have reasonable prospects for eventual economic extraction.

Operation	Resource category	2021			2020		
		Tonnage (Mt)	Average Grade		Tonnage (Mt)	Average Grade	
			(% Fe)	Cut-off Grade (% Fe)		(% Fe)	Cut-off Grade (% Fe)
Mining operations							
Kolomela <sup>1, \$</sup>							
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	30.5	64.8	50.0	40.1	63.2	50.0
	Indicated (outside LoMP)	59.8	63.1		66.4	63.1	
	Total Measured and Indicated (outside LoMP)	90.4	63.7		106.5	63.1	
	Inferred (considered in LoMP)	6.6	64.8		1.5	65.8	
	Inferred (outside LoMP)	23.8	63.1		28.7	63.8	
	Total Inferred	30.4	63.5		30.1	63.9	
	Sub-total	120.7	63.6		136.6	63.3	
Long-term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0		0.0	0.0	
	Indicated (outside LoMP)	8.7	55.2		6.7	55.1	
	Total Measured and Indicated (outside LoMP)	8.7	55.2		6.7	55.1	
	Inferred (considered in LoMP)	0.0	0.0		0.0	0.0	
	Inferred (outside LoMP)	0.0	0.0		0.0	0.0	
	Total Inferred	0.0	0.0		0.0	0.0	
	Sub-total	8.7	55.2		6.7	55.1	
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	30.5	64.8		40.1	63.2	
	Indicated (outside LoMP)	68.5	62.1		73.1	62.4	
	Total Measured and Indicated (outside LoMP)	99.1	62.9		113.2	62.7	
	Inferred (considered in LoMP)	6.6	64.8		1.5	65.8	
	Inferred (outside LoMP)	23.8	63.1		28.7	63.8	
	Total Inferred	30.4	63.5		30.1	63.9	
	Total	129.4	63.0		143.3	63.0	



# Mineral Resources continued

Operation	Resource category	2021			2020				
		Tonnage (Mt)	Average Grade		Tonnage (Mt)	Average Grade			
			(% Fe)	Cut-off Grade (% Fe)		(% Fe)	Cut-off Grade (% Fe)		
Sishen <sup>2, \$</sup>									
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	176.7	59.4	40.0	149.6	57.0	40.0		
	Indicated (outside LoMP)	222.4	55.4		355.8	53.2			
	Measured and Indicated (outside LoMP)	399.2	57.2		505.4	54.3			
	Inferred (considered in LoMP)	12.6	50.8		12.2	56.6			
	Inferred (outside LoMP)	24.6	56.7		18.5	48.1			
	Total Inferred	37.2	54.7		30.7	51.5			
	Sub-total	436.3	57.0		536.1	54.1			
Long-term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0		0.0	0.0			
	Indicated (outside LoMP)	0.0	0.0		25.4	41.1			
	Measured and Indicated (outside LoMP)	0.0	0.0		25.4	41.1			
	Inferred (considered in LoMP)	0.0	0.0		0.0	0.0			
	Inferred (outside LoMP)	0.0	0.0		0.0	0.0			
	Total Inferred	0.0	0.0		0.0	0.0			
	Sub-total	0.0	0.0		25.4	41.1			
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	176.7	59.4		149.6	57.0			
	Indicated (outside LoMP)	222.4	55.4		381.2	52.4			
	Measured and Indicated (outside LoMP)	399.2	57.2		530.8	53.7			
	Inferred (considered in LoMP)	12.6	50.8		12.2	56.6			
	Inferred (outside LoMP)	24.6	56.7		18.5	48.1			
	Total Inferred	37.2	54.7		30.7	51.5			
	Total	436.3	57.0		561.5	53.6			
Company									
Kumba									
Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	207.3	60.2		189.6	58.3			
	Indicated (outside LoMP)	291.0	57.0		454.3	54.0			
	Measured and Indicated (outside LoMP)	498.2	58.3		643.9	55.3			
	Inferred (considered in LoMP)	19.2	55.6		13.7	57.6			
	Inferred (outside LoMP)	48.3	59.8		47.2	57.6			
	Total Inferred	67.5	58.6		60.8	57.6			
	Grand total	565.8	58.3		704.8	55.5			

