



**SIOC
COMMUNITY
DEVELOPMENT TRUST**

ANNUAL REPORT 2017

Defining ourselves through
our actions, not our words

Changing Lives



SIOC COMMUNITY DEVELOPMENT TRUST

Registration number

I Trust 10454/06

Registration name

SIOC Community Development Trust

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Our primary goal is to improve socio-economic impact on our beneficiary communities



Organisational overview

Defining ourselves through our actions, not our words



OUR MANDATE

To manage, invest and disburse funds on behalf of our beneficiary communities in accordance with the guidelines as provided by the Board of Trustees and prescribed by the Trust Deed.



OUR VISION

To be a leading partner in developing prosperity and sustainability in our identified beneficiary communities.



OUR MISSION

To achieve our vision by creating empowered beneficiary communities that will thrive beyond the lifespan of the mine through prudent investment of the Trust's income and keen focus on our key chosen focus areas.

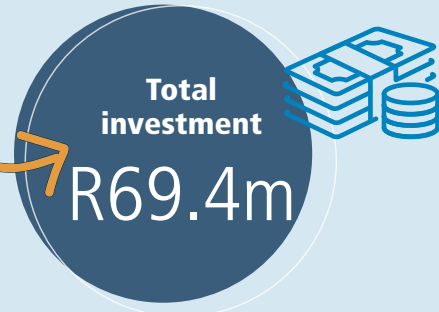
Our history

The Sishen Iron Ore Company Community Development Trust (SIOC-cdt) **was established in 2006 by Kumba Iron Ore Limited to invest in the development of the communities in which the Company operates.** The Trust focuses primarily on beneficiary communities adjacent to the Sishen Iron Ore Company's (SIOC) mining activities in the Northern Cape and Limpopo and has invested significantly in community development projects aimed at ensuring sustainability beyond mining operations.

Our primary goal is to be the leading implementing agent for community-based projects as well as the leading partner to organisations that wish to enhance their project management and governance systems by tapping into the existing skills and competence of the SIOC-cdt management team.

Through the years, the projects implemented in the Northern Cape and Limpopo provinces have had a positive impact beyond the beneficiary communities. The projects have also contributed towards social stability, economic growth, and job creation within the provincial and regional economies.





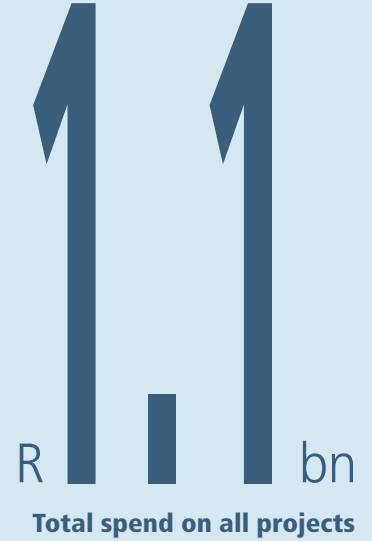
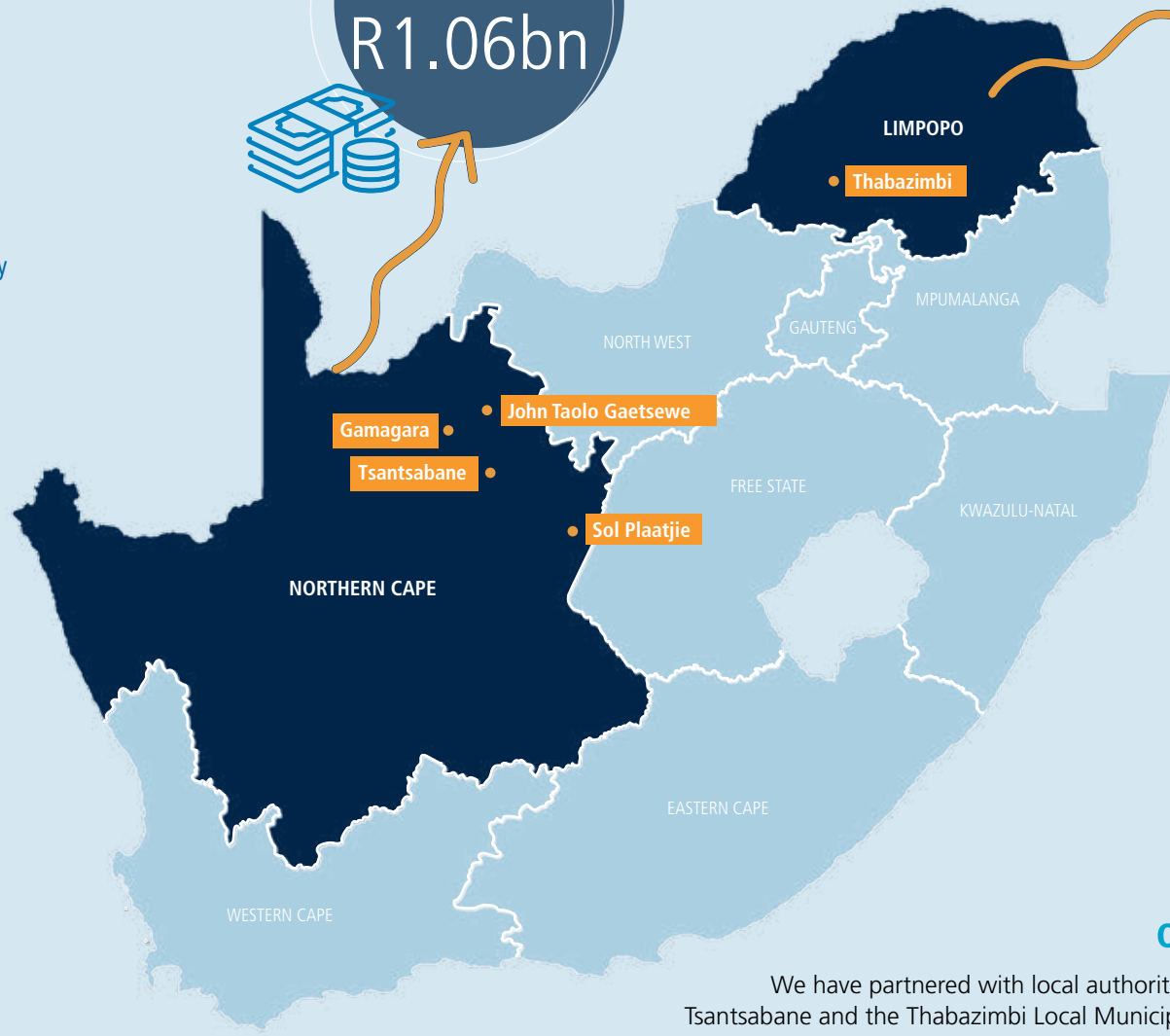
Gamagara Local Municipality
Northern Cape Province
John Taolo Gaetsewe District
Population 53,655

Ga-Segonyana Local Municipality
Northern Cape Province
John Taolo Gaetsewe District
Population 104,408

Joe Morolong Local Municipality
Northern Cape Province
John Taolo Gaetsewe District
Population 84,200

Tsantsabane Local Municipality
Northern Cape Province
ZF Mgcawu District
Population 39,344

Thabazimbi Local Municipality
Limpopo Province
Waterberg District
Population 96,232



Our beneficiary communities

We have partnered with local authorities in the Ga-Segonyana, Joe Morolong, Tsantsabane and the Thabazimbi Local Municipalities to support engagement with our beneficiaries to gain insights into their development needs. Our partnerships with community development entities in, and membership of, various forums enable us to coordinate and optimise the impact and reach of our development initiatives.

Chairman's statement

On behalf of the Board of Trustees of the Sishen Iron Ore Company Community Development Trust (SIOC-cdt), I have the great pleasure of presenting this 2017 annual report.

For the past 12 years, the SIOC-cdt has worked tirelessly to improve the wellbeing, living conditions and opportunities of the various beneficiary communities it serves in the Northern Cape and Limpopo provinces. During this time, the Trust has invested more than R1.1 billion into a range of community development and upliftment projects in communities.

While the Trust was initially established with the primary objective of ensuring the sustainability of these communities if and when mining operations in these areas end, over time, the SIOC-cdt community development mandate has steadily expanded. Today, the work done by the Trust extends way beyond development aligned with mining operations and includes extensive public and private sector partnerships and investments outside of the mining industry.

Despite this expanded reach and focus, the vision of the SIOC-cdt remains the same; and that is "To be a leading partner in developing prosperity and sustainability in our identified beneficiary communities". In an ever-changing world, we must strive to realise this vision and deliver on our mandate and core development objectives we must change and evolve in line with the nature and extent of our funding. Over the past four years, this evolution has seen the SIOC-cdt revising both its operational strategy and community development approach.

These changes have been made with the sole purpose of ensuring that we remain highly effective in what we do, understandably these led to some concerns among stakeholders. The Board of Trustees is confident that these concerns have now been addressed and that the SIOC-cdt is once again moving steadily forward. In this process we have to carry along our partners, sponsors and communities on efforts to be a valuable contributor to the social and economic transformation of people and communities.

Ensuring lasting success through sustainability

At the SIOC-cdt, sustainability is the foundation on which our success is built. We approach and measure such sustainability in two ways. Firstly, we focus on ensuring the sustainability of the beneficiary communities we serve and, secondly, we recognise the vital importance of securing the economic sustainability of our own operations. These two components of social and economic sustainability are closely linked. We would not exist were it not for the need to help communities become more sustainable; and we cannot continue to serve those communities if we are not also a sustainable entity. This need to ensure our sustainability and our beneficiary communities, is at the



Mr Conway Molusi
Chairman

heart of the strategic shifts we have made in recent years. It has informed the processes we have followed to refocus our development priorities, streamlining our operations, reducing costs and consolidating our operating structures. The economic challenges that recently swept through our operating environment have already validated the strategic changes we have undertaken. Change must of necessity remain the only constant in our work.

