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TOMORROW

2018

UNITED NATIONS GLOBAL COMPACT  
Communication on Progress



## Communication on Progress

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[www.exxaro.com](http://www.exxaro.com)



## Statement CEO statement of report

Exxaro Resources (Exxaro) is one of the largest South African-based diversified resources companies, with interests in the coal, titanium dioxide, ferrous, zinc and renewable energy commodities. Exxaro became a signatory of the United Nations Global Compact (UNGC) in 2007. As one of the foremost black-owned diversified resources companies listed on the Johannesburg Stock Exchange, the signing of the UNGC marked our foundational commitment to sustainability. The commitment and focus is ongoing and we are once again proud to reaffirm our support of the 10 principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

In this Communication on Progress for 2018, we draw on Exxaro's integrated and supplementary reports for 2018 to describe how the 10 UNGC principles are incorporated into our business. The integrated and supplementary reports are both products of the company's strategic objectives, legislative and regulatory requirements, including the Companies Act of South Africa No 71 of 2008, as amended (Companies Act), the mining charter and the JSE Limited Listings Requirements, as well as global best practice standards as reflected in the International Integrated Reporting Council's framework for integrated reporting, the Global Reporting Initiative GRI, UN Global Compact principles and the King Report on Governance for South Africa 2016 (King IV™) and AccountAbility 1000SES.

Exxaro remains an active member of the National Business Initiative (NBI) in South Africa. The NBI has aligned the South African National Development Plan (NDP) and the UN Sustainable Development Goals (SDGs) and awareness has been created in business on the need to support the SDGs.

From the basis of moral and economic imperatives Exxaro is addressing many of the SDGs in our sustainability drive. Details of sustainability successes can be found in both the integrated and supplementary reports and are available online under:

<https://www.exxaro.com/investors/integrated-reports>

Sincerely,

**Mxolisi Mgojo**  
Chief Executive Officer

Exxaro Resources

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# HUMAN RIGHTS

## HUMAN RIGHTS

### GLOBAL COMPACT PRINCIPLE

1. Businesses should support and respect the protection of internationally proclaimed human rights

2. Make sure that they are not complicit in human rights abuses

### POLICIES AND MANAGEMENT SYSTEMS

Exxaro has a **labour and human rights policy** (policy) enforced in which the intent under **paragraph 4** is stated as follows:  
*"The company, as a responsible employer, will at all times comply with all labour legislation in South Africa, including the Constitution of the Republic of South Africa, the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Act, the Skills Development Act, Unemployment Insurance Act, the Mine Health and Safety Act, the Occupational Health and Safety Act. The company will also comply with all Labour Organization (ILO) codes and guidelines as ratified by the Republic of South Africa."*

Under **paragraph 5.1 of the policy** it states:  
*"The company unreservedly supports the Universal Declaration of Human Rights."*

Under **paragraph 5.2 of the policy** it states:  
*"The company unreservedly supports the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises."*

As reported under UNGC principle 1, the policy also covers human rights abuses.

Under **paragraph 6 of the policy** it states:  
*"The company will ensure that all employees are trained in the principles of human rights on an ongoing basis."*

Exxaro's supplier code of conduct requires that every supplier or service provider adheres to human rights-related declarations, labour laws, regulations and guidelines. These include inter alia:

- Universal Declaration of Human Rights (1948)
- ILO international labour standards
- ILO codes of practice in safety and health
- OECD Guidelines for Multinational Enterprises
- Constitution of the Republic of South Africa (Act No 108 of 1996)
- Basic Conditions of Employment Act (Act No 11 of 2002)

### SUMMARY OF ACTIONS AND RESULTS

Exxaro has consistently complied with this policy during 2018 and no transgressions have been recorded at any operations, subsidiaries, or suppliers of Exxaro both in South Africa and internationally.

Induction programmes educate all employees and contractors on human rights. Refresher courses are available to all employees and contractors and they also cover human rights issues.

Furthermore, policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.

Exxaro's employees are aware of their human rights and to date Exxaro has not been complicit in the violation of any human rights.

Suppliers and service providers are aware of their responsibilities towards their workers and the human rights that their employees must be afforded.