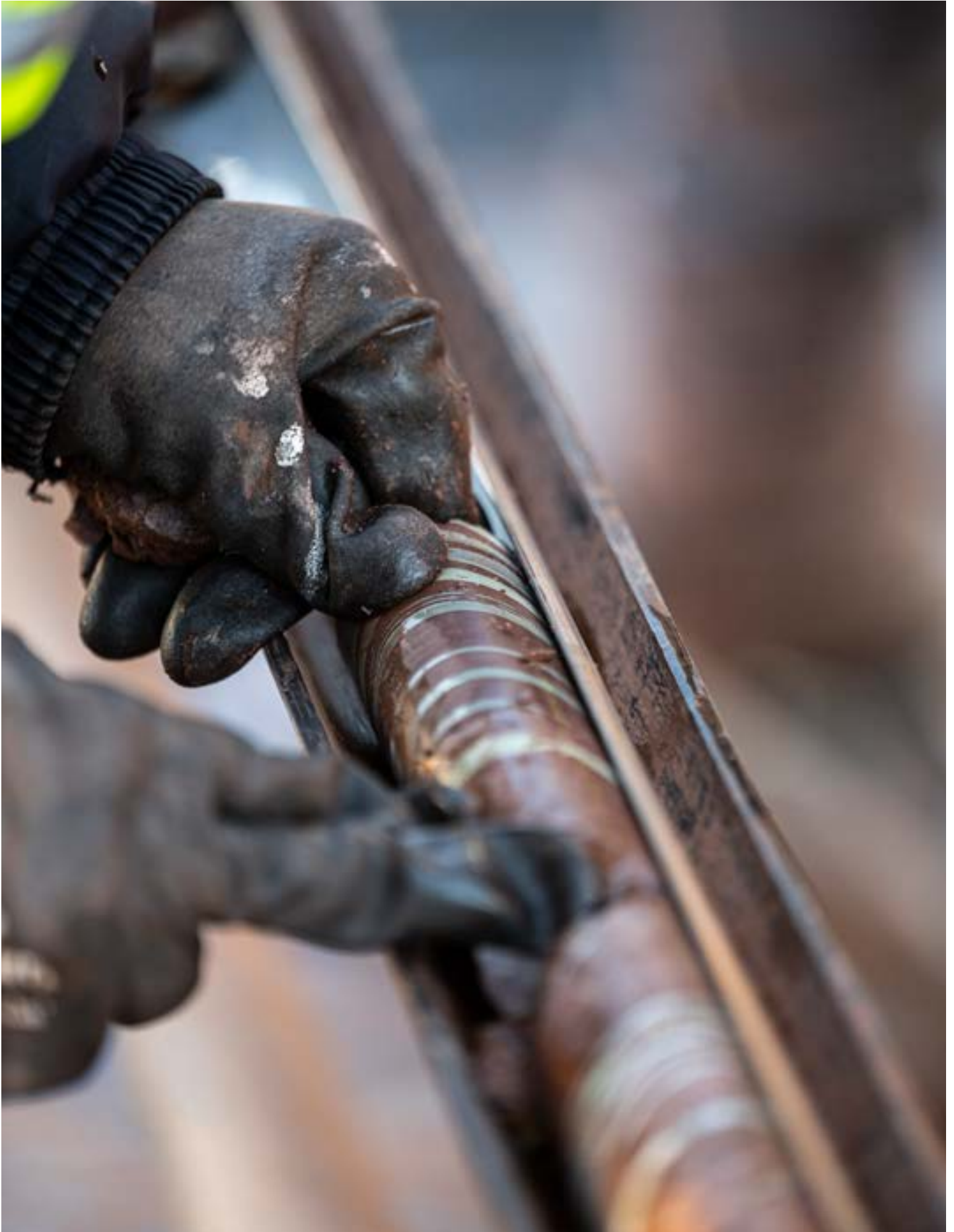
§ Ore type: Haematite; owned by Kumba Iron Ore Limited: 76.3%; owned by SIOC: 100%

## Kolomela quotes a 13.9 Mt (-10%) decrease in exclusive Mineral Resources from 2020 to 2021

The decrease is primarily due to conversion of Mineral Resources to Ore Reserves resulting from the enlargement of the Kapstevl South pit. Additional material remaining unutilised in the 2021 life-of-mine plan when compared to the 2020 life-of-mine plan, was not reallocated to Mineral Resources. This material contains diluted waste below the 50% Fe cut-off grade and as such has been reallocated to waste.

## The Sishen exclusive Mineral Resources showed a material 22% decrease of 125.1 Mt year-on-year

The decrease can mainly be attributed to the conversion of low-grade Mineral Resources to Ore Reserves with the approval of the Sishen UHDS project in 2021. This was partially offset by an increase in Mineral Resources (outside the pit layout) based on the annual geological model update to incorporate the latest additional validated borehole information.



Core samples at Kolomela.





# Appendices

## In this section

- Responsibility statement on internal financial controls
- Climate change disclosure
- Salient features
- Remuneration framework composition
- Glossary of icons
- Glossary of terms and acronyms
- Administration







# Responsibility statement on internal financial controls

for the year ended 31 December 2021

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements as set out on pages 24 to 106 of the Kumba AFS, fairly present in all material respects the financial position, financial performance and cash flows of Kumba in terms of IFRS
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Kumba and its consolidated subsidiaries have been provided to effectively prepare the financial statements
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code

