

# ADDRESSING STAKEHOLDER INTERESTS

Given the challenges brought about by the volatile commodity sentiment and the impact that this has had on our operations, the importance of engaging proactively with stakeholders has taken on added significance. There are many diverse individuals and organisations that have a stake in Kumba. We have prioritised our stakeholders for targeted engagements, based on the relevance to our business strategy to them, as well as their relevance to issues that the Company needs to continuously address to create value, stay in business or grow.

The strategy focuses on proactively engaging with stakeholders on the significant changes Kumba is going through. The aim is to leave a positive legacy, secure an uninterrupted licence to operate and to develop sustainable communities during and after mining activities.

## IDENTIFYING OUR PRIORITY STAKEHOLDERS

We have used 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 relative importance of the stakeholder for the company as a whole;
- The significance of the issues linking the stakeholder to Kumba; and
- The risks that we are exposed to should we not deliberately plan our engagement with the stakeholder.

## ENGAGING OUR KEY STAKEHOLDERS

Informed by the above criteria we have identified the following priority stakeholder groups. The following table summarises our key forms of engagement with each stakeholder group, and some of the priority issues raised by each group.

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY ISSUES RAISED
<b>Investors, shareholders, BEE partners</b> Shareholders/investors (Anglo American plc, IDC and PIC), including our BEE partners (Exxaro, Envision and SIOC CDT) Analysts	<ul style="list-style-type: none"> <li>■ Investor days and roadshows</li> <li>■ Annual reports</li> <li>■ Website (inclusive Facebook/ Twitter)</li> <li>■ Results presentations</li> <li>■ Mine visits</li> <li>■ Workshops</li> </ul>	<ul style="list-style-type: none"> <li>■ Costs, growth and sustainability of the Company in context of volatile iron ore prices</li> <li>■ Securing mining rights and other regulatory issues</li> <li>■ Empowerment status</li> <li>■ Labour relations</li> <li>■ Dividends</li> <li>■ Dingleton relocation issues</li> <li>■ Logistical constraints on IOEC</li> </ul>
<b>Unions</b> NUM, AMCU, Solidarity and UASA	<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> </ul>	<ul style="list-style-type: none"> <li>■ Impact of restructuring</li> <li>■ Core labour rights</li> <li>■ Company responsiveness to volatile iron ore prices</li> <li>■ Housing and living conditions</li> <li>■ Salaries and benefits</li> <li>■ Envision</li> <li>■ Health and safety issues</li> <li>■ Employment equity issues</li> </ul>
<b>Customers</b> Export market ArcelorMittal SA	<ul style="list-style-type: none"> <li>■ Annual reports</li> <li>■ Website (inclusive Facebook/ Twitter)</li> </ul>	<ul style="list-style-type: none"> <li>■ Product/service quality</li> <li>■ Security of supply</li> </ul>
<b>Media</b> National and local media	<ul style="list-style-type: none"> <li>■ Annual reports and website</li> <li>■ Press releases</li> <li>■ Meetings and presentations</li> </ul>	<ul style="list-style-type: none"> <li>■ Dingleton relocation</li> <li>■ SARS settlement</li> <li>■ Thabazimbi exit</li> <li>■ Approval of residual 21.4% share of Sishen mining right</li> <li>■ Kumba performance</li> </ul>