# LABOUR

LABOUR

## GLOBAL COMPACT PRINCIPLE

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

4. The elimination of all forms of forced and compulsory labour

## POLICIES AND MANAGEMENT SYSTEMS

Paragraph 4.3 of the policy states the following:  
*"The company supports an employee's right to freedom of association and to join a trade union of their choice."*

Paragraph 4.4 of the policy states the following:  
*"The company supports the principle of collective bargaining. In this regard the company has entered into formal recognition agreements with various trade unions."*

Paragraph 4.2 of the policy states the following:  
*"Subject to the provisions of the Constitution of South Africa, the company will not cause, demand or impose forced labour on any other person."*

Exxaro's supplier code of conduct requires that every supplier or service provider adhere to human rights-related declarations, labour laws, regulations and guidelines. These include inter alia:

- Universal Declaration of Human Rights (1948)
- ILO international labour standards
- Constitution of the Republic of South Africa (Act No 108 of 1996)
- Basic Conditions of Employment Act (Act No 11 of 2002)

## SUMMARY OF ACTIONS AND RESULTS

Constructive engagement remains the cornerstone of our approach to organised labour. All our trade union engagement structures are functioning well as a vital conduit for managing issues. In addition, our employee relations strategy provides an effective framework for maintaining a healthy workplace climate.

Our policies and procedures are developed within the framework of relevant labour legislation, and employees are managed individually and collectively.

In total, 4 882 of our employees are represented by affiliated unions recognised by Exxaro subsidiaries: primarily National Union of Mineworkers (NUM), Solidarity, Association of Mineworkers and Construction Union (AMCU), UASA (formerly United Association of South Africa), Food and Allied Workers Union (FAWU) and National Union of Metalworking of South Africa.

Union	Members
National Union of Mineworkers	3 846
Solidarity	525
AMCU	333
United Association of South Africa	83
National Union of Metalworkers	49
Food and Allied Workers Union	46
<b>Total</b>	<b>4 882</b>

The Basic Conditions of Employment Act (chapter six) specifically prohibits the employment of children and forced labour.

To date Exxaro has not been complicit in the violation of the policy or the Basic Conditions of Employment Act.

Exxaro performs annual audits on its suppliers and service providers and during 2018 no violations of the Basic Conditions of Employment Act were recorded.

# LABOUR (CONTINUED)

LABOUR

## GLOBAL COMPACT PRINCIPLE

5. The effective abolition of child labour

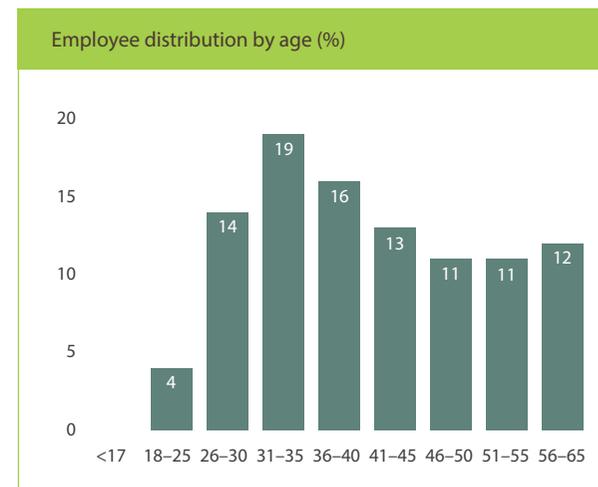
## POLICIES AND MANAGEMENT SYSTEMS

Paragraph 4.1 of the policy states the following:  
*"The company will not employ child labour in contravention of the Basic Conditions of Employment Act and the Occupational Health and Safety Act."*

## SUMMARY OF ACTIONS AND RESULTS

The employee master file records for 2018 disclose that no employees younger than 18 years of age were in the employ of Exxaro.

Below is the percentage distribution of employees by age:



6. The elimination of discrimination in respect of employment and occupation

Paragraph 4.5 of the policy states the following:  
*"The company promotes the principles of equal opportunities and prohibits unfair discrimination and has established policies, namely the employment equity policy and policies prohibiting racial harassment, sexual harassment and unfair discrimination to promote these principles."*

As an employer, Exxaro is firmly committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual preference or nationality. Our corporate values guide the way we do business, and discrimination on any grounds is not acceptable.

A comprehensive suite of policies covers employment, labour relations, occupational health and safety, training and education, diversity and equal opportunity. Our aim is to provide working conditions that are safe and healthy, opportunities that are enriching and an environment conducive to performance.

There is no discrimination between the salaries of men and women in the bargaining unit category as collective agreements determine specific guaranteed minimum salaries.

In the management and specialist category, individual salaries are strictly based on contracted performance.

# ENVIRONMENT

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

7. Businesses should support a precautionary approach to environmental challenges

## POLICIES AND MANAGEMENT SYSTEMS

Exxaro adopts the precautionary principle, which is entrenched in the National Environmental Management Act (NEMA), when evaluating the environmental impacts of business opportunities.