A challenging operating environment with much work to be done

South Africa has innumerable social challenges ranging from high unemployment rates (nearly 40% in some areas), economic difficulties characterised by low growth rates and increasing living costs. Against this backdrop, a large proportion of beneficiary footprints households rely on the mining industry for their livelihood. However, the mining industry has itself come under growing economic pressure, driven partly by declining global demand for resources, combined with a reluctance by international investors to invest in the sector due to policy uncertainties.

The overall economic climate appears set to remain difficult for the foreseeable future. The recent promulgation of a revised Mining Charter, should bring a measure of stability and renewed optimism to the sector, which could have positive knock-on effects for the SIOC-cdt as well.

Pleasing performance despite difficult circumstances

Despite the economic and sector challenges, the SIOC-cdt has still continued making significant investments in helping develop its beneficiary communities. The rationalisation programme did delay certain projects. This underspending was not deliberate, but purely a governance consideration to allow proper project planning. In the 2017 financial year, the Trust invested a total of R55.7 million into projects across its four key focus areas. This investment allocation was slightly higher than in the previous financial year.

Education projects enjoyed the lion's share of our investment, with R20.6 million provided to support a cross section of initiatives. Some 82% was allocated to developing teachers, which the SIOC-cdt prioritises in terms of ensuring sustainable strong education outcomes for our nation's youth. A large proportion of our investment into education was allocated to bursaries for matric learners in our Northern Cape and Limpopo communities. A total of R82.9 million in ongoing investment support of long-term projects was also approved. Most of these are multi-year education initiatives, and have continued unabated.

Health was another focus area, receiving R7.1 million for the Rea Fola flagship project that delivers primary healthcare to remote rural communities. Funding was also allocated towards completing the Olifantshoek Community Health Centre, which has the vital mission of training professional nurses in partnership with Henrietta Stockdale Nursing College and the Northern Cape Department of Health.

SIOC-cdt welfare investments focus mainly on improving the wellbeing of vulnerable groups and disabled persons in beneficiary communities. The Trust provided support totalling R27.9 million for initiatives that meet our criteria, including infrastructure development projects and providing assistive devices for children with disabilities.

At an enterprise development level, the Trust invested into the establishment of the Thabazimbi Business Hub, in partnership with the Kumba Iron Ore's Thabazimbi Mine and the Thabazimbi Local Municipality. In the first few months of its operation the business hub has already facilitated some business development services for the local SMMEs.

Looking ahead

While the prognosis for an improved operating environment is positive, significant challenges still lie ahead for South Africa to achieve greater political, economic and policy stability. The structural challenges

"A critical pillar in this journey is the investment in social infrastructure such as education, healthcare, and sporting centres to create space for community enrichment."

Mr Conway Molusi

required means that the path away from poverty and inequality will be uphill and long. Despite this, the SIOC-cdt remains fully committed to the journey by helping to build communities through infrastructure, education, healthcare and enterprise development.

We see ourselves as partners with the communities we serve and, as such, we are committed to responding to their needs and engaging with them fully and transparently.

Gratitude

Thank you to my Trustees for your unwavering support and your dedication to the good work of the SIOC-cdt over the past year. The Board recognises and acclaims the management teams of the SIOC-cdt and our associated beneficiary trusts for your hard work and commitment to our shared vision. Finally, my immense gratitude also goes to the boards of Sishen Iron Ore Company and Kumba Iron Ore Company for their support, guidance and assistance, and for paving the way for the SIOC-cdt to make the necessary strategic adjustments for sustainable successes going forward.

ACG Molusi
Chairman of the Board



Chief Executive Officer's report

The Sishen Iron Ore Company Community Development Trust (SIOC-cdt; the Trust) has maintained its focus on creating sustainable impact in our beneficiary communities.

Resumption of dividend by Kumba Iron Ore (the donor)

The year began with cautious optimism that we would be successful in completing the back to basics phase of our consolidation strategy, as well as be surprised by a dividend from the donor. While our strategy implementation journey had mixed results, the donor paid a dividend of R208 million in August 2017. This allowed us to refocus our efforts on building capacity to deliver on our mandate.

Delivering on our strategy

We continued with the implementation of the approved consolidation strategy and completed the integration of the Tsantsabane community development trust and the Maphalane disability trust (Representative Trusts) into SIOC-cdt to streamline our execution capacity and to reduce costs. The integration has been challenged by practical and change management issues that required us to minimise the impact on our employees as a result of the disruption, as well as our beneficiaries who felt that the changes made SIOC-cdt inaccessible to them. We developed policy to cater for the relocation of our employees and a community engagement strategy to support outreach initiatives to bring SIOC-cdt to the beneficiary communities.

Significant improvement in our delivery

The consolidation of the project teams into one team allowed us to significantly improve our ability to complete some of the non-completed projects, specifically in the Gamagara Municipality. The Board agreed to prioritise the infrastructure projects that had been commenced by the Gamagara Development Forum (GDF), notably the Mapoteng Community Centre, the Olifantshoek Community Health Centre, the Olifantshoek Sports Facility and the Deben Youth Centre. These, and a number of existing projects in our focus areas of education, health and welfare, which are discussed extensively in the projects section of this annual report were substantially completed in 2017. We are grateful for the support that we continue to receive from the Stay in Business Projects division in project management and governance which has enabled us to build capacity to deliver quality infrastructure projects that address important welfare and humanitarian priorities to our beneficiaries. We also took advantage of the momentum to improve the structuring and resourcing of our social projects capacity and this enabled us to develop important relationships with provincial government and district departments to continue delivering our flagship projects in education and health. This improvement in social projects capacity enabled us to revive our tertiary bursary project and the Rea Fola health initiative in Tsantsabane Municipality.



Mr Vusani Malie
Chief Executive
Officer

Investment performance

The recovery in the global iron ore and steel industry resulted in a strong performance by the donor and the resumption of the dividend with a generous declaration by the Board. The value of our investment portfolio consisting of Basil Read Limited, SA Airlink Proprietary Limited, Kathu Solar Park project and Urban Hotel Kathu increased by 16% from 31 December 2016. SIOC-cdt's holding in the donor increased by 182%. We are very grateful for this recovery and it places us in a good position to deliver on our mandate. More detail on the investment performance appears later in this annual report.

Working with our stakeholders to address their concerns

The amended SIOC-cdt development operating model raised questions in some beneficiary communities. In general, the main concern was that the new model meant that their specific community development needs may be set aside. Specific feedback included fears regarding:

- less support for projects that help make up shortfalls in basic service delivery by local municipalities
- fewer projects supported because of focusing on high-impact criteria
- a lack of flexibility in meeting the unique needs of specific communities.

Engaging with these communities also revealed a general desire for SIOC-cdt to be more responsive and visible to the communities it serves, and more accessible to engage with them. Many locals feel that they no longer had the same connection with the Trust.

In response to these concerns and needs, SIOC-cdt made a decision to return to the Northern Cape, and moved its head office to Kathu, allowing closer access to our beneficiary communities. A locally-based stakeholder manager was also appointed to provide a high level contact through which community members can engage easily and directly with the Trust.

In recognition of the need for local representation and inputs, SIOC-cdt has introduced policies that prioritise the appointment of Trustees, employees and service providers from within our communities.

Looking forward

Despite the changes that have taken place at SIOC-cdt in the past few years, we remain absolutely committed to making a sustainable positive difference to the communities and the people it serves. To make sure that the Trust keeps on delivering the required development outcomes, we will prioritise proactive community engagement through roadshows, dialogue and research.

Although attentive to our four designated priority areas, the SIOC-cdt remains sensitive to the specific needs of the people and the communities it serves – and remains fully accountable to those communities.

“Despite the changes that have taken place at SIOC-cdt in the past few years, we remain absolutely committed to making a sustainable positive difference to the communities and the people it serves.”

Mr Vusani Malie

Thank you

I would like to extend my sincere appreciation to the Board, executive management and staff of SIOC-cdt for the vital role they have all played in ensuring the Trust delivers on its vision to help create prosperous and sustainable communities. Thank you also to all our public and private sector partners, donors and beneficiary trusts for your immensely valuable financial, moral and operational support. Lastly, thank you to the people and communities we serve. You are the reason why SIOC-cdt exists and your input, direction, understanding and patience enable us to keep on working for you.

Vusani Malie

Chief Executive Officer



Executive Management (Exco)

VUSANI MALIE



Group Chief Executive Officer

Mr Vusani Malie is the Group Chief executive officer of SIOC-cdt and Executive Trustee. Mr Malie is an admitted attorney and has been serving as a Trustee of the organisation since 2012.

He is a former Company secretary of Kumba Iron Ore and was appointed as the SIOC-cdt CEO on 3 March 2014.

BESSIE BULUNGA



Group Company Secretary

Ms Bessie Bulunga is the Company secretary and is also responsible for the governance portfolio, which includes secretariat services, legal, risk and compliance. Her extensive experience in the field of corporate governance includes over 18 years' experience as a Company secretary in public and private sector entities.

ZANELE NGWENYA



Group Chief Financial Officer

Mr Ngwenya is a chartered accountant with over 10 years' professional experience in the field of accounting and senior management. He has extensive experience in financial management, corporate governance management, research and policy formulation. He previously served as audit partner at Sithole Incorporated Chartered Accountants.

TAONEZVI MUTSAGO



Head of Projects

Mr Mutsago is responsible for driving sustainable high-impact development programmes in SIOC-cdt beneficiary communities. Mr Mutsago is a seasoned professional, who has spent most of his seven-year career in the development space. He is a CIMA qualified Chartered Global Management Accountant and holds an MBA.

REFILWE SEBODI



Stakeholder Relations and Communication Executive

Mrs Refilwe Sebogodi is a communications and stakeholder engagement professional. She is dynamic and highly motivated, with over 15 years of experience engaging members of diverse communities, government institutions and private organisations. Ms Sebogodi is responsible for developing stakeholder strategies, building and maintaining stakeholder relationships, as well as communications, brand and reputation management.