ENGAGING OUR KEY STAKEHOLDERS (CONTINUED)		
STAKEHOLDER	ENGAGEMENT CHANNEL	KEY ISSUES RAISED
<p><b>South African government</b> National departments: Mineral Resources, Water and Sanitation, Environmental Affairs, Cooperative Governance and Traditional Affairs, Public Works and Finance</p> <p>South African Revenue Service</p> <p>Limpopo and Northern Cape provincial governments</p> <p>District municipalities (DM) and local municipalities (LM) where Sishen, Kolomela and Thabazimbi mines operate – John Taolo Gaetsewe DM, Waterberg DM, Gamagara LM, Tsantsabane LM, Thabazimbi LM</p>	<ul style="list-style-type: none"> <li>■ Annual reports</li> <li>■ Website (inclusive Facebook/ Twitter)</li> <li>■ Mine visits</li> <li>■ Meetings</li> <li>■ Presentations</li> <li>■ Workshops</li> <li>■ Newsletters</li> <li>■ Press releases</li> <li>■ Press conferences</li> <li>■ Mining Phakisa Labs</li> <li>■ Mining Industry Growth Development and Employment Task Team (MIGDETT)</li> <li>■ Mineral Development Board</li> <li>■ Rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>■ Legal compliance, including especially on safety, health and environmental performance</li> <li>■ Mining rights including 21.4% residual share of Sishen</li> <li>■ Creating jobs through growth</li> <li>■ Transformation and B-BBEE delivery</li> <li>■ Sustained contribution to national tax base</li> <li>■ Domestic supply and pricing of iron ore and support for government's beneficiation strategy</li> <li>■ Community development and progress on implementation of social and labour plans</li> <li>■ Contribution to local infrastructure and service delivery</li> <li>■ Ensuring responsible governance practices and respect for human rights</li> <li>■ Thabazimbi exit</li> <li>■ Relocation of Dingleton</li> </ul>
<p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>■ Managers/team dialogues</li> <li>■ Surveys and employee presentations</li> <li>■ Company intranet and newsletters</li> <li>■ Electronic notice boards/ public display screen</li> <li>■ Envision roadshows</li> </ul>	<ul style="list-style-type: none"> <li>■ Impact of restructuring</li> <li>■ Salaries and benefits</li> <li>■ Housing and living conditions</li> <li>■ Career progression</li> <li>■ Health and safety issues</li> <li>■ Employment equity issues</li> <li>■ Production and performance</li> <li>■ Changes in shift patterns</li> <li>■ Envision</li> </ul>
<p><b>Host communities</b> Thabazimbi community, Tsantsabane community, Gamagara community and our sending communities</p>	<ul style="list-style-type: none"> <li>■ Socio-Economic Assessment Toolbox (SEAT) and other community engagement sessions</li> <li>■ Complaints and grievance procedure</li> <li>■ Annual reports</li> <li>■ Website (inclusive Facebook/ Twitter)</li> </ul>	<ul style="list-style-type: none"> <li>■ Procurement and employment opportunities</li> <li>■ Enterprise development</li> <li>■ Community investment initiatives</li> <li>■ Nature of engagement structures</li> <li>■ Management of environmental impact</li> <li>■ Transparency and engagement measures</li> <li>■ Financial compensation for Dingleton community</li> </ul>
<p><b>NGOs</b></p>	<ul style="list-style-type: none"> <li>■ Annual reports</li> <li>■ Website</li> <li>■ Written correspondence</li> <li>■ Meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Funding for community development</li> <li>■ Collaboration on community projects</li> <li>■ Transparency in environmental disclosures</li> </ul>
<p><b>Political parties</b> African National Congress (ANC), Democratic Alliance (DA) and Economic Freedom Front (EFF)</p>	<ul style="list-style-type: none"> <li>■ Annual reports and website</li> <li>■ Engagements</li> </ul>	<ul style="list-style-type: none"> <li>■ Similar to government issues above</li> </ul>
<p><b>Business peers</b> Chamber of Mines Local business forums</p>	<ul style="list-style-type: none"> <li>■ Annual reports and website</li> <li>■ Meetings and presentations</li> </ul>	<ul style="list-style-type: none"> <li>■ Mining Charter review and its impact on the industry</li> <li>■ Local procurement</li> <li>■ General knowledge sharing on our approach to managing material issues</li> </ul>
<p><b>Suppliers</b> Contractors Transnet Other suppliers</p>	<ul style="list-style-type: none"> <li>■ Direct supplier engagements</li> <li>■ Annual reports and website</li> </ul>	<ul style="list-style-type: none"> <li>■ Procurement opportunities</li> <li>■ Contract terms</li> <li>■ Promoting local procurement</li> <li>■ Development of a supplier park in Kathu</li> <li>■ Safety, health and wellbeing, and human rights of employees of contracting companies/suppliers</li> <li>■ Iron Ore Export Channel tariffs and penalties</li> <li>■ Collaboration with junior miners</li> </ul>

# ADDRESSING STAKEHOLDER INTERESTS CONTINUED

## PRIORITY ISSUES RAISED DURING THE YEAR

The table below provides a brief overview of the key issues that these stakeholders have raised. Our approach to, and progress in addressing these issues is provided in relevant sections of this integrated report as well as our sustainability report.