We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:

- Ensuring all activities are properly authorised
- Complying with all statutory environmental requirements as a minimum
- Using energy and water as efficiently as possible
- Conducting activities responsibly from the twin perspectives of compliance and natural resource use
- Participating actively in voluntary benchmarks, such as the global carbon and water disclosure projects
- Developing innovative policies and programmes to address environmental impacts and use of natural resources.

Comprehensive group standards have enhanced the implementation of legal requirements and sustainable use of natural resources. These include management standards for air quality, water, energy, rehabilitation and mine closure, and environmental incident management and reporting.

### Legal compliance

South African mining companies are heavily regulated, with compliance centred on receiving, converting and retaining all mining rights. To ensure we continue to meet legal requirements as a minimum, compliance across Exxaro is monitored by two board-mandated entities: the sustainability, risk and compliance committee as well as the social and ethics committee.

Running all our operations with approved EMPs is fundamental to our sustainability and legal compliance.

## SUMMARY OF ACTIONS AND RESULTS

All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.

All our South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and National Environmental Management Act (NEMA).

These standards inform key measurable compliance indicators to ensure that Exxaro remains a legally authorised sustainable business.

During 2018 environmental licensing applications for various new projects were at different stages of their respective regulatory assessment. We have continuously engaged with the relevant authorities, agencies and other stakeholders to expedite these licences.

Exxaro received no environmental stoppage directives and no fines were issued during 2018.

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility

## POLICIES AND MANAGEMENT SYSTEMS

Key continuous environmental risks at Exxaro's operations have been identified and are listed below:

- Greenhouse gas emissions (GHG)
- Air quality management
- Water quality management, security of supply
- Hazardous waste management
- Biodiversity management
- Ongoing rehabilitation
- Cost of, and provision for, environmental liabilities
- Improving compliance to granted environmental licences
- Increasing statutory and non-statutory environmental requirements
- Environmental incidents (level 3).

### Carbon footprint

**Scope 1:** Direct greenhouse gas emissions, measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) from sources owned or controlled by Exxaro, eg emissions from diesel, petrol, gas and anthracite combusted in day-to-day mining operations.

**Scope 2:** GHG emissions from electricity generation by Eskom (South Africa's largest power utility), purchased by Exxaro.

**Scope 3:** Emissions outside our control but emanating from our products or activities, eg customer burning coal sold by Exxaro.

The scope 1, 2 and 3 emission protocol provides a common measurement platform to compare firms, aggregate data to national level and compare countries. South Africa has set arguably the most aggressive carbon abatement targets of any developing country: to reduce emissions by 34% below business as usual by 2020, and 42% by 2025.

Operational activities are guided by our climate change response strategy. A steering committee oversees related improvement projects and activities, and ensures these are aligned with Exxaro's climate change position statement.

This supports a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enables operations to focus on managing energy, emissions and other climate change-related issues.

### Carbon disclosure

Exxaro participates in two programmes: CDP Climate Change (since 2008) and CDP Water. The CDP (formerly the Carbon Disclosure Project) is a UK-based global climate change reporting system. Our carbon performance is externally assured annually.

## SUMMARY OF ACTIONS AND RESULTS

These risks have been determined with the commensurate impacts and the required mitigation actions required to minimise or avoid these risks.

Exxaro performed an annual enterprise-wide risk assessment in 2018 and no environmental risks were listed in the top 10 of the enterprise risk register. The risk ranking is dictated by the residual risk score after all potential treatments and controls have been put in place. This excellent result is due to robust risk management continuously performed at the operations.

### Carbon Disclosure Project (CDP)

Exxaro's current CDP score is a **B** and falls within the CDP's **management level** of maturity. Organisations scoring a B are in the 46% of highest scoring companies on the CDP index. Exxaro lies within the top 36% of companies in the mining sector and performs better than the industry average.

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility (continued)

## POLICIES AND MANAGEMENT SYSTEMS

### Energy management

Exxaro considers the consumption of electricity and diesel as a proxy for GHG emissions.

As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption, including projects to specifically increase the efficiency of diesel and electricity use.

The head office technology department has initiated a project to reduce diesel consumption at all our operations. To facilitate energy-saving initiatives, energy-intensity targets are set annually based to the prior two-year performance for each operation and are monitored monthly. These targets were reviewed at the end of the 2017 and long-term (five years) targets have been proposed. These were implemented in the second half of 2018.

## SUMMARY OF ACTIONS AND RESULTS

### Energy management

The primary sources of energy for Exxaro's mining operations are diesel and electricity. After being normalised to the energy unit of measure, gigajoules (GJ), **diesel** and **electricity** account for **59%** and **41%** of energy consumed respectively.