2017 Key highlights

Project disbursements
R55 million

Investment revenue
R50 million

Permitted investments
R31 million

IT governance and
management
IT environment tested
for functionality and
security

Stakeholder
engagement
Rollout of stakeholder
engagement model in
Northern Cape province
and partner
municipalities

Project
management
PMO process in place
for social and
infrastructure process

Total expenditure
R126 million

Total income
R355 million

Financial
management
Strict costs control and
budget management

Stakeholder engagement

The SIOC-cdt was formed to develop and uplift its beneficiary communities, who are the Trust's primary stakeholders. However, the Trust also influences, or is influenced by, a number of other stakeholder groupings with which it engages and works to build strong relationships. There are nine broad stakeholder categories as follows:



Stakeholder categories	Stakeholders
Internal stakeholders	<ul style="list-style-type: none"> • SIOC-cdt Board • Exco • Employees • Godisang Thabazimbi Community Development Trust
Kumba Iron Ore and Anglo American	<ul style="list-style-type: none"> • Kumba Exco • SIOC Board • Kumba public affairs department • Kolomela leadership team • Sishen leadership team • Other Anglo-American South Africa Operations
Former beneficiary/representative trusts	<ul style="list-style-type: none"> • John Taolo Gaetsewe (JTG) Developmental Trust • Gamagara Development Forum (GDF) Trust • Maphalane Disability Trust • Tsantsabane Community Development Trust
Beneficiary communities	<ul style="list-style-type: none"> • Residential communities in the John Taolo Gaetsewe District Municipality, Tsantsabane and Thabazimbi Local Municipalities (e.g. Kathu, Olifantshoek, Bothithong, Mothibistad, Postmasburg and Regorogile) • Local business forums (e.g. Tsantsabane Black Business Council, Tsantsabane Black Management Forum (BMF), Gamagara Corridor Chamber Communications and Industry (GCCCI), JTG Business Forum, JTG SMME Forum, Olifantshoek Business Forum and Thabazimbi Local Business Chamber) • Youth-based structures (e.g. Tsantsabane Youth Service Centre, Tsantsabane Local Youth Council, Agang Youth Centre – Kuruman, Youth Chamber of Commerce and Industry and Debeng Youth Centre) • Community-based organisations (CBOs) focusing on health, education, community welfare (e.g. Uhambo Foundation and Helen Bishop Orthopaedic After Care Home) • Community pressure groups for improved service delivery (e.g. Save Tsantsabane Coalition (STC), Blinkklip Lekgotla, Joe Morolong Road Forum and Kuruman Community Development Forum) • Faith-based organisations • Community safety structures such as the Community Policing Forums • Vulnerable people (e.g. child-headed households, people living with disability and marginalised individuals based on origin) • Online communities on social media
Development partners	<ul style="list-style-type: none"> • Kumba Iron Ore and Anglo American • Local mines (e.g. Beeshoek mine, Assmang mine, Tshipi e Ntle Manganese Mining, Northam Platinum Mine and Sedibelo Platinum Mine) • Independent Power Producers (IIPs) • NGOs (e.g. FAMSA and LoveLife Foundation) • Government agencies with a development mandate (e.g. National Youth Development Agency (NYDA), Small Enterprise Development Agency (SEDA) and National Development Agency (NDA)) • Service providers such as the National Education Collaboration Trust

Stakeholder engagement continued

Stakeholder categories	Stakeholders
Investee companies	<ul style="list-style-type: none"> • Basil Read • SA Airlink • Urban Hotel Kathu • Continental Coal • Kathu Solar Park
Local governments	<ul style="list-style-type: none"> • Thabazimbi Local Municipality • Tsantsabane Local Municipality • Gamagara Local Municipality • Ga-Segonyana Local Municipality • Joe Morolong Local Municipality • John Taolo Gaetsewe District Municipality • ZF Mgcawu District Municipality • Traditional leadership
Provincial government departments	<ul style="list-style-type: none"> • Northern Cape Department of Health • Northern Cape Department of Education • Northern Cape Department of Social Development • Northern Cape Department of Economic Development and Tourism • Limpopo Province Department of Health • Limpopo Province Department of Education • Limpopo Province Department of Social Development • Limpopo Province Department of Economic Development, Environment and Tourism
Media	<ul style="list-style-type: none"> • Community-based print media (e.g. Kathu Gazette, Kalahari Memorandum, Ghaap, Postmasburg and tameTIMES: Rise'n Shine Limpopo) • Independent community-based radio (e.g. Waterberg Stereo 104.9FM and Kurara FM) • SABC radio (e.g. Metro FM and Motswedding FM)

Beneficiary community profiles

While the SIOC-cdt has numerous stakeholders, the Trust was formed for the benefit of beneficiary communities, so these remain its primary stakeholders. These communities are located around the Northern Cape and Limpopo province mining operations of the Sishen Iron Ore Company. No discussion of stakeholder engagement would be complete without ensuring an understanding of these beneficiary communities and their socio-economic dynamics.



Gamagara local municipal area

Area description	Gamagara local municipal area is a part of the John Taolo Gaetsewe district in the Northern Cape province. It comprises an area of 264 222 hectares in the north-east of the province. Its seat is Kathu, and it consists of seven wards. It is characterised by good service delivery (97% water, 92% electricity, 90% flush toilets), and higher household incomes, on average, than in the rest of the province (R57 300 per annum versus R29 400 ¹).
Population	53 655
Population not originally from NC area %	18
Residential areas	Kathu; Sesheng; Mapoteng; Olifantshoek; Debeng
Youth (15 to 34) %	34
Median age	26
Unemployment %	18 ²
Youth unemployment %	22 ²
Households supported by mining %	44 ²
Grant dependent households %	37 ²

Tsantsabane local municipal area

Area description	Tsantsabane local municipal area is located in the north-eastern part of the Northern Cape province and falls within the ZF Mgcawu district. The municipality's seat is in the town of Postmasburg, and it consists of seven wards.
Population	39 344
Population not originally from NC area %	11
Residential areas	Postmasburg; Boichoko; New Town; Postdene; Jean Heaven
Youth (15 to 34) %	36
Median age	26
Unemployment %	31 ³
Youth unemployment %	32 ¹
Households supported by mining %	63 ⁴
Grant dependent households %	25

Ga-Segonyana local municipal area

Area description	The Ga-Segonyana local municipal area is situated in the John Taolo Gaetsewe district in the Northern Cape province. It comprises a total area of 4 495 km ² and was established in 2000 through the amalgamation of the Kuruman and Mothibistad Municipalities. Around 80% of the population lives in rural areas. The seat of the municipality is the town of Kuruman. It contains 14 wards in total. The area also includes sections that are administered through a traditional authority system with two paramount chiefs.
Population	104 408
Population not originally from NC area %	9
Residential areas	Kuruman; Bankhara-Bodulong; Mothibistad
Youth (15 to 34) %	18
Median age	24
Unemployment %	34 ¹
Youth unemployment %	43 ¹
Households supported by mining %	2 ⁵
Grant dependent households %	41 ⁵

Sources

All data is taken from the 2016 Community Survey by Statistics South Africa, except where otherwise indicated:

- 1 *Statistics South Africa Census; 2011*
- 2 *Sishen Mine 2017 Gamagara Community Survey*
- 3 *Kolomela Mine 2017 Community Dipstick Survey*
- 4 *Tsantsabane local municipality 2015/16 Local Economic Development Strategy*
- 5 *Ga-Segonyana local municipality 2018/19 Integrated Development Plan*
- 6 *Joe Morolong local municipality Draft 2016/17 Integrated Development Plan*
- 7 *Thabazimbi local municipality Draft 2017 – 2022 Integrated Development Plan*
- 8 *Thabazimbi Mine SEAT Report 2012*



Stakeholder engagement continued

Joe Morolong local municipal area

Area description	The Joe Morolong local municipal area is located in the Northern Cape province within the John Taolo Gaetsewe district. It is the largest municipality of the three that make up the district, accounting for three quarters of its geographical area. The area is mostly rural, with about 60% of it comprising virgin land surface. The municipal seat is in the town of Churchill. It contains 15 wards and borders Botswana to the north. Service delivery is very poor, with only 5% to 6% of households having access to piped water or flush toilets. The area includes tribal administration areas headed by nine paramount chiefs.
Population	84 200
Population not originally from NC area %	7
Residential areas	Hotazel; Santo; Van Zylsrus; Churchill
Youth (15 to 34) %	31
Median age	21
Unemployment %	39 ¹
Youth unemployment %	50 ¹
Households supported by mining %	10 ⁶
Grant dependent households %	80

Sources

All data is taken from the 2016 Community Survey by Statistics South Africa, except where otherwise indicated:

1 Statistics South Africa Census, 2011

2 Sishen Mine 2017 Gamagara Community Survey

3 Kolomela Mine 2017 Community Dipstick Survey

4 Tsantsabane local municipality 2015/16 Local Economic Development Strategy

5 Ga-Segonyana local municipality 2018/19 Integrated Development Plan

6 Joe Morolong local municipality Draft 2016/17 Integrated Development Plan

7 Thabazimbi local municipality Draft 2017 – 2022 Integrated Development Plan

8 Thabazimbi Mine SEAT Report 2012

Thabazimbi local municipal area

Area description	The Thabazimbi local municipal area is located within the Waterberg district in the south-western part of the Limpopo province. It has Botswana as its international neighbour to the north and west. The seat of Thabazimbi local municipality is in the town of Thabazimbi, and it contains 12 wards. Mining, agriculture and tourism are the main industries in this area, which benefits from its close proximity to Gauteng and is only two hours from Pretoria.
Population	96 232
Population not originally from LP area %	44
Residential areas	Thabazimbi, Northam, Rooiberg, Dwaalboom
Youth (15 to 34) %	36
Median age	29
Unemployment %	21 ¹
Youth unemployment %	27 ¹
Households supported by mining %	28 ⁷
Grant dependent households %	38 ⁸



Stakeholder engagement issues and impacts

Through various channels of engagement, stakeholders raised a number of issues in the year under review. Most of these involved concerns regarding the changes in Trust structures and strategy, as well as perceptions that engagement with stakeholders about these changes had been insufficient. The table below outlines the main issues raised and the Trust's position, response or planned interventions.