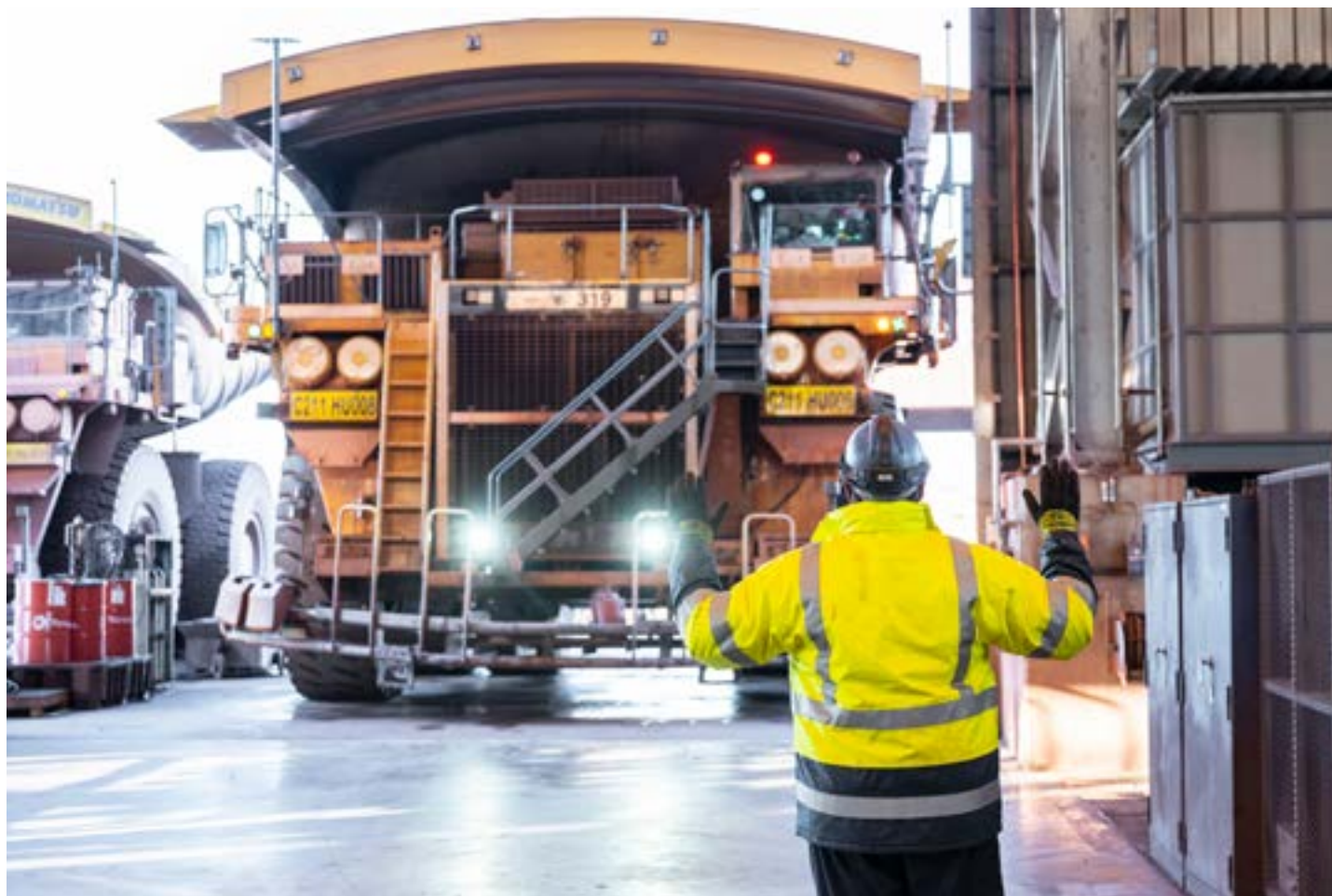
Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and have taken the necessary remedial action.

**Themba Mkhwanazi\***  
Chief Executive

**Bothwell Mazarura**  
Chief Financial Officer

21 February 2022

\* Themba Mkhwanazi was the Chief Executive of Kumba until 31 December 2021.



*An operator guides one of the large Komatsu haul trucks into the HME workshops for maintenance.*





# Climate change disclosure

Respecting society's increasing expectations for greater transparency around climate change, our management and reporting approach follows the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Kumba's response to the risks posed by climate change is multi-disciplinary and is covered throughout our reporting suite including in our SR and Anglo American plc's disclosures. The table below offers guidance on where to find information relating to each of the TCFD's recommendations.

Recommended disclosures	References	Pages
<b>Governance</b>		
Disclose the organisation's governance around climate-related risks and opportunities.		
(a) Describe the Board's oversight of climate-related risks and opportunities.	Corporate governance	IR 40
	Governance and management approach	SR 24 to 31
	Climate change	SR 87 to 91
(b) Describe management's role in assessing and managing climate-related risks and opportunities.	Material risks and opportunities	IR 76
	Governance and management approach	SR 24 to 31
	Climate change	SR 87 to 91
<b>Strategy</b>		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.		
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Climate change	SR 87 to 91
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Climate change	SR 87 to 91
	→ Anglo American Climate change report 2021	13 to 14
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	→ Anglo American Climate change report 2021	15 to 19
<b>Risk management</b>		
Disclose how the organisation identifies, assesses, and manages climate-related risks.		
(a) Describe the organisation's processes for identifying and assessing climate-related risks.	Material risks and opportunities	IR 76
	Climate change	SR 87 to 91
	→ Anglo American Climate change report 2021	13 to 14
(b) Describe the organisation's processes for managing climate-related risks.	Climate change	SR 87 to 91
(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change	SR 87 to 91
	→ Anglo American Climate change report 2021	13 to 14
<b>Metrics and targets</b>		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Climate change	SR 87 to 91
(b) Disclose scope 1, scope 2, and, if appropriate, scope 3 GHG emissions, and the related risks.	Climate change	SR 87 to 91
	Climate change	SR 91
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Climate change	SR 87 to 91