Total energy consumed in 2018 was **4 977 270 GJ** (2017: 4 584 170 GJ). This represented a nominal year-on-year increase of **8%** (2017: 9%).

The increase in diesel consumption during 2018 was primarily driven by higher levels of activity in concurrent rehabilitation across all the operations. Secondly, the increase in diesel consumption was also driven by higher production levels at Exxaro's flagship operation – Grootegeluk.

Although the nominal electricity and diesel consumption figures increased in 2018, the trend for energy intensity, at a group level, moved in a positive direction. The **electricity intensity** (based on production tonnes) was **12.9MWh/kt** (2017: 13.8MWh/kt).

The corresponding group-level diesel intensity measure (based on production tonnes) was **1 592ℓ/kt** (2017: 1 655ℓ/kt).

At a group level, the electricity and diesel intensity measures thus improved by **6%** and **4%** respectively.

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility  
(continued)

## POLICIES AND MANAGEMENT SYSTEMS

### Air quality

As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other pollutants (eg PM10 and PM2.5) from opencast operations. Accordingly, we focus on:

- Minimising impact on the receiving environment
- Full legislative compliance
- Air quality management planning
- Risk management
- Monitoring, measurement and reporting.

Daily measures ensure we address the challenges of Exxaro's dust-generating activities (blasting, drilling, crushing and screening, vehicle entrainment, materials handling and wind erosion of exposed operational areas). These include applying dust-suppressant agents on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material.

All mining operations monitor daily dust-fallout rates and results are assessed against national regulations. We track our compliance against the stringent residential limit (600mg/m<sup>2</sup>/day) instead of the non-residential limit (1 200mg/m<sup>2</sup>/day) to minimise the impact on residents. This will ensure fallout dust is reduced to the residential limit.

### Water management

Water is a strategic natural resource for South Africa. It is also key to our business. The Exxaro water management policy therefore defines our commitment to the sustainable use of water, with a strong focus on efficiency through reuse and recycling. This policy is aligned to the legislative environmental framework governed mainly by the National Water Act No 36 of 1998. In support of the Act, the Department of Water and Sanitation has issued an integrated water resource management hierarchy that prioritises mine and waste management decisions and actions. This hierarchy informs both our policy and strategy on mine and waste water management as:

- Pollution prevention
- Minimise environmental impacts
- Maximise water reuse and reclamation
- Responsible water discharge and disposal
- Water treatment.

Translating policy into action, our management standard on water for mining and industrial use articulates our commitment to develop and implement an effective integrated water and waste management plan across the lifecycle of a mine. This includes planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard reflects management's vision to:

- Ensure a cost-effective integrated approach to water management
- Be environmentally responsible
- Be ecologically sustainable.

## SUMMARY OF ACTIONS AND RESULTS

### Air quality

Comparing Exxaro's dust-fallout rate against the regulated non-residential limit (1 200mg/m<sup>2</sup>/day), **no operation exceeded** the two allowable annual limits in 2018.

### Water management

Water management is integral to our licence to operate. The 2018 group water strategy identified the following focus areas to excel in:

- Compliance
- Operational water efficiency
- Policies, standards and processes
- Water technologies
- Stakeholder partnerships.

A comprehensive programme is entrenching **responsible and sustainable water management** across Exxaro. It concentrates on relevant water-use and related risk issues – from security of supply to water efficiency and water-cost management – and manages these within current and anticipated regulatory compliance requirements. This is supported by continually enhancing our competence in water-management issues through company-wide research and skills development. We also reinforce awareness of water issues through ongoing communication and training.

Our strategy also articulates aspirational goals that include **becoming self-sufficient** in our operational water requirements and **becoming a leader in water technology solutions**.

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility (continued)

## POLICIES AND MANAGEMENT SYSTEMS

These management standards are enacted by adhering to the Department of Water and Sanitation's best practice guidelines on:

- The integrated water and waste management plan
- Storm water management planning
- Water and salt balances
- Water monitoring systems
- Water reuse and reclamation
- Pollution control dams
- Environmental performance indicators.

## SUMMARY OF ACTIONS AND RESULTS

We are managing water-related risks, minimising impacts, and operating efficiently through reduction, reuse and recycling. Most of our operations have water conservation plans that support the national strategy to ensure **equitable distribution of water resources** that allows for business growth and protection (sustainable use).

We are also committed to **protecting and improving water quality by ensuring the water we discharge is the same or better than the original water abstracted**. Central to this are the two water treatment plants in our Mpumalanga region as part of our long-term water management strategy. These plants have total capacity to treat **11.5 megalitres per day**. The plant at Matla has been operational for three years while the plant at North Block Complex (NBC) has been operational for two years.