Issue/impact	Stakeholder	Issue description	SIOC-cdt position and planned interventions
Merging the Northern Cape beneficiary trusts (BTs) into SIOC-cdt	Beneficiary communities in the Northern Cape (Joe Morolong, Ga-Segonyana, Tsantsabane, Gamagara)	<p>Trust operations changed from a decentralised model with five representative trusts located in beneficiary communities to a centralised model with operations located in the SIOC-cdt. Beneficiary communities expressed concerns that their specific local needs may not receive the attention needed.</p> <p>Calls were also made by beneficiary communities, and organised bodies within these communities, for the SIOC-cdt to be more responsive, visible and available for engagement and consultation. It was felt that this was needed to replace the void that emerged after the reorganisation. Previously, communities had direct contact with the Trustees of their BTs, many of who lived among them.</p>	<p>In response</p> <ul style="list-style-type: none"> • The SIOC-cdt moved its head office to Kathu to be closer to beneficiary communities in the Northern Cape. • It is committed to being part of the community and accessible to community members irrespective of the physical location of its office. • After the 2016 local elections, the SIOC-cdt intensified engagement with elected political leaders in pursuit of a more effective partnership approach. • The SIOC-cdt appointed a local stakeholder manager who is tasked with ensuring transparent and responsive processes for engagement with beneficiary communities. <p>Looking forward</p> <ul style="list-style-type: none"> • Roadshows to beneficiary communities took place in September 2018, supported by a multi-channel 'listening exercise' that will allow community members to give input via a survey, SMS line, suggestion box and open engagement sessions. The aim is to listen to communities and re-establish a close connection. • At the annual stakeholder day in November 2018 the SIOC-cdt will report back to communities on performance against targets and share the strategy going forward. • A digital and communication strategy is being developed with the aim of placing the SIOC-cdt in beneficiary communities, not as a once-off visitor, but as a member of the greater community. • Systematic and regular engagement will continue with community-based organisations, structures and forums.



Stakeholder engagement continued

Issue/impact	Stakeholder	Issue description	SIOC-cdt position and planned interventions
Strategic focus on specific areas of community development	Beneficiary communities Local government	<p>Along with the centralisation of the SIOC-cdt operations the need was identified to refine the strategic development focus to ensure effective and impactful community development. The resulting key focus areas approach, targeting health, education, enterprise development and community welfare, led to several concerns.</p> <p>Concerns included:</p> <ul style="list-style-type: none"> • reduced support for projects that offset local government shortfalls in basic service delivery; • a reduction in the number of projects due to more stringent high-impact criteria; and • a lack of flexibility in catering for the unique needs profile of specific communities. 	<p>In response</p> <ul style="list-style-type: none"> • The SIOC-cdt honoured the commitments previously made by the Beneficiary Trusts and delivered on 'legacy projects'. • The Trust demonstrated that the tighter strategic focus and more stringent criteria meant fewer projects, but a higher positive impact resulting in broad-based positive change for more members of beneficiary communities. • The partnerships pursued with the newly elected local government leadership after the 2016 elections clearly differentiate the mandate of the Trust from that of local government. <p>Looking forward</p> <ul style="list-style-type: none"> • The SIOC-cdt remains open to engaging with stakeholders around the chosen focus areas and held community roadshows and 'listening exercises' in September 2018 to hear from communities at first hand. • Within the ambit of the focus areas, the SIOC-cdt will remain sensitive to the unique needs of, and differences between, beneficiary communities. • Robust research and analysis to monitor and evaluate the impact of projects delivered over time will be part of the way the Trust conducts its business.
Local content	Beneficiary communities Local government	<p>Local stakeholders demand local content. This translates into a direct demand for local Trustees, local SIOC-cdt management and employees, local partners in projects, and local service providers. Given the skills pool in the Northern Cape, this is a challenge.</p>	<p>In response</p> <ul style="list-style-type: none"> • The SIOC-cdt has put policies in place to prioritise local content in all contexts. • Due process is followed in the appointment of Trustees, employees or service providers. • Preference is always given to local individuals and/or companies, subject to the availability of the required skill or competency. • The investment strategy of the SIOC-cdt prioritises investment in prospects in the Northern Cape, thus extending the local content agenda to include criteria for investment. <p>Looking forward</p> <ul style="list-style-type: none"> • The SIOC-cdt encourages participation from all stakeholders in resourcing its structures and operations, although it will not compromise good governance, effectiveness or efficiency as that would result in fewer benefits for communities. • Going forward, the Trust will continue to use its core business of community development projects and investments to create local jobs, as was the case with the development of the Urban Hotel in Kathu as part of the SIOC-cdt's investment portfolio.



Issue/impact	Stakeholder	Issue description	SIOC-cdt position and planned interventions
Good governance of the SIOC-cdt as a community trust	All stakeholders	<p>The high levels of legitimate interest in the SIOC-cdt's governance practices and track record is an understandable consequence of the many previous violations in this regard by community trusts and other entities responsible for community development in the Northern Cape and nationally. Stakeholders want to be able to keep the SIOC-cdt accountable and need mechanisms to do so.</p> <p>There are also increasing calls for greater transparency and more frequent reporting and engagement with beneficiary communities.</p>	<p>In response</p> <ul style="list-style-type: none"> The SIOC-cdt is governed by a Board of Trustees and the framework for its operations is prescribed in the Trust Deed. The Board of Trustees is ultimately responsible for the governance of the Trust and for guiding its strategic direction. Leveraging off the high standards for self-regulation and governance of its donor, Kumba Iron Ore, and the Anglo-American Group, the SIOC-cdt has a progressive governance framework and has consistently adhered to its principles over the past 12 years. Both the SIOC-cdt Board of Trustees and its executive management maintain an uncompromising stance on good governance. This is substantiated by independent auditing and frequent assessments, with assurances. The Trust has a fully operational fraud hotline in place and encourages stakeholders to report all suspicions of inappropriate or fraudulent behaviour. <p>Looking forward</p> <ul style="list-style-type: none"> The SIOC-cdt plans to adopt a stakeholder management policy that will institutionalise adherence to King IV with even greater transparency, access to information and more frequent reporting to stakeholders. The Trust is planning to publish a 'report to beneficiary communities app' with the release of its integrated report. This app will provide full feedback on spend and impact per beneficiary community.
Lack of clarity on investment versus social spend	Beneficiary communities	<p>Beneficiary communities expressed confusion about the SIOC-cdt's dual mandate as: (1) a value distributor through social spend on community development projects and, (2) a value creator through its investment strategy. Concerns were raised about whether money earmarked for community development is being channelled into other ventures.</p>	<p>In response</p> <ul style="list-style-type: none"> The SIOC-cdt has consistently adhered to the Trust Deed provision that 70% of its funding must be spent on community development initiatives, while 30% can be invested for long-term capital growth. Returns on these investments are additional sources of income. <p>Looking forward</p> <ul style="list-style-type: none"> The dual mandate will be fully explained during roadshows to communities. The Trust is exploring more ways to share the socio-economic and financial performance of its investment portfolio with stakeholders in the context of the planned digital and communication strategy.

Stakeholder engagement continued

Issue/impact	Stakeholder	Issue description	SIOC-cdt position and planned interventions
Tangible benefit delivery in line with Kumba Iron Ore (KIO) funding, and fair distribution of benefits	Beneficiary communities	<p>Stakeholder feedback included the following:</p> <ul style="list-style-type: none"> • Perceived underspending by the SIOC-cdt when compared to KIO dividends declared; • Calls for project spend to be divided equally amongst all beneficiary communities; and • Demonstration of proven impacts and long-term sustainability of projects. 	<p>In response</p> <ul style="list-style-type: none"> • The rationalisation programme has meant there have been some delays in project delivery. For some time, the Trust did not have the necessary resources to implement approved projects at the required rate. • There is no deliberate attempt to underspend. The Trust is committed to ensuring that every project it undertakes or supports must have the resources to be efficiently managed and effective in achieving its objectives. • The SIOC-cdt participates in local government's integrated development planning (IDP) processes and considers the local economic development (LED) and spatial development framework (SDF) of the provinces, districts and local municipal areas before deciding on projects. • A needs-based approach is more effective than an equal-spend one, which typically results in fragmentation and limits the opportunity for involvement in high-impact projects over the longer term. <p>Looking forward</p> <ul style="list-style-type: none"> • Through planned stakeholder engagement activities, the SIOC-cdt will involve communities in its approach and explain the project delivery model to manage expectations. • The report to beneficiary communities app will give transparent feedback on both spend and impact per beneficiary community. • Robust monitoring and evaluation practices will track the impact of projects using several metrics relevant to each project's agreed objectives.
Economic diversification to reduce the reliance on mining	Provincial government Local government	<p>The downward trend in the iron ore price continues and is impacting on local economic activity across the Northern Cape, with knock-on unemployment effects, particularly among the youth.</p> <p>Viability of local economies is important to the SIOC-cdt's stakeholders, who have concerns about jobs and the sustainability of mining towns in the region where mining operations will not continue forever.</p>	<p>In response</p> <ul style="list-style-type: none"> • A vibrant economy is influenced by national and regional policies and dependent on catalysts for growth. The SIOC-cdt has worked closely with government and other development partners, such as the renewable energy sector, to unlock potential for enterprise development and economic diversification. • The SIOC-cdt has invested significantly in the Northern Cape with flagship projects such as the development of the Urban Hotel, Kathu Solar Park and the take-up of equity in Airlink which offers daily flights to Kathu and can be instrumental in stimulating economic growth. <p>Looking forward</p> <ul style="list-style-type: none"> • The Trust will undertake more inclusive engagement with government, host municipalities and other forums on a shared vision for sustainable development in the Northern Cape and Limpopo provinces. • It will also actively pursue more partnerships with relevant organisations.