# Salient features

for the year ended 31 December

	2021	2020	2019	2018	2017
<b>Group safety</b>					
Fatalities	0	0	0	0	0
TRCFR	0.80	1.74	2.06	1.80	3.23
FIFR	0	0	0	0.00	0
LTIFR	0.32	0.8	0.69	0.92	0.84
<b>Production (Mt)*</b>					
Sishen	28.0	25.4	29.2	29.2	31.1
Kolomela	12.8	11.7	13.2	13.9	13.9
<b>Sishen free-on-rail (FOR) unit cost</b>					
Unit cost (R/tonne)/(US\$/tonne)	555.2/37.6	524.3/31.8	467.3/32.3	378.2/28.6	375.4/28.7
Cash cost (R/tonne)/(US\$/tonne)	432.0/29.2	356.9/21.7	345.1/23.9	290.0/21.9	287.3/22.0
<b>Kolomela FOR unit cost</b>					
Unit cost (R/tonne)/(US\$/tonne)	444.2/30.0	439.6/26.7	374.4/25.9	354.7/26.8	336.7/25.8
Cash cost (R/tonne)/(US\$/tonne)	324.0/21.9	298.7/18.1	270.4/18.7	248.1/18.8	236.7/18.1
<b>C1 unit costs (US\$/tonne)*</b>					
Kumba C1 unit cost	39.2	31.2	33.4	32.3	32.3
<b>Stripping ratio</b>					
Sishen	3.9	4.1	4.8	4.7	4.3
Kolomela	4.5	3.7	4.0	3.5	3.4
<b>Logistics (Mt)*</b>					
Total volumes railed to port of Saldanha Bay	39.3	38.1	42.0	40.6	42.0
Total volumes loaded at port	40.2	40.0	40.0	40.0	41.6
<b>Sales volumes (Mt)*</b>					
Export sales	40.2	40.0	40.0	40.0	41.6
Domestic sales	0.1	0.3	2.2	3.3	3.3
<b>Reserve life (years) (including inferred resources)</b>					
Sishen	18	15	13	14	13
Kolomela	13	12	12	14	14
<b>CED expenditure (Rm)</b>					
Sishen	114.0	77.6	62.1	48.7	13.0
Kolomela	77.8	58.2	53.5	47.1	21.6
Thabazimbi	—	—	—	—	0.7
<b>Transformation</b>					
HDSAs in management (%)	75	72	71	68	66
Women in core mining (%)	22	21	20	23	17
<b>Environmental performance</b>					
Number of level 3, 4 or 5 environmental incidents	0	0	0	0	0
Total water withdrawals (million m <sup>3</sup> )	27.1	29.4	30.0	30.8	33.2
Total energy consumed (million GJ)	8.73	8.10	8.78	8.9	8.9

## Employees (excluding head office, logistics and learnerships)

	2021		2020		2019		2018		2017	
	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
Operation										
Sishen	4,235	3,199	4,360	3,386	4,370	4,306	4,312	4,440	4,194	3,112
Kolomela	1,448	1,287	1,448	1,170	1,426	1,206	1,382	1,070	1,324	1,178
Thabazimbi	—	—	—	—	—	—	—	—	61	38

\* In this report, production, sales volumes and C1 unit costs for 2021 and 2020 are reported as wmt; previously disclosed 2020 figures have been restated, as Kumba previously reported on a dry basis. Product is shipped with approximately 1.6% moisture. Information for 2019 to 2017 is stated in dmt.





# Remuneration framework composition

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers.