Through **water-conservation measures** all operations reached their respective five-year water intensity targets, apart from NBC and Eerstelingsfontein.



*Protected Biodiversity*

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility  
(continued)

## POLICIES AND MANAGEMENT SYSTEMS

### Hazardous waste management

Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group-wide standard enforces use of the waste management hierarchy, which in turn promotes waste prevention or minimisation, reuse, recycling, recovering energy and ensuring safe disposal of waste in line with the National Environmental Management: Waste Act No 59 of 2008 and supporting legislation.

Exxaro is developing abatement plans for waste-tyre stockpiles as per requirements issued by the Department of Environmental Affairs (effective date: September 2017).

### Responsible conservation of biodiversity

Biodiversity means species diversity and species richness in an ecological environment. In Exxaro, our goal is to conserve biodiversity for future generations by sustainably using the resources of our mining operations and South Africa's natural resources.

To reach this goal, we have developed biodiversity action plans for our business units. In addition, our comprehensive biodiversity management standard was approved in 2018. The guiding principles include the best practice standards on wetland offsets (Wetland Offsets: A Best Practical Guideline for South Africa 2014), as well as the mining and biodiversity guideline mainstreaming biodiversity into the mining sector (DEA, DMR, Chamber of Mines, SA Mining and Biodiversity Forum and SANBI, 2013).

In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservation and re-establishing resilient ecosystems that underscore our commitment to duty-of-care principles.

### Risk-based external reviews

In the first quarter each year, our sustainability department and each business unit perform a risk analysis based on the group environment and risk assurance process, with risks reported to appropriate management in terms of Exxaro's governance process. Where mines are eligible for an external review, these are conducted under commercial agreements with competent third parties.

### Concurrent rehabilitation plan

All business units have a five-year concurrent rehabilitation schedule and associated budget:

- The schedules set measurable targets for each mine
- Schedules prevent backlogs building up, increasing liabilities
- Budgets enable managers to implement plans without cash flow constraints

## SUMMARY OF ACTIONS AND RESULTS

### Hazardous waste

The total weight of hazardous waste generated at our managed coal operations in 2018 **dropped by 14%** to 2 616 tonnes (2017: 3 058 tonnes).

### Biodiversity management

During 2018 Exxaro's biodiversity investments focused on wetland rehabilitation, wetland offsets, delineation and wetland studies.

The principles of these guidelines are already incorporated into our planning and execution phases. As an example, the principles of best practice standards were used in several projects to avoid constructing infrastructure in sensitive wetland areas.

The Belfast beneficiation plant is an example of where best practice standards were applied in the design phase of the project. Impacts upon the environmentally sensitive wetlands were avoided by the relocation of the beneficiation plant.

The annual risk analyses and external audits were done in 2018 and most of the findings have been successfully addressed.

At 31 December 2018, the total land **disturbed** was **9 559ha** (2017: 10 745ha) and total land **rehabilitated** was **2 469ha** (2017: 2 260ha).

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility (continued)

## POLICIES AND MANAGEMENT SYSTEMS

### Environmental liabilities and rehabilitation

All business units annually review their financial provisions. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted where necessary. Water-related liabilities are calculated as per the Exxaro excess water risks and liability management standard.

### The Exxaro Environmental Rehabilitation Fund (EERF)

The Exxaro EERF and the ECC trust funds provide for a portion of these liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions. Environmental rehabilitation liabilities are updated biannually for internal reporting at interim and financial year end and submitted annually to the Department of Mineral Resources (DMR).

### Mine closure

All closure activities are executed against risk-based principles. As several Exxaro mines are nearing their end of life, mine-closure planning is already in place to ensure the closure process complies with the latest legislative requirements.

Understanding that operational closure, concurrent rehabilitation and land management activities directly link employees, community, environment, government and infrastructure, we are committed to:

- Ensure the operational closure process is conducted inclusively and within the legal framework
- Proactively manage environmental impacts to minimise residual liabilities
- Leave behind a positive legacy for our employees and local communities
- Allocate required financial resources to ensure this process is concluded
- Manage Exxaro land according to an agreed strategy.

## SUMMARY OF ACTIONS AND RESULTS

### Liabilities

Refer to the Exxaro supplementary report for detailed figures on liabilities per operation.

### EERF

During 2018 the trust funds earned **R146 million** (2017: R588 million), including cash contributions, interest earned on investments and fair-value adjustments.

The fund has recorded a **9% growth** (2017: 36%).

Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

### Mine closure

Exxaro had **six operations in active closure** in 2018 – Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte.