2017 Projects Highlights



2017 Projects Highlights continued

Our operating model

SIOC-cdt's community development philosophy is informed by insights emanating from annual community engagement exercises carried out to the extent that the Trust Deed permits. Until 2014, this philosophy broadly covered six focus areas per the Trust Deed, as aligned with the Income Tax Act for public benefit organisations (PBOs). However, following the suspension of dividends by SIOC, we re-focused to target high-impact projects in health, welfare, education and enterprise development to utilise available cash reserves more frugally.

This model evolved further when the Board of Trustees approved the Trust's current organisational strategy, which emphasises the need for collaboration. This involves partnering with like-minded institutions in the development and corporate sectors to help support the Trust's beneficiary communities. We are confident that this strategy, driven through the projects division, will enable the Trust to continue uplifting its beneficiary communities, even without dividends and beyond the life of mine.

In FY17, the Trust spent a total of R55.7 million across all four focus areas, which was a slight improvement from the FY16 activity level. A total of R82.9 million worth of projects, most of which are multi-year education initiatives (see table 1), were also approved during the year under review.

As shown in table 2, project activity is recovering from the lack of funding in FY16, with a spend of R65 million budgeted for FY18.

Table 1: Approvals versus spend in FY17

Description	Approved R000	Expenditure R000
Education	74,062	20,550
Health	2,771	7,116
Welfare	3,713	27,882
Enterprise development	2,348	171
Total	82,894	55,719

Figure 1: Approvals versus spend per focus area

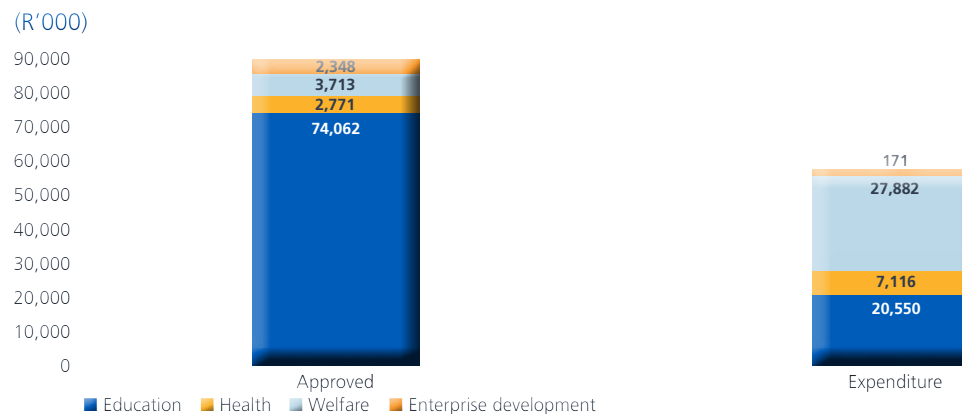
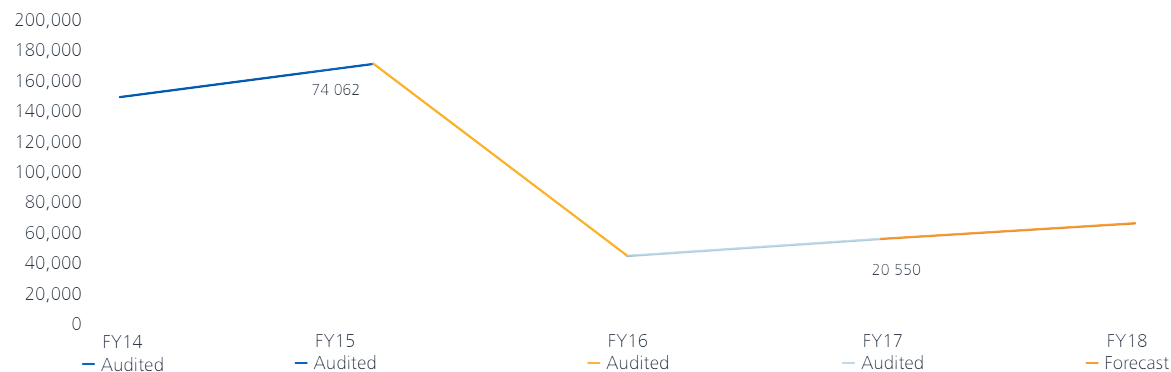


Figure 2: Project spending trend

Project spending on recovery path (R'000)



Focus areas

Education
development



Healthcare
promotion



Welfare



Enterprise
development



Total **project approvals** and **expenditure** amounted to **R83 million** and **R56 million** respectively.



2017 Projects Highlights continued

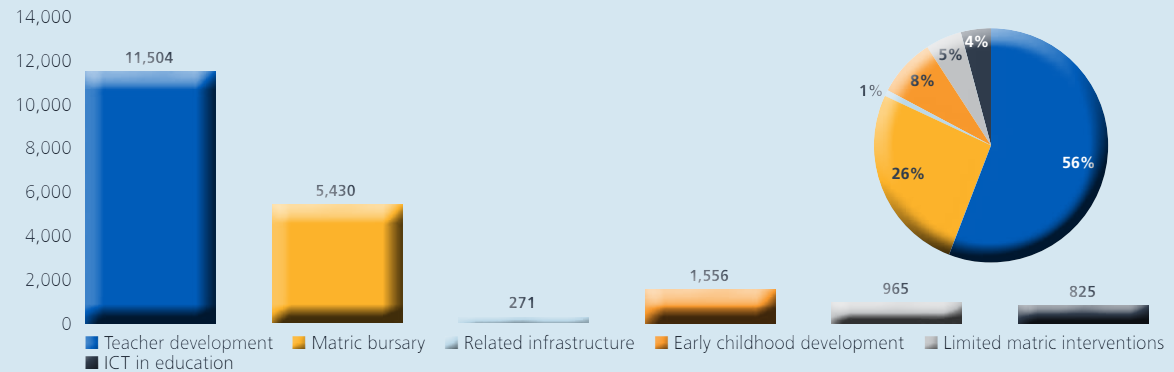
1. Education development

The Trust's investments in education are informed by its robust education strategy, drawn up in consultation with key stakeholders, led by the Department of Basic Education (DBE). The objectives of the strategy are linked to the National Development Plan that promotes the ability of children to read, write and count. Key themes of the strategy include:

- Teacher development to improve content knowledge, methodological competence and classroom practice;
- Capacitating school management teams to provide instructional leadership and drive school functionality;
- Infrastructural programmes such as professional development hubs for teachers;
- Provide ICT tools to enable online, ongoing, and accessible support for producing teacher and school content;
- Matric bursaries to deserving and underprivileged students to pursue relevant studies in reputable higher education institutions (HEIs);
- Focused support to matric students utilising innovative and cost-effective strategies; and
- Reading programmes that provide high-quality materials to teachers and learners, supported by training to ensure these are used effectively.

SIOC-cdt's investments in education in FY18 amounted to R20.6 million, of which 82% went to teacher development and matric bursaries in the Northern Cape and Limpopo communities.

82% of investment in education went into teacher development and matric bursaries (R'000)



We invested **R7.1 million** into the Olifantshoek **Community Health Care Centre** that now includes a **maternity unit**.

2. Healthcare promotion

The Trust's preventive and lifestyle initiatives complement the Department of Health's (DoH) efforts to educate communities about healthy lifestyles and managing chronic conditions. Although SIOC-cdt does not currently have a formalised healthcare strategy, our investments support healthcare initiatives that conform to global best practices.

Funding was also allocated to completing the Olifantshoek Community Health Centre, situated in the Gamagara local municipality. This project reduces costs and improves efficiencies, while also helping to maintain staff morale. Rea Fola, on the other hand, is aimed at arranging the logistics for DoH dental, eye and general screenings, as well as associated procedures to be performed by specialists from the ZFM District DoH. Screening services are done for patients and assistive devices are donated. In cases where procedures are recommended, patients are transported to facilities in Postmasburg and Upington. This programme is currently in implementation in five rural communities of Tsantsabane.

Another healthcare initiative involves training nurses in partnership with Henrietta Stockdale Nursing College and the Northern Cape DoH. In 2016, 20 nurses completed their professional training while three exited as staff nurses. Ten new students from the JTG District were sponsored to start training for the four-year programme from 2018, and are expected to graduate as professional nurses in 2022.



2017 Projects Highlights continued

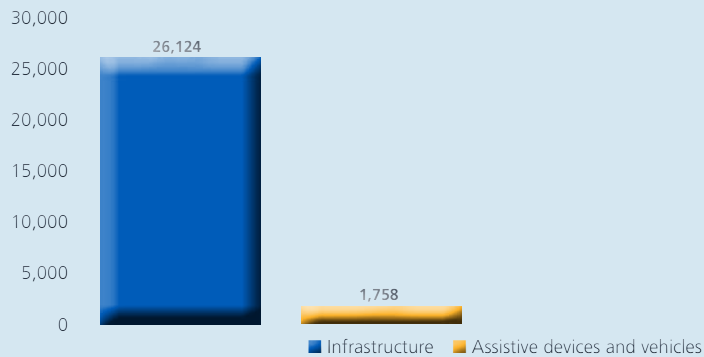
3. Welfare

SIOC-cdt's welfare investments are predominantly focused on improving the wellbeing of vulnerable groups and disabled persons in our beneficiary communities as well as protecting the youth population from the harsh social environment. The Trust expended R27.9 million in initiatives including infrastructural projects and assistive devices for children with multiple disabilities. These initiatives were done in partnership with the National Development Agency (NDA) and the Northern Cape Department of Social Development.



Most of the **welfare** investments (**R26.1 million**) went into the building of **community infrastructure**.

(R'000)



4. Enterprise development

Addressing unemployment, gender inequality and the lack of opportunities are fundamental to alleviating poverty. Enterprise development is a vital tool for addressing socio-economic issues in our beneficiary communities.