Fixed remuneration		Variable remuneration			
TGP		STIs		Long-term incentives	
Base salary	Standard benefits	Annual Team+ performance bonus	DBA	LTIP – prescribed officers and general managers	LTIP – executive directors
<b>Purpose and link to remuneration strategy</b>	Market-related level of remuneration differentiated on the specific requirements of the role, level of complexity and span of control	Benefits appropriate to the market and contributing to the health and wellbeing of employees in support of our EVP	<p>The incentive is designed to reward and motivate the achievement of agreed team objectives on a business unit (Kumba corporate) and asset (mining operations) level. The incentive is directly linked to the relevant team performance against financial, productivity, costs, safety and sustainability objectives comprising the business results for the performance year</p> <p>Further to this, the incentive also incentivises performance towards the achievement of the Tswelopele strategic programme and initiatives driving the transformation of the business, specifically related to beyond benchmark productivity improvements targeted. Through the deferred bonus arrangement, long-term sustained performance is encouraged</p>	<p>Motivate prescribed officers and qualifying senior managers to achieve the three-year strategic objectives of the Company pertaining to relative TSR and a balanced scorecard of performance metrics, thus aligning top management and shareholder interests</p>	<p>Motivate executive directors to achieve the three-year strategic objectives of the Company pertaining to relative TSR and a balanced scorecard of performance metrics, thus aligning executive and shareholder interests</p> <p>The additional two-year holding period, subject to clawback provisions, ensures an accentuated level of accountability and corporate sustainability</p>
<b>Methodology</b>	<p>Base salary, as part of TGP, is reviewed annually to ensure market competitiveness within the mining industry, as well as nationally</p> <p>The standard benefits, as part of the TGP fixed component of remuneration, are as follows:</p> <ul style="list-style-type: none"> <li>Monthly employer retirement fund contribution to selected retirement funds equal to 12% of pensionable earnings</li> <li>Disability cover included in the monthly employer retirement fund contribution</li> <li>Personal accident, life and disability cover as well as travel cover</li> <li>Monthly medical aid subsidy equivalent to the smallest of 60% of the monthly contribution or an annually reviewed subsidy cap</li> <li>Study assistance for position-related formal, further education for qualifying employees</li> </ul>	<p>An annual cash incentive, determined in accordance with the Team+ performance management principles, payable at the end of March of the year following the end of the financial year</p> <p>The quantum of the annual incentive is determined as the multiple of the grading specific BR percentage (between 40% and 60% of annual BEC) and the additive sum of the business results, critical tasks and breakthrough accelerator KRA metrics</p> <p>Business results are weighted at 70% and the critical tasks and breakthrough accelerator KRAs at 30% each</p> <p>The overall team performance scorecard (including the discretionary breakthrough accelerator KRA) weighting adds up to 130% of the BR. A safety deduction penalty modifier, ranging between 10% to 20% per fatality, also applies to the overall bonus potential</p>	<p>A deferred bonus arrangement in which a proportion of the cash incentive is matched and awarded as:</p> <p>(i) 100% of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year. These bonus shares are linked to performance during the financial year in the same manner as the annual cash incentive, and are subject to a two-year (one-third of the shares) and three-year (two-thirds of the shares) holding period before vesting, during which it remains restricted</p> <p>This is applicable to executive directors, prescribed officers and senior management</p> <p>(ii) Participants earn dividends on shares awarded under the DBA</p>	<p>The LTIP consists of conditional awards of shares vesting after three years, subject to the achievement of stretched performance conditions</p> <p>Full voting and dividend rights will only accrue from the vesting date. The 2019 LTIP performance measure comprises:</p> <ul style="list-style-type: none"> <li>70% relative TSR</li> <li>30% balance scorecard (which consist of attributable free cash flow, rehabilitation and mine closure, TRCFR, attributable ROCE, environmental incidents and PM10 dust control)</li> </ul>	



# Remuneration framework composition

continued

Fixed remuneration		Variable remuneration			
TGP		STIs		Long-term incentives	
Base salary	Standard benefits	Annual Team+ performance bonus	DBA	LTIP – prescribed officers and general managers	LTIP – executive directors
Methodology			<p>(iii) 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year</p> <ul style="list-style-type: none"> <li>The deferred cash is linked to performance during the financial year in the same manner as the annual cash incentive, and is subject to a one-year holding period before vesting, during which it remains restricted</li> <li>This is applicable to middle management level employees</li> <li>The deferred bonus shares as well as deferred cash will be forfeited if the participant leaves employment during the restricted period (except if the participant is a "good leaver" under the DBA scheme rules).</li> </ul>	<p>The relative TSR is further split into a 35% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 35% global iron ore peer group.</p> <p>The global iron ore companies comparator group comprises of:</p> <ul style="list-style-type: none"> <li>Companhia Siderurgica Nacional</li> <li>EVRAZ PLC</li> <li>Ferrexpo Plc</li> <li>Fortescue Metals Group Limited</li> <li>Aowei Holdings Limited (delisted 26 March 2021)</li> <li>Honbridge Holdings Limited</li> <li>IRC Limited</li> <li>NMDC Limited</li> <li>Shougang Hierro Peru Saa (delisted 30 March 2020)</li> <li>Vale S.A.</li> </ul> <p>Targets are approved by Remco for each allocation and no re-testing of performance conditions is allowed. Shares that do not vest after three years in terms of the performance conditions will lapse.</p>	
Methodology				<p>Prescribed officers and qualifying senior managers will qualify for dividend equivalents on vested shares</p> <p>Dividend equivalents will be equal to the normal dividends that the Company would have paid in respect of each share during the vesting period, multiplied by the number of vested shares</p>	<p>The executive directors do not qualify for dividend equivalents on vested shares over the vesting period</p>