### Case study: Tshikondeni mine closure

The Tshikondeni mine stopped operating in late 2014 when the coal resources were exhausted.

Exxaro undertook to minimise the impacts of the mine closure at Tshikondeni on the local communities.

The Tshikondeni Legacy Project was launched, and it is a partnership between Exxaro and the local Makuya tribe. The Makuya Tshikondeni Development Foundation (MTDF) was established as a non-profit company to hold the assets and receive proceeds on behalf of the local Makuya tribe.

During 2018 Exxaro Resources donated the Tshikondeni mine village and related infrastructure to the MTDF.

Furthermore, funding was approved to establish an eco-village as a core business activity of the MTDF. The Tshikondeni area is located alongside a national game reserve.

In 2018, Exxaro handed over **56 homes** to the local community as part of the closure plans. The homes handed over **directly benefited 56 families** and **448 community members**.

# ENVIRONMENT (CONTINUED)

ENVIRONMENT

## GLOBAL COMPACT PRINCIPLE

8. Undertake initiatives to promote greater environmental responsibility (continued)

9. Encourage the development and diffusion of environmentally friendly technologies

## POLICIES AND MANAGEMENT SYSTEMS

### Environmental incidents

Exxaro places all the necessary mitigation and preventative mechanisms in place to avoid the occurrence of level 3 environmental incidents. An environmental incident is considered as a level 3 when the consequences cost more than R500 000 to rehabilitate.

Exxaro sponsors academic chair positions at universities to broaden the body of knowledge on sustainable development initiatives.

The three university chairs that Exxaro sponsors are:

- The Exxaro chair in global change and sustainability (Wits)
- The Exxaro chair in business and climate change (Unisa)
- The Exxaro chair in energy, water and food (Pretoria).

## SUMMARY OF ACTIONS AND RESULTS

Exxaro had no level 3 environmental incidents during the review period.

The chairs each had notable successes and have delivered productive outputs.

Refer to the Exxaro supplementary report for more details on the case studies of the university chairs.



Wetland crossing.

# ANTI-CORRUPTION

ANTI-CORRUPTION

## GLOBAL COMPACT PRINCIPLE

10. Businesses should work against all forms of corruption, including extortion and bribery

## POLICIES AND MANAGEMENT SYSTEMS

The social and ethics committee of the board approved a comprehensive anti-fraud and anti-bribery programme that runs continuously and involves among others:

- Awareness training and assessment for employees as well as part of new employee induction
- Data analytics on the employee and vendor database to proactively detect potential declared or undeclared conflicts of interest
- Anti-bribery and corruption due diligence checks on high risk suppliers and third-party intermediaries
- Anti-bribery and corruption checks on any potential equity investment, joint venture, or similar association
- Independent assessment of the robustness of all anti-fraud and anti-bribery initiatives in terms of ISO 37001 as well as an internal assessment of compliance with all relevant local and global legislation and regulations including but not limited to the South African Companies Act, King IV, the OECD guidelines, the South African Prevention and Combatting of Corrupt Activities Act, the Foreign Corrupt Practices Act of the USA, the UK Bribery Act and the UNGC.

## SUMMARY OF ACTIONS AND RESULTS

An anonymous reporting line has been in place for over a decade in terms whereof reported cases of alleged irregularities are investigated by an in-house dedicated forensic team.

For the 2018 financial year, the outcome of forensic investigations translated into the following:

- 482 investigations
- 185 disciplinary cases
- 42 criminal cases registered
- 49 arrests
- 54 cases of copper cable theft.

The total monetary amount of all investigations and incidents of copper cable theft amounted to R7.2 million of which R1.9 million was recovered.



*Good Governance*

# SUSTAINABLE DEVELOPMENT GOALS

Exxaro has participated with South Africa's National Business Initiative (NBI) and with industry to create an alignment between the South African National Development Plan (NDP) and the UN's Sustainable Development Goals. Exxaro is committed to support the country in the execution of the NDP, and the most material SDGs. At an executive level there is an awareness of how important the commitment and implementation of the SDGs are. The most material of the SDGs related to our core mining operations are already being addressed and thus have a connection to the respective SDGs.

Exxaro will continue embedding the implementation of the most material SDGs with a more formalised approach.