Where feasible, we collaborate with partners to invest time, knowledge and capital into assisting small, medium and micro-enterprises (SMMs). These initiatives include empowering local communities to participate in income-generating informal activities to grow and contribute to the local economy.

Our intended outcomes include:

- Steering SMMs towards stable business operating environments that nurture their growth and economic competitiveness
- Driving social investment as a common vision by fostering winning relationships between private and public sector entities
- Fostering an entrepreneurship culture within our beneficiary communities

In FY17, we invested in establishing the Thabazimbi Business Hub in partnership with Kumba Iron Ore's Thabazimbi Mine and the Thabazimbi local municipality. This initiative brings various business development agencies under one roof, to help drive participation in the region.

Our modest FY17 investment into the hub project enabled it to open early in 2018. The Thabazimbi Business Hub has since become a beehive of activity, with various SMMs being launched there.



Northam Victim Empowerment Centre project



SIOC-cdt in partnership with the Godisang Thabazimbi Community Development Trust (Godisang) donated a mobile home to the Northam Victim Empowerment Centre (VEM) in the Thabazimbi local municipality, which was established in 2016 to assist victims of domestic violence and abuse in the Northam, Smash Block and Swartklip areas.

Run by volunteers placed by the Limpopo Department of Social Development, VEM offers counselling, food and shelter to approximately 800 victims per annum.

Beneficiary community

Northam, Swartklip and Smash Block in the Thabazimbi local municipality.

Project impact

The previous one-room, asbestos structure was used as a bedroom, kitchen and office. The new structure provides a more secure and hygienic environment, with easier access and space for private consultations.

This donation was made in response to the Limpopo Department of Social Development's request for suitable new accommodation for the centre's approximately 800 victims per annum.

Based at the Northam Police Station, the new facility consists of three bedrooms, a dedicated dining room, kitchen and bathroom.



Telematics



We identified those school teachers in Thabazimbi facing several challenges in delivering lessons, which directly impact learners' performance. Among these constraints are poor subject content knowledge, mediocre teaching strategies, lack of English proficiency, poor assessment skills and ineffective classroom management skills.

These shortcomings hinder good teaching and learning outcomes. SIOC-cdt has therefore donated the Telematics elearning system as a centre piece of our education strategy to bringing the five high schools on par with best practice.



Five schools in the Thabazimbi/Dwaalboom circuit were selected for the initial Telematics installation in collaboration with Stellenbosch University:

- Thekganang High School
- Northam Comprehensive High School
- Itereleng High School
- Groenvlei High School
- Mabogopedi High School

SIOC-cdt has undertaken to upgrade the classroom security of these schools before the end of 2018. Workshops will be conducted for educators and learners on how to use the Telematics interface.

Beneficiary community

High schools in the Thabazimbi and Dwaalboom circuit.

Project impact

Telematics capacitates educators to teach Grade 10 – 12 learners effectively, which improves learner outcomes.

Telematics utilises class-leading technology offered by Stellenbosch University to deliver teaching modules. This system is fully interactive so that learners can communicate with teachers during the sessions via internet or cell phone.

Thabazimbi weekend classes

The programme is monitored by the **Limpopo Department of Education** and supported by the **NECT**.

The Thabazimbi matric enrichment weekend class project is an SIOC-cdt partnership with the Limpopo Department of Education and the National Collaboration Education Trust (NECT). This project entails hosting winter and spring matric enrichment classes for Grade 12 learners in the Thabazimbi local municipality. The programme enables learners to catch up on classes they fell behind with, and to learn a subject outside their school environment. It offers closer personal attention from the best local teachers than many classroom environments can.

Beneficiary community

Approximately 300 Grade 12 learners from the Thabazimbi local municipality and Dwaalboom circuit.

Project impact

Increase in matric pass rates that lead to higher enrolment rates into tertiary education. Ultimately that results in increased employability and local participation in the economy by indigenous people of Thabazimbi. Learners can acquire higher education qualifications and enhance their employability or self-employment opportunities. Becoming employed will contribute to the economic development of the Thabazimbi local municipality.



Projected cost

R1,959,540



Commenced in 2017 with six high schools in the Thabazimbi local municipality, our programme enabled Groenvlei High School and Thekganang High School (about 300 learners) to perform remarkably better in their 2017 matric results.

Teacher bursary programme

Northern Cape



In 2011, SIOC-cdt responded to a request for support from the Northern Cape Department of Education to assist with funding bursaries for teachers already in practice. The project is aimed at the provision of high-quality, content-rich and appropriately accredited professional teacher development programmes offered by Rhodes University (RU). Our project targets Mathematics, English and Foundation Phase teachers selected from schools in ZF Mgcawu and JTG Districts. These teachers are registered for a three-year Bachelor of Education, specialising in one of these disciplines.

Beneficiary community

Communities in the John Taolo Gaetsewe District, Francis Baard and ZF Mgcawu also.

Impact on the teachers' lives and teaching practices

Teacher confidence has grown along with their content knowledge and lesson preparation skills. They are highly motivated and their classroom practices have changed for the better, as has learner performance averages. Several course graduates have been given more important responsibilities in their schools and districts because of their heightened confidence and skills.

Teachers are given 'in-class' support during the programme, which greatly improves job competencies. For example, teachers are taught how to reconstruct a classroom in such a way that encourages group work. Other practical lessons are on how to interact with students and how teachers should move around classrooms to best assist with learning.

Testimonial from participant of the programme

Kealeboga Precious Kgadi – currently teaching in JTG district at Isagontle Primary School.

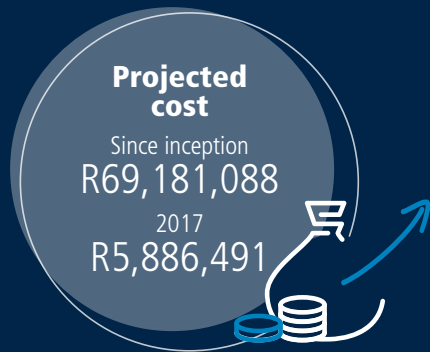
"I consider myself blessed to be one of the teachers who obtained the bursary from SIOC-cdt to study at RU, as the course has contributed immensely to my skills development. Before I studied with Rhodes, my content knowledge was poor, even my learners could challenge me. I went to class just to fulfil my duty as a teacher. But RU changed all that. I learnt a lot from the cognitive theorists, from the literature strand, from the visual literacy strand and from the language strand. These helped expand my content knowledge and now I literally run to the class. The area of professional development opened my eyes in a way I had not expected. The classroom support visits had a significant impact on my classroom practice as an English educator. Now my classroom is print-rich, the seating arrangement in my class is appropriate, my lesson introductions are interesting and rejuvenating. I ensure that my learners are well prepared before I give them tasks and my lesson objectives are clearly outlined and reached. Learners enjoy attending my classes all because of RU. Thanks a lot to SIOC-cdt for providing the funds for me to be developed."

Project impact

In total, 204 teachers from ZF Mgcawu, Frances Baard and JTG Districts benefited since 2012, 63% of whom have since graduated in 2014 and 2018. A further 82 teachers commenced studies in 2018 for the four-year programme.



Tertiary Bursary Project



Over the years SIOC-cdt granted bursaries to numerous students.

Beneficiary community

Talented young individuals in the Northern Cape and Limpopo provinces.

Project impact

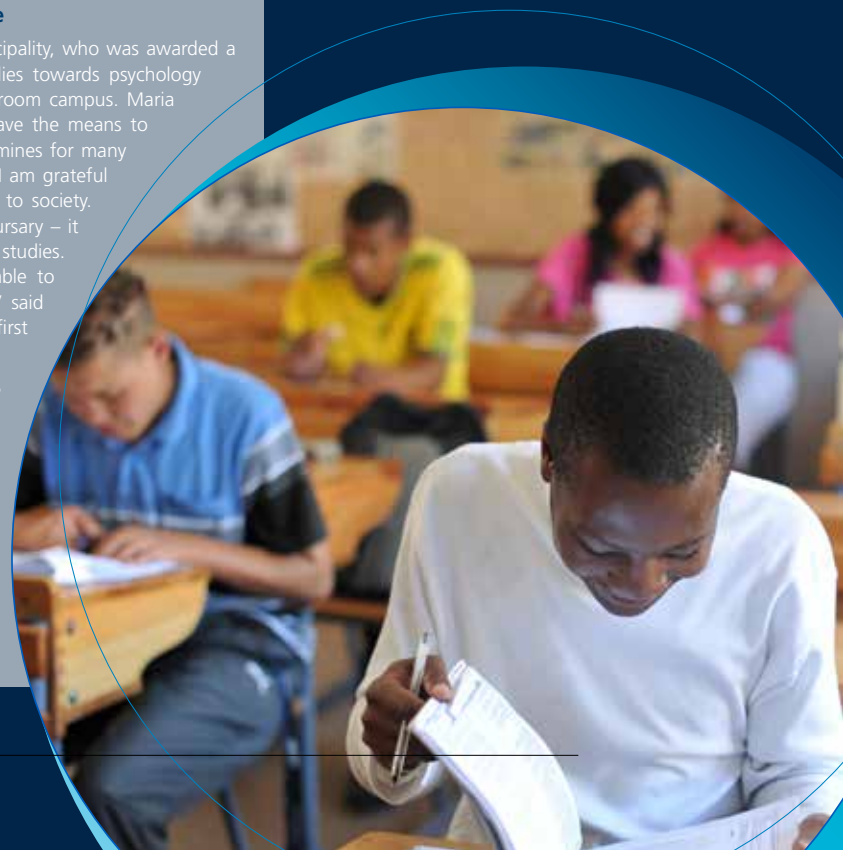
Since inception, 525 students have benefited, 48% of whom have already graduated and are employed. Currently 78 students are being funded by SIOC-cdt, 32 of which are expected to exit in 2018. A further 32 students are expected to benefit as part of the 2019 cohort in various disciplines. Several bursary programme graduates are current SIOC-cdt employees who have passed through the SIOC-cdt internship programme.