Fixed remuneration		Variable remuneration			
TGP		STIs		Long-term incentives	
Base salary	Standard benefits	Annual Team+ performance bonus	DBA	LTIP – prescribed officers and general managers	LTIP – executive directors
<p>Base salary is linked to the annual benchmarking of the total reward package against the market median of companies of comparable size and complexity within the industry</p>	<p>The benefits have been designed to support the Company's EVP to a competitive remuneration framework in the market</p>	<p>The values of the annual performance incentive for executive directors and prescribed officers are:</p> <p><b>Chief Executive:</b> The Chief Executive's annual incentive is determined by measuring performance against his personal scorecard, aligned with the Team+ Kumba scorecard, comprising business results and critical tasks key result areas. The critical tasks KRA has been aligned with the individual objectives for the Chief Executive for 2021. The cash element of the incentive is capped at 125% of the annual base salary. The Chief Executive, as a member of the Anglo American GMC, does not qualify for the discretionary breakthrough accelerator component of the Team+ incentive regime</p>	<p>Executive directors, prescribed officers and senior management:</p> <p>100% of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year</p> <p><b>Middle management:</b> 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year</p>	<p>The LTIP award quantum is fixed at 80% of the participant's annual base salary (face value of share award) for qualifying prescribed officers and general management level managers</p> <p>The prescribed officers and general management level managers qualify for dividend equivalents over the vesting period, based on the number of conditional shares vesting on the vesting date, after performance testing</p>	<p>The maximum annual face value of the LTIP award is 150% of the annual base salary for the Chief Executive and 100% of the annual base salary for the Chief Financial Officer</p> <p>The executive directors do not qualify for dividend equivalents over the vesting period</p>

Opportunity and maximum limit



# Remuneration framework composition

continued

Fixed remuneration		Variable remuneration			
TGP		STIs		Long-term incentives	
Base salary	Standard benefits	Annual Team+ performance bonus	DBA	LTIP – prescribed officers and general managers	LTIP – executive directors
Opportunity and maximum limit		<b>Prescribed officers:</b> As with the case of the Chief Financial Officer, prescribed officers participate in the Team+ performance management approach and their performance is directly linked to the Kumba business unit scorecard for 2021. The BR for prescribed officers is 60% with a maximum cash bonus potential of 78% of annual base salary			
		<b>Chief Financial Officer:</b> The Chief Financial Officer participates in the Team+ performance management approach and his performance is directly linked to the Kumba business unit scorecard for 2021. The Chief Financial Officer may also qualify for the discretionary breakthrough accelerator component (30%) of the Team+ incentive regime. The maximum BR of 60% for the Chief Financial Officer, times the business unit scorecard with a maximum cash bonus potential of 78% of annual base salary			



Fixed remuneration		Variable remuneration			
TGP		STIs		Long-term incentives	
Base salary	Standard benefits	Annual Team+ performance bonus	DBA	LTIP – prescribed officers and general managers	LTIP (2019)
Performance conditions	The salary adjustment under the Team+ performance regime is no longer linked to individual performance, but to the inflationary outlook, market adjustment benchmarking and individual position salary benchmarking	n/a	<p>The Team+ performance regime STI is linked to a business result area encompassing the following metrics:</p> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>Group earnings per share (EPS)</li> <li>Group attributable free cash flow</li> <li>Kumba EBITDA</li> <li>Kumba operating free cash flow</li> <li>Kumba ROCE</li> </ul> <p><b>Operational</b></p> <ul style="list-style-type: none"> <li>Production</li> <li>Sishen saleable production</li> <li>Kolomela saleable production</li> <li>Cost – Kumba total (C1) unit cost</li> <li>Mine compliance</li> </ul> <p><b>Safety, health and environment</b></p> <ul style="list-style-type: none"> <li>Safety – TRCFR</li> <li>Environmental systems</li> <li>EOF</li> <li>Health systems</li> </ul> <p>The business results KRA accounts for 70% of the STI scorecard weighting. The remaining 30% of the scorecard is comprised of the critical tasks key result area measuring productivity</p>	<p>Two weighted performance metrics measured over a three-year performance period apply to each award being:</p> <ul style="list-style-type: none"> <li>70% relative (TSR) and</li> <li>30% balance scorecard which consist of several financial and ESG measures being: <ul style="list-style-type: none"> <li>attributable free cash flow;</li> <li>financial provision provided for rehabilitation and mine closure;</li> <li>safety TRCFR;</li> <li>attributable ROCE;</li> <li>level 4 to 5 environmental incidents; and</li> <li>PM10 dust control.</li> </ul> </li> </ul> <p>The relative TSR is further split into a 35% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 35% global iron ore peer group</p>	
Eligible participants	Executive directors, prescribed officers, senior and middle management employees	Executive directors, prescribed officers, senior and middle management employees		Prescribed officers and qualifying senior managers (general management level employees)	
Company limits on equity awards	n/a	n/a		<p>The aggregate limit for the DBA and LTIP is 5% of the issued share capital. Shares are purchased in the market and not issued for the purpose of settlement of the DBA and LTIP</p> <p>The current level of outstanding shares is equal to 0.24% of total issued share capital</p>	
Policy changes in 2021	n/a	Please refer to the Kumba 2021 changes to our performance management approach and supporting performance incentive underpin on page 125		Please refer to the Kumba 2021 changes to our performance management approach and supporting performance incentive underpin on page 125	