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>1. End poverty in all its form everywhere</b></p> 	<p>South Africa's national strategy is to address poverty, unemployment and inequality because of the legacy of apartheid. In response to this, Exxaro has a comprehensive enterprise and supplier development (ESD) programme that seeks to foster job creation in the local communities where we have a footprint. The ESD programme supports the establishment of entrepreneurs and small businesses through grants and loans, investment and training.</p>	<p>During 2018 Exxaro funded <b>24 beneficiaries</b> for R186 million.</p> <p>These funds were used by the beneficiaries to financially strengthen their enterprises. Exxaro has also provided non-financial support to further ensure the economic sustainability and growth of the small enterprises.</p>
<p><b>2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</b></p> 	<p>Our strategy is to seek opportunities in the agri sector as part of the food-energy-water nexus strategy of Exxaro. Our focus for the future is specifically on agricultural and land management opportunities to supply food and enable small enterprises to produce and sell agricultural produce. Furthermore, our future focus is also on renewable energy projects. For our water projects refer to SDG 6.</p>	<p>Exxaro has also entered into a partnership to produce insect-based protein as animal feed.</p> <p>Exxaro has entered into a partnership to introduce innovative water leakage technology to the market. The technology allows water pipe leaks to be sealed without the need for excavation. The direct benefit of the approach is to reduce water losses from the municipal supply side up to the consumer.</p>



Our Local Communities

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

## UN SDG

### 3. Ensure healthy lives and promote wellbeing for all at all ages



## EXXARO'S RESPONSE OR CONTRIBUTION

Our health and hygiene strategy aims to reduce all forms of occupational and lifestyle diseases. Furthermore, we have a comprehensive safety improvement programme in place to reduce occupation-related injuries and fatalities. We measure the number of injuries and fatalities per 200 000 man-hours worked.

We measure the health and hygiene of our employees identifying and monitoring the occurrence of:

- Noise-induced hearing loss (NIHL)
- Pneumoconiosis
- Silicosis
- Chronic obstructive airways disease (COAD)
- Occupational tuberculosis (TB)

We have started monitoring the lifestyle diseases in the company and have identified three major causes of deaths:

- Diabetes
- Hypertension
- Heart disease

We actively run HIV/Aids awareness campaigns and supply anti-retroviral drugs to sustain and improve the health of our HIV+ employees.

## RELATED MEASURABLE OUTCOMES

Lost-time injury frequency rate of **0.12**.

**65** cases reported.

Occupational health injury frequency rate of **0.33**.

Patient confidentiality limits accuracy.

### 4. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all



Focused education initiatives through the Exxaro people development initiative (EPDI) trust. The primary education strategy focuses on early childhood development, primary school education and school infrastructure. Education will provide social mobility, employment opportunities and reduce poverty.

We actively provide bursaries to the youth to further their tertiary studies.

Exxaro has, on average, annually invested 37% of community spend on education-related initiatives.

**59** bursars  
**R4.5 million** per annum  
**75%** black South Africans  
**25%** women

### 5. Achieve gender equality and empower all women and girls



Our human resources employment equity, women-in-mining and diversity policies support this goal. We have an annual bring-a-girl to work day to support opportunities for women in the workplace.

**22%** of workforce are women.

**36%** of interns are women.

**40%** of professionals-in-training are women.

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>6. Ensure availability and sustainable management of water and sanitation for all</b></p> 	<p>Our business of tomorrow focuses on water initiatives in communities and preserving water as a scarce commodity in South Africa. As part of our comprehensive water strategy, our policy is to reduce, reuse and recycle water. We measure our water intensity usage in kilotonnes per total tonnes mined (kℓ/TTM).</p> <p>Our water treatment plants at Matla and NBC are producing potable, drinkable water, and the innovative processes used are reducing the energy required to achieve this.</p>	<p>For 2018 the water intensity was: <b>0.10kℓ/TTM</b> (2017: 0.14kℓ/TTM)</p> <p><b>11.5 million litres</b> of water treated daily.</p>
<p><b>7. Ensure access to affordable, reliable, sustainable and modern energy for all</b></p> 	<p>Exxaro owns 50% of a clean-energy company (with two operating windfarms producing electricity) and is investigating opportunities to become an independent power producer.</p> <p>The local communities benefit from the windfarms through employment opportunities, and in some cases, local power supply.</p>	<p>Amakhala Emoyeni windfarm installed capacity of <b>134MW</b>.</p> <p>Tsitsikamma Community windfarm installed capacity of <b>95MW</b>.</p>
<p><b>8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> 	<p>Exxaro's focus on enterprise and supplier development will create small businesses and foster entrepreneurship and employability. The focus is to make the poor, underprivileged and host community members more employable.</p> <p>We have constituted the necessary governance and processes to identify the beneficiaries that require funding, upskilling and development.</p>	<p>Target - to spend 3% of annual earnings before interest and tax (EBIT).</p>
<p><b>9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</b></p> 	<p>Efficient capital allocation for sustaining and expanding operations will ensure that our infrastructure remains resilient and environment-friendly.</p> <p>We have established an innovation department dedicated solely to explore all opportunities in the 4th industrial revolution.</p>	<p>Sustaining capital spend for 2018: <b>R2.8 billion</b> (2017: R3.0 billion). Expansion capital spend for 2018: <b>R2.9 billion</b> (2017: R1 billion).</p>

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

## UN SDG

### 10. Reduce inequality within and among countries



## EXXARO'S RESPONSE OR CONTRIBUTION

Exxaro operates primarily in South Africa. Our focus on transformation is reflected in a representative workforce and we have prioritised reducing income inequality.