This project offers a full value bursary that is paid directly to the academic institution and suppliers of accommodation, books and assistive devices. The students receive ongoing support through regular campus visits and electronic communication aimed at monitoring their welfare and quality academic performances.

Testimonials from participants of the programme

Maria Elizabeth Frohlich from the Thabazimbi local municipality, who was awarded a SIOC-cdt bursary, is now completing her third-year studies towards psychology and mathematics at the North West University Potchefstroom campus. Maria is the eldest of two children and her parents did not have the means to pay for her tuition. Her father had been working in the mines for many years and her mother is unable to work due to illness. "I am grateful for the opportunity to contribute something meaningful to society. I understand the responsibility which accompanies this bursary – it is for this reason that I have committed myself fully to my studies. Words cannot express the gratitude I have for being able to pursue my dream. I have been blessed beyond measure," said Maria of her bursary. Maria received 10 distinctions in her first year of studies.

Another SIOC-cdt bursar, Bonolo Moamogwe from the Tsantsabane local municipality, is currently completing her BTech studies towards marketing management. Bonolo lost her father who was the breadwinner in 2012, leaving her unemployed mother to raise her. "I would like to take this opportunity to thank the whole team of SIOC-cdt with the financial assistance I received on my journey to complete my national diploma in marketing management with Vaal University of Technology. Without the assistance I wouldn't have been able to further my studies," said Bonolo.



Maths Centre teacher and learner professional development project

Maths Centre is an accredited service provider that is renowned for improving the quality of mathematics, science and technology education and the outcomes thereof from Grade R to Grade 12 in South Africa.

SIOC-cdt collaborated with Maths Centre to embark on a teacher and learner support professional development project in 11 schools in Tsantsabane local municipality. This project is intended to improve subject knowledge, teaching skills and supervisory practices of educators teaching primary and secondary school mathematics, science and technology.

The project commenced in April 2017, to support **Grade R to Grade 12 mathematics educators** in Postmasburg.

Beneficiary community

Tsantsabane Local Municipality.

Project impact

We are growing the numbers of teachers from the 11 schools whose professionalism and experience match the mathematics, science and technology curriculum level they must deliver.

This project aims to enhance teacher performance by 80 to 100% each year (from the baseline), and improve learner performance in those subjects by 20% each year.

Empowered educators will cultivate self-assured and competent learners who can more easily access tertiary and employment opportunities and help create thriving communities.

Project cost

Since inception
R3,329,506
2017
R1,426,638



Our corporate governance





SIOC-cdt is committed to maintaining the highest standards of ethics and integrity in its business practices and the conduct of Trustees, employees and stakeholders.

Board of Trustees

ACG MOLUSI



Independent
Chairman: Board
of Trustees
Chairman: Nominations
Committee.
Member of Remunerations committee
13 August 2007

A DIPPENAAR



Donor
Representative Trustee
Chairman: Social, Ethics
and Transformation Committee
Member of Group Audit and Risk, Nominations, and
Remunerations committees
21 June 2018

A POLE



Community
Representative Trustee
Chairman: Godisang
Thabazimbi Community
Development Trust (GT-cdt)
Member of Projects Review, Group Audit and Risk, and Social, Ethics and
Transformation Committees.
31 August 2015

V MALIE



Executive
Trustee:
Chief Executive
Officer
3 October 2012

O MOGODI



Community
Representative Trustee
Member of Projects
Review, Social, Ethics and
Transformation,
Nominations, and Remunerations committees.
13 August 2007

T HENRY



Donor
Representative
Trustee
Member of Projects
Review Committee.
Appointed by the Board
on 12 July 2018

D VAN STADEN



Independent Trustee
Chairman: Projects Review and Group Audit and Risk Committees.
Member of Investment Review Committee.
29 July 2012

J MOOKI



Community Representative Trustee
Member of Projects Review, Social, Ethics and Transformation, and Remunerations committees.
25 November 2015

N MOSIAPOA



Community Representative Trustee
Member of Investment Review, Projects Review and Social, Ethics and Transformation committees.
26 September 2014

W VAN HEERDEN



Donor Representative Trustee
Chairman: Investment Review Committee
3 October 2012

Y MFOLO



Donor Representative Trustee
Chairman: Remunerations Committee
Member of Nominations and Projects Review Committees.
29 July 2012



Our Corporate Governance

Our corporate governance

The SIOC-cdt (the Trust) is governed by a Board of Trustees (the Board) in terms of the operational framework prescribed in its Trust Deed. The Board of Trustees is ultimately responsible for governing the Trust and for guiding its strategic direction.

The SIOC-cdt Board comprises of 13 Trustees, an independent Chairman and meets at least four times a year. Members of the Board include community and donor representatives, supported by independent Trustees appointed to ensure that the Trust acts in the best interests of its identified communities. At Board meetings, the Trustees are responsible for formulating

the business strategy of the Trust and for overseeing its implementation by Management. The Trustees also determine the projects to be funded by the Trust for implementation in the various beneficiary communities. In addition, the Trust Deed allows Trustees to make permitted investments of the Trust income with a view to build the necessary reserves for the future sustainability of the Trust.

The Trust is governed by the Trust Deed which sets out the mandate and objectives of the Trust, as well as the powers and duties of its Trustees.

In carrying out its mandate, the Trust is governed through well-developed structures and processes that flow to

and from the Board of Trustees. The Board is ultimately responsible for governing the Trust, but delegates certain of its powers to six standing committees that manage specific areas of the Board's mandate as depicted in the schedule below.

Board committees

The Board committees are responsible for compliance issues and for overseeing implementation of the Board decisions. However, the Board takes the final approval on all matters delegated to these committees.

The following committees were established to assist the Board in discharging its mandate:

Board committees



The Group Audit and Risk Committee provides assurance and oversight that the risk management framework can adequately mitigate and manage business risk.



The Projects Review Committee is responsible for monitoring project governance and making recommendations to the Board on projects for the SIOC-cdt's beneficiary communities.



This committee oversees human resources matters, reviews the Trust's performance management framework, and assesses and makes recommendations to the Board on the remuneration for SIOC-cdt and its Trustees.



The Nominations Committee advises the Board on the appointment and removal of Trustees. It also ensures that suitably qualified persons are appointed to the Board and Trust management to ensure a proper mix of skills, experience and expertise across the organisation.



This committee monitors ethical conduct across the Trust and oversees the deepening integration of an ethical culture throughout the organisation.



The Investment Review Committee is an advisory committee that provides technical support to management for reviewing potential opportunities. This committee makes investment recommendations to the Board in line with the approved investment strategy.

The Board and its committees have stipulated terms of reference (ToRs) that set out the mandates and powers of each structure. To ensure continuing relevance, these ToRs are reviewed annually and amended to reflect any changes in the Trust's business strategy, funding, legislative developments and organisational changes.

Despite the delegation of certain powers to committees, the Board retains certain rights and duties in line with its Trust Deed requirements on powers reserved for the Board.

2017 calendar

Group Audit and Risk Committee	Investment Review Committee	Social, Ethics and Transformation Committee	Remuneration and Nominations Committee	Projects Review Committee	Board meeting	Board workshops
22 February	24 February	21 February	21 February	23 February	30 March	
10 May	8 May	16 May	16 May	9 May	8 June	7 June
*3 August AGM – 5 September	4 August	No SET meeting in third-quarter	No Remco meeting in third-quarter	15 August	21 September	
19 October	25 September	2 November	2 November	19 October	21 November	

* Remunerations, Nominations and Social, Ethics and Transformation committees only meet three times a year.

Compliance with laws and regulations

A compliance function is a vital component of an effective risk management framework. SIOC-cdt has elected to comply with the requirements of the King IV code on good governance in South Africa to the extent to which this is practical for the Trust.

The Board and Management of the Trust recognise that non-compliance can place SIOC-cdt's business model and objectives, financial soundness and reputation at risk. In line with its oversight mandate on organisational compliance, the Group Audit and Risk committee is responsible for ensuring that the Trust complies with the relevant legal, regulatory and other requirements applicable to the Trust. Compliance is not just ticking the boxes of relevant legislation and recommended guidelines, but also for enhancing and protecting institutional performance.

Risk management

Recognising that risk management is critical to achieving the SIOC-cdt's objectives and mandate, SIOC-cdt has committed itself to implementing and maintaining a

systematic, comprehensive and robust system of risk management.

The Trust's CEO and executive management are taking the lead to create an organisational culture and working environment that embeds risk management by setting the tone from the top.

SIOC-cdt expects every employee to be a risk manager in their own areas of responsibility. Hands-on risk management must be performed by the managers, with technical and advisory support from the risk management unit.

Code of Ethics

SIOC-cdt is committed to maintaining the highest standards of ethics and integrity in its business practices and in the conduct of its Trustees, employees and stakeholders.

The SIOC-cdt Code of Ethics is aimed at ensuring effective investigation, disclosure and minimisation of unethical conducts and incidents within SIOC-cdt.

SIOC-cdt is committed to maintaining the highest standards of honesty, integrity and ethical conduct.

Employees, contractors, customers, suppliers, managers and shareholders are encouraged to speak up when they have concerns about activities at the Trust.

SIOC-cdt has a Fraud Hotline that internal and external stakeholders can utilise to report fraud, crime or other unethical conduct. Call 0800 230 570 regarding any suspicion or knowledge of fraud, unethical behaviour or theft within SIOC-cdt or any of its affiliates. This number is monitored by Speak Up, a confidential reporting service for all employees and stakeholders of the Anglo American Group. It is independently managed by Deloitte Tip-Offs Anonymous. All calls to our hotline will be treated confidentially and caller identities always protected.

Complainants are provided with reference numbers and can follow up through the Speak Up service to check the status of their tip-offs.