# Glossary of icons

Icons used throughout this report

## Our capitals

To demonstrate how utilisation and trade-offs in the capitals lead to value creation

→ For more information on our capitals see page 20

<p><b>People</b></p> <p>Everything we do depends on the wellbeing, skills, knowledge, experience, productivity, motivation and behaviour of our employees, the leadership team, contractors, and service providers</p>	<p><b>Manufactured assets</b></p> <p>Our substantial financial investment in the purchase, development and maintenance of property, plant and equipment has given us the capacity to generate longer-term returns</p>	<p><b>Financial capital</b></p> <p>Access to cost-effective financial capital – such as equity, debt and reinvestment – is an essential basis for sustaining and creating further value across all capital stocks</p>	<p><b>Natural resources</b></p> <p>Our business model involves converting natural resources into social and economic value; doing so has some unavoidable environmental impacts</p>	<p><b>Relationships</b></p> <p>Trusted relationships with stakeholders is essential to securing our reputation and licence to operate, and enabling us to deliver on our ambitious Tswelelopele strategy</p>	<p><b>Intellectual capital</b></p> <p>Delivering on our strategy and business model requires a strong performance-based culture, effective management systems and continuing innovation in processes and technology to produce the most efficient and effective outcomes</p>
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## How we measure the value we create

→ For more information on our KPIs, see page 8

Our seven pillars of value underpin everything we do. Each pillar has defined KPIs and targets that we set for the business and against which we measure our financial and non-financial performance:

<p><b>Safety and health</b></p>	<p><b>Environment</b></p>	<p><b>Socio-political</b></p>	<p><b>People</b></p>	<p><b>Production</b></p>	<p><b>Cost</b></p>	<p><b>Financial</b></p>
To do no harm to our workforce	To minimise our impact on the environment	To partner in the benefits of mining with local communities and government	To create sustainable competitive advantage through capable people and an effective, purpose-led, high-performance culture	To sustainably produce valuable product	To be competitive by operating as efficiently as possible	To deliver sustainable returns to our shareholders

## Covid-19

To indicate Covid-19-related impacts throughout the document

<p>Covid-19 reporting</p>
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## Sustainable development goals

<p>1 NO POVERTY</p>	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>4 QUALITY EDUCATION</p>	<p>5 GENDER EQUALITY</p>	<p>6 CLEAN WATER AND SANITATION</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>	<p>15 LIFE ON LAND</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>
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# Glossary of terms and acronyms

ABAS	Anglo Business Assurance Services
ADR	Alternative dispute resolution
AFS	Annual financial statements
AGM	Annual general meeting
AI	Artificial intelligence
AMCU	Association of Mineworkers and Construction Union
Attributable free cash flow	The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends received from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and dividends paid to Kumba shareholders
BEC	Basic employment cost
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
BF-BOF	Blast furnace and basic oxygen furnace
BR	Bonus rate
C1 unit cost	All direct cash costs incurred in the mining and production of iron ore
Cash unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads, but excluding non-cash costs like depreciation, accounting provisions and share-based payment costs
CPD	Climate disclosure project
CED expenditure	The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development)
CFR	Cost and freight
CIPC	Companies and Intellectual Property Commission
COID	Compensation for occupational injuries and diseases
Covid-19	Coronavirus (SARS-CoV2) disease of 2019
CSIR	Council for Scientific and Industrial Research
CTC	Cost to company
DAF	Delegation of authority framework
DBA	Deferred bonus arrangement
DM	District municipalities
DMRE	Department of Mineral Resources and Energy
DMS	Dense media separation
dmt	Dry metric tonne
DRI	Direct reduced Iron
DSO	Direct shipping ore
EAF	Electric arc furnace



# Glossary of terms and acronyms

continued

EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EOF	Elimination of fatalities
EPS	Earnings per share
ESG	Environmental, Social and Governance
ESOP	Employee share ownership scheme
EVP	Employee value proposition
EWT	Endangered Wildlife Trust
Exco	Executive Committee
FC	Financial capital
FIFR	Fatal injury frequency rate – rate of fatalities per 1,000,000 hours worked (total fatalities x 1,000,000/ total hours worked)
FOB	Free-on-board
FOR	Free-on-rail
FSP	Forfeitable share plan
FTSE	Financial Times Stock Exchange
GHG	Greenhouse gas
GJ	Gigajoule
GRI	Formerly Global Reporting Initiative – now known as GRI
HC	Human capital
HDSA	Historically disadvantaged South Africans
HIV	Human immunodeficiency virus
HME	Heavy mobile equipment
HR	Human resources
IAS	International Accounting Standards
IC	Intellectual capital
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IOEC	Iron ore export channel
IR	Integrated report
IRMA	Initiative for Responsible Mining Assurance
ISO	International Organisation for Standardisation
JSE	Johannesburg Stock Exchange
King IV™	King IV Report on Corporate Governance for South Africa, 2016