### THE SOCIAL AND ECONOMIC EFFECT OF THE DECLINE IN IRON ORE PRICES

The low commodity price environment has had a significant impact not only on the sector's profitability but also more broadly across the South African economy, with lower profits impacted negatively on the value distributed through wages, taxes, dividends and procurement. Various platforms exist for government, industry and labour to collaborate in finding solutions to stimulate growth and stabilise the industry. To remain sustainable, Kumba reconfigured Sishen and Kolomela operations and ceased all operations at Thabazimbi mine.

STAKEHOLDER INTEREST	INTERESTED STAKEHOLDERS	COMPANY RESPONSE
<ul style="list-style-type: none"> <li>■ Understanding the market environment</li> <li>■ Implications for sustainability of the company</li> <li>■ Impact of downscaling on value distributed to stakeholders</li> <li>■ Measures in place to mitigate impacts on employees, local municipalities, communities and economy</li> <li>■ Change in leadership of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>■ Employees and unions</li> <li>■ Government (three tiers)</li> <li>■ Communities</li> <li>■ Shareholders and analysts</li> <li>■ Analysts</li> <li>■ Political leadership</li> <li>■ ArcelorMittal SA</li> <li>■ Transnet</li> <li>■ South African Revenue Service (SARS)</li> <li>■ Media</li> </ul>	<ul style="list-style-type: none"> <li>■ Proactive engagement to foster alignment of expectations across stakeholder groups</li> <li>■ Transparent implementation of new organisational structures</li> <li>■ Sishen turnaround strategy</li> <li>■ Sishen social impact assessment</li> <li>■ Consultations with stakeholders on a social closure plan for Thabazimbi mine</li> <li>■ Proactive engagement</li> </ul>

### CONDUCTIVE REGULATORY ENVIRONMENT

The DMR publishes the Reviewed Broad-Based Black Economic Empowerment Charter for the South African Mining and Minerals Industry (Mining Charter) for comments and the Mineral and Petroleum Resources Development Amendment Bill has been returned to Parliament for further consultation.

STAKEHOLDER INTEREST	INTERESTED STAKEHOLDERS	COMPANY RESPONSE
<ul style="list-style-type: none"> <li>■ Impact of the new Mining Charter targets</li> <li>■ Impact of changes in the Amendment Bill</li> <li>■ Compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ Government/regulatory agencies</li> <li>■ Chamber of Mines</li> <li>■ Unions</li> <li>■ Political leadership</li> <li>■ Shareholder interest groups</li> <li>■ Analysts</li> </ul>	<ul style="list-style-type: none"> <li>■ Meaningful participation in tripartite processes</li> <li>■ Engage with the aim of reaching a common understanding of shared value with stakeholders</li> <li>■ Co-creation of favourable Act and Charter</li> <li>■ Gap analysis and compliance plan</li> </ul>

### RELOCATION OF DINGLETON RESIDENTS

During 2016, 281 of the remaining Dingleton homeowners were relocated, together with a number of businesses and public offices. It was anticipated that the relocation project would be completed at the end of 2016. However, a minority of the homeowners are holding out for additional compensation notwithstanding the generous treatment in line with the International Finance Corporation Performance Standards.

STAKEHOLDER INTEREST	INTERESTED STAKEHOLDERS	COMPANY RESPONSE
<ul style="list-style-type: none"> <li>■ Progress in the implementation of the relocation project</li> <li>■ Livelihoods of the Dingleton community after relocation</li> </ul>	<ul style="list-style-type: none"> <li>■ Northern Cape provincial government</li> <li>■ Gamagara communities</li> <li>■ Gamagara local government</li> <li>■ Dingleton community and their representatives</li> <li>■ Shareholders</li> <li>■ NGOs, media and DMR</li> </ul>	<ul style="list-style-type: none"> <li>■ Consultation with key stakeholders</li> <li>■ Develop initiatives that empower the Dingleton community, to ensure sustainable livelihoods post relocation</li> </ul>