## RELATED MEASURABLE OUTCOMES

Pay differential between executives and employees reduced by 30%.

### 11. Make cities and human settlements inclusive, safe, resilient and sustainable



Exxaro's socio-economic development, community development and enterprise and supplier development are contributing to employment and poverty reduction, while improving quality of life.

Our social and labour plans focus on building infrastructure to support our host municipalities and communities.

During 2018 infrastructure development comprised **over 70%** of social labour spend. This was done in the form of constructing community housing, centres and roads.

### 12. Ensure sustainable consumption and production patterns



Exxaro measures intensity ratios (particularly energy and water use, as well as emissions) to minimise our impact on the environment while improving productivity.

Increased energy consumption is caused by longer haul distances between pit and plant, higher production volumes and increased concurrent rehabilitation.

For the Exxaro coal operations, the average electricity intensity (MWh/kt) **improved by 6%**.

Conversely, the average diesel intensities (ℓ/kt) for the coal operations **worsened by 6%**. The increase in diesel intensity is reflective of non-production-related activities that require diesel usage and do not directly raise production volumes.

### 13. Take urgent action to combat climate change and its impacts



Exxaro fully supports climate-change initiatives in South Africa with a global view. Our comprehensive climate-change strategy measures our GHG emissions (scope 1, 2 and 3). Our focus in our operations is to reduce our carbon footprint through the twin-pronged approach of reducing energy consumption and increasing our overall energy efficiency.

We annually submit our carbon performance to the CDP and Exxaro is a signatory to the UNFCCC COP commitments.

GHG emissions during 2018:

**Scope 1:**  
315.4 kt CO<sub>2</sub>e  
(2017: 324.9 kt CO<sub>2</sub>e)

**Scope 2:**  
552.1 kt CO<sub>2</sub>e  
(2017: 539.0 kt CO<sub>2</sub>e)

**Scope 3:**  
72 928 kt CO<sub>2</sub>e  
(2017: 76 462 kt CO<sub>2</sub>e)

Exxaro achieved a **B score** from the CDP for climate change performance.

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b></p> 	<p>Exxaro has a comprehensive water-management strategy, but is not located near marine resources.</p>	<p>Currently not a focus area.</p>
<p><b>15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b></p> 	<p>Exxaro aims to minimise its impact on biodiversity and the environment where we mine.</p> <p>We perform concurrent rehabilitation and execute final rehabilitation on all operational sites post mine closure.</p>	<p>For 2018 our rehabilitation status was:  <b>Disturbed land: 9 559ha</b> (2017: 10 745ha)  <b>Rehabilitated land: 2 469ha</b> (2017: 2 260ha)</p>
<p><b>16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b></p> 	<p>Our socio-economic and community development goals support this goal. Exxaro specifically focuses on maintaining educational institutions in our communities, and community infrastructure such as clinics, training facilities and roads.</p>	<p>Diverse.</p>
<p><b>17. Strengthen the means of implementation and revitalise the global partnership for sustainable development</b></p> 	<p>Exxaro supports this goal through NBI, the Minerals Council of South Africa (MCSA), and engaging with mining regulatory bodies.</p>	<p>Enhanced national reputation.</p>

# ADMINISTRATION

## Group company secretary and registered office

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## Sponsor

Absa Bank Limited (acting through its corporate and investment bank division)  
Barclays Sandton North  
15 Alice Lane  
Sandton, 2196

## Company registration number

2000/011076/06  
JSE share code: EXX  
ISIN code: ZAE000084992

## Auditors

PricewaterhouseCoopers Incorporated  
2 Eglin Road  
Sunninghill, 2157

## Commercial bankers

Absa Bank Limited

## Corporate law advisers

EOH Legal Services Proprietary Limited  
Roger Dyason Road  
Pretoria West  
0183

## United States ADR depository

The Bank of New York Mellon  
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New York NY 10286  
United States of America

## Registrars

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## Contact

With ongoing feedback from a range of stakeholders, we are able to contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

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