KPI	Key performance indicators
KRA	Key result area
Level 3 – 5 environmental incidents	Those environmental incidents that we consider to have prolonged impacts on the local environments
LM	Local municipalities
LNG	Liquefied natural gas – this is the transition fuel of choice for marine stakeholders as the world move towards net-zero emissions
LoMP	Life-of-mine plan
LSE	London Stock Exchange
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate – the number of lost-time incidents per 1,000,000 hours worked (LTI * 1,000,000/total hours)
LTIP	Long-term incentive plan
MC	Manufactured capital
MENA	Middle East and North Africa region
Mol	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act
MRC	Management Risk Committee
Mt	Million tonnes
Mtpa	Million tonnes per annum
NC	Natural capital
NGO	Non-governmental organisation
NIHL	Noise-induced hearing loss
NomGov	Nominations and Governance Committee
NUM	National Union of Mineworkers
OEE	Overall equipment effectiveness
OHSAS	Occupational Health and Safety Assessment Series
ORMR	Ore Reserve (and Saleable Product) and Mineral Resource Report
Passport 360	A system that stores all electronic safety documents required by contractors
P101	Asset productivity programme to shift our key operational processes to benchmark and then beyond, exceeding industry best practice productivity at our operations and deliver our full potential
PwC	PricewaterhouseCoopers
QC	Quality control
Remco	Human Resources and Remuneration Committee
Return on capital employed (ROCE)	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed



# Glossary of terms and acronyms

continued

SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves – SAMREC Code 2016 Edition
SARS	South African Revenue Services
SC	Social capital
SENS	Stock Exchange News Service
Setco	Social, Ethics and Transformation Committee
SHE	Safety, health and environment
SIB	Stay in business
SIOC	Sishen Iron Ore Company Proprietary Limited
SIOC-CDT	SIOC Community Development Trust
SMME	Small, medium and micro-sized enterprise
SMP	Sustainable mining plan
SR	Sustainability report
STI	Short-term incentive
Stratco	Strategy and Investment Committee
TGP	Total guaranteed pay
Total water withdrawals	Total water withdrawals by source, reported in line with the International Council on Metals and Mining (ICMM) guidance, includes: surface water, groundwater, third-party potable water and third-party non-potable water
TRCFR	Total recordable case frequency rate (calculated) is the rate of recordable cases per 1,000,000 hours worked
TSR	Total shareholder return
UASA	United Association of South Africa
UHDMS	Ultra-high density media separation
UIF	Unemployment Insurance Fund
UNSDG	United Nations Sustainable Development Goal
UNAIDS	United Nations Programme on HIV/Aids
Unit cost	All costs incurred by the operations in the mining and production of iron ore, including overheads and non-cash costs like depreciation, accounting provisions and share-based payment costs
VFL	Visible felt leadership
Voluntary labour turnover	Number of permanent employee resignations as a percentage of total permanent employees
VWAP	Volume weighted average price
WIP	Work in progress
wmt	Wet metric tonnes
ZW2L	Zero waste to landfill





# Administration

## Company registration number

2005/015852/06  
JSE share code: KIO  
ISIN code: ZAE000085346

## Company Secretary and registered office

Fazila Patel  
Centurion Gate – Building 2B  
124 Akkerboom Road  
Centurion, Pretoria, 0157  
South Africa  
Tel: +27 (0) 12 683 7060  
Mobile: +27 (0) 83 297 2293  
fazila.patel@angloamerican.com

## Auditor

PricewaterhouseCoopers Inc.  
Registered Auditors  
4 Lisbon Lane Waterfall City, 2090 South Africa  
Private Bag X36, Sunninghill, 2157  
Tel: +27 (0) 11 797 4000  
Fax: +27 (0) 11 797 5800

## Assurance providers

Nexia SAB&T  
Registered Auditors  
119 Witch-Hazel Avenue, Highveld Technopark, Centurion  
PO Box 10512, Centurion, 0046  
Tel: +27 (0) 12 682 8800  
Fax: +27 (0) 12 682 8801

## Sponsor

RAND MERCHANT BANK  
(A division of FirstRand Bank Limited)  
Registration number: 1929/001225/06  
1 Merchant Place, corner Rivonia Road and Fredman Drive  
Sandton, 2146, South Africa  
PO Box 786273, Sandton, 2146

## Transfer secretaries

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue  
Private Bag X9000, Saxonwold, 2132, South Africa  
PO Box 61051, Marshalltown, 2107

## Investor relations

Penny Himlok  
Investor relations manager  
Tel: +27 (0) 12 622 8324  
penny.himlok@angloamerican.com

## Forward looking statements

Certain statements made in this report constitute forward looking statements. Forward looking statements are typically identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “intends”, “estimates”, “plans”, “assumes” or “anticipates” or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of, for example, future plans, present or future events, or strategy that involves risks and uncertainties. Such forward looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control and all of which are based on the Company’s current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward looking statement. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. The forward looking statements contained in this report speak only as of the date of this report and the Company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.



Kumba Iron Ore  
Centurion Gate – Building 2B  
124 Akkerboom Road  
Centurion  
0157

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