Fraud and corruption – information
OUR FRAUD HOTLINE
SPEAK UP: 0800 230 570
 anonymous@speak-up-site.com

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InvestCo





“Our focus is to source and manage investments for **long-term sustainability**”



InvestCo

About InvestCo

The Trust Deed permits up to 30% of the SIOC-cdt's income to be allocated for investments. As a result, InvestCo was established in 2011 to fulfil the Trust Deed's mandate to secure the future sustainability of SIOC-cdt and its beneficiaries. It is responsible for making investments that will ensure and supplement the Trust's future income. InvestCo had to be founded as a separate legal entity due to the commercial nature of its investments.

Income derived from these investments will be passed on to our communities in line with Trust Deed objectives.

Our investment approach

InvestCo seeks out substantial holdings in high-quality assets, with preference for assets that can directly improve socio-economic conditions for our beneficiaries.

Our investment mandate

InvestCo Investments should provide social and economic returns to beneficiary Northern Cape and Thabazimbi communities. Our investment criteria are also determined by the investment's risk profile, its duration and potential returns.

Investment portfolio

With assets valued at approximately R1 billion, the company has to date made investments in mining, energy, construction, tourism and aviation sectors



SA AIRLINK

32.51% equity stake in SA Airlink in 2012, a regional airline providing interconnectivity for the SAA Alliance since 1997.



KATHU SOLAR PARK

12.5% equity interest in the Kathu Solar Park Project in 2016, a 100 MW greenfield Concentrated Solar Power (CSP) project with parabolic trough technology and equipped with a molten salt storage system that allows 4.5 hours of thermal energy storage. It is situated in the Northern Cape Province, 600 km South-West of the national capital Pretoria.



5.99% stake in Basil Read in 2012, a JSE-listed company active in the building, civil engineering, roads construction, mixed-use integrated housing developments, opencast mining and related services.



arla | KATHU HOTEL

URBAN HOTEL KATHU

100% stake in Urban Hotel Kathu in 2012, a 79-room hotel situated in Kathu, Northern Cape. The hotel is managed by Aha Hotels and Lodges, a tourism property management company of Tourvest.



OUR VISION

InvestCo is focused on ensuring the longevity of the SIOC-cdt activities.



OUR MISSION

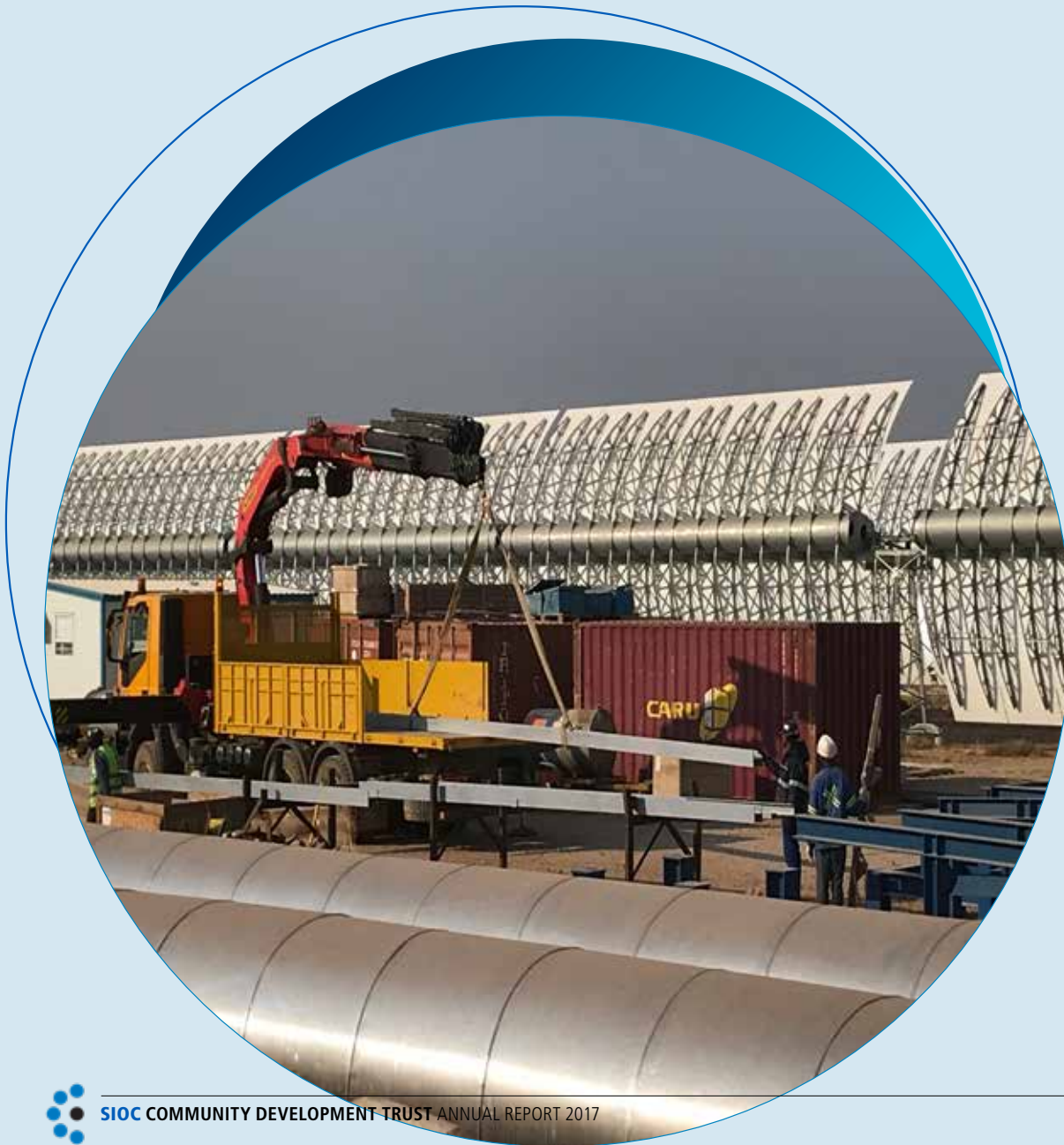
Acquire assets of suitable scale and value to create income that will sustain Trust community projects.



OUR VALUES

Honesty, transparency and generosity.

Our Financial Overview



The group is **looking forward** to **strengthening strategies** and **policies** for **organisational direction** and efficiencies.

Chief Financial Officer's review

The Trust and its subsidiaries' (the group) financial position at year end retains a healthy position. The group realised surpluses for the year and growth in cash resources. The group is looking forward to strengthening strategies and policies for organisational direction and efficiencies.

Financial performance

Income

The group reported a total income of R355 million mainly comprising dividend income received from Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba Iron Ore Limited (Kumba) and investment income derived from permitted investments. No dividends were declared by Kumba during the 2016 financial year.

Operating expenditure

Total expenditure amounted to R111.1 million, of which 50% relates to public benefit expenditure.

Surplus

The group reported a surplus for the year of R226.6 million after realising a share of net profits from equity accounted investments of R81.2 million.

Financial position

Net asset value

The group experienced an increase in the net asset value (NAV) of R2 billion to R4.3 billion in 2017. The increase arose from an increase in financial assets held at fair value through profit and loss of R1.8 billion, emanating from fair value adjustments of Kumba's listed share price. The iron ore price traded above US\$60 per tonne during the year, which positively impacted on the Kumba share price.

Investments

Through a wholly-owned investment company, SIOC-cdt Investment Holdings Proprietary Limited (InvestCo), the group has invested in various long-term investments, in addition to the inaugural 3% shareholding in SIOC. These are SA Airlink (32.5%), Urban Hotel Kathu (100%), Kathu Solar Park (12.5%) and Basil Read (5.99%).



Zanele Ngwenya

Chief Financial
Officer

SA Airlink has consistently provided positive capital growth and a modest dividend yield over the last five years of 9.2%. The Urban Hotel Kathu traded positively in 2017, resulting in a modest debut profit of R430,872 (2016: (R86 658)). The collaboration with Tourvest Aha Group is expected to increase occupancies and maintain the profitability of the hotel. The Kathu Solar Park is a 100 MW concentrated solar power plant located in Kathu. The construction of the plant is 98% complete, and is expected to start operations during early 2019. Basil Read was placed under business rescue in June 2019 and accordingly delisted from the Johannesburg Stock Exchange. This investment has therefore been fully impaired by the group.

The directors' valuation of the total portfolio amounts to R4.4 billion, including the SIOC share.

Cash flows

The group had cash opening balances of R480.3 million at the beginning of 2017 and a closing balance of R644.2 million at the end of the same financial period. The growth in cash balances for the group yielded accumulated interest income of R49.9 million in 2014 (2016: R50.8 million), representing growth of 34% in overall cash reserves.

This growth is attributable to the SIOC dividend of R200 million during the 2017 financial period, as well as the implementation of a cost containment strategy by management implemented in 2016.

All surplus funds have been invested in high-yield money market instruments which attract interest rates of at least 6% per annum.

Forward-looking assessment

Planning process

During 2017, the group developed a budget and planning process plan. In terms of our strategy to complete the Gamagara Municipality legacy projects, a group operational budget was prepared and approved for implementation at the beginning of 2018, with the assumption of continued dividend income from SIOC. Administration expenses during 2018 took inflation and operational needs of the group into account. Public benefit expenditure includes the resuscitation of defunct community projects and completion of all legacy projects.

Internal processes

A treasury policy was developed to place all surplus cash investments in high quality and diversified securities. The policy will focus on the implementation of strong cash management principles to minimise leakage and maximise interest income growth.

Sustainability

The group recognises the importance of sustaining its operations beyond the life of the SIOC mine, estimated at between 13 and 14 years. An investment approach modelled according to global best practices among international university endowment funds, family offices and global sovereign wealth funds was adopted by management during 2018. This approach is based on a pre-determined strategic asset allocation between listed and unlisted securities, and property and enterprise development. With efficient implementation in 2019, management is confident that it will be closer to ensuring the sustainability of the group and its beneficiaries beyond the life of the mine.

Zanele Ngwenya

Chief financial officer

“A critical pillar in this journey is the investment in social infrastructure such as education, healthcare and sporting centres to create space for community enrichment.”

Zanele Ngwenya



Address and details of **Trust**

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I Trust 10454/06

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