



2014

SUPPLEMENTARY
REPORT



exxaro

POWERING POSSIBILITY

Exxaro integrated report 2014

Supplementary report

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About this report

This supplementary report complements and expands on information disclosed in the 2014 integrated report and interfaces with information disclosed in the 2014 mineral resources and ore reserves report. These reports are all available on the Exxaro Resources website.

In addition, the notice of annual general meeting, form of proxy and summarised financial statements were mailed to shareholders as per statutory requirements.

Disclaimer

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause Exxaro's actual results, plans and objectives to differ materially from those expressed or implied in any forward-looking statements.

Financial forecasts and data in this report are estimates which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. The company and its affiliates, advisors or representatives accept no responsibility for loss arising from the use of any opinion, forecast or data in this report. Forward-looking statements apply only from the date on which they are made and the company does not undertake any obligation to publicly update or revise its opinions or forward-looking statements to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based have not been audited nor reported on by Exxaro's independent external auditors.

Ongoing feedback from a range of stakeholders helps us to contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

Hanno Olinger

Manager: Sustainability

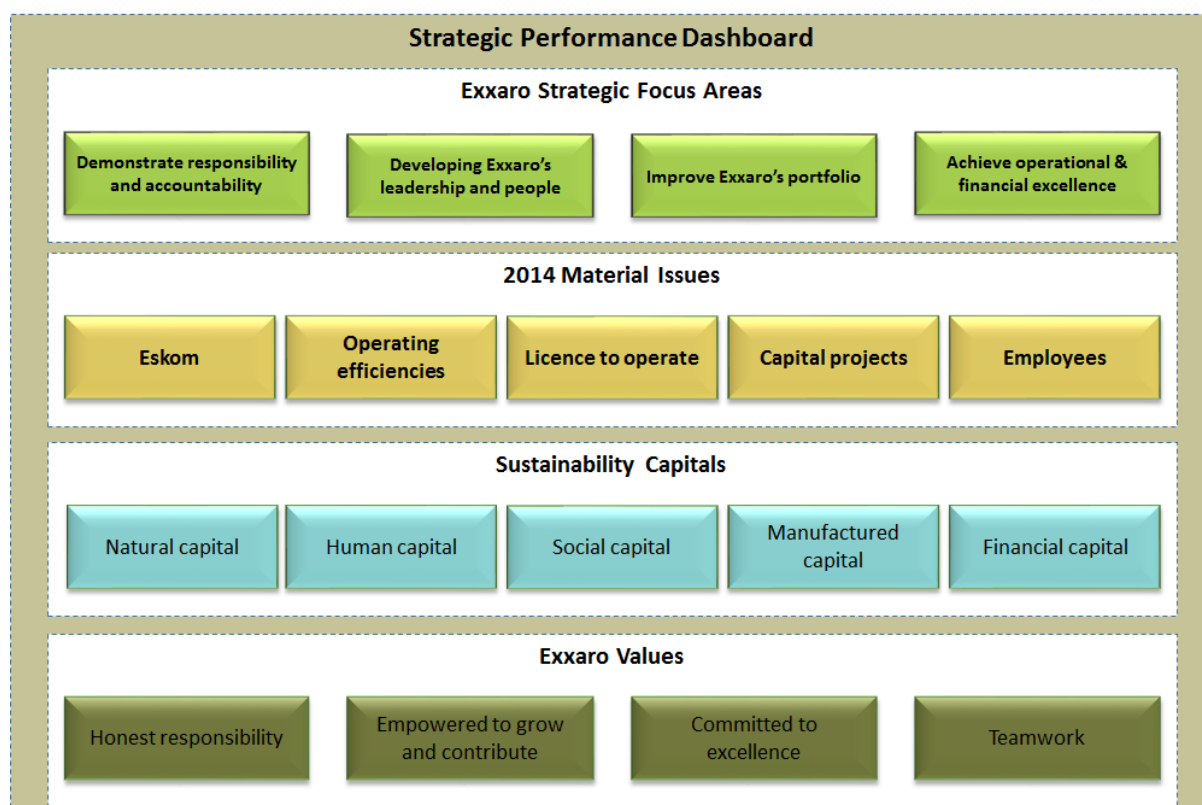
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Strategic performance dashboard

The strategic performance dashboard measures the most important KPIs across the sustainability capitals, from governance and compliance to best practice. The board and the executive committee monitor the dashboard quarterly to ensure all sustainability-related risks and key metrics remain within Exxaro's risk appetite.

The five material issues identified in 2014 correlate to Exxaro's strategic focus areas, the values and the sustainability capitals, as depicted below.



NATURAL CAPITAL				
Measure	Worst	Best	Target	Actual 2014
Reportable cases of environmental incidents	2 x level 1, 2, or 3	1 x level 1, 2, or 3	None	3 x level 2
Valid and enforceable mining right	90%	95%	100%	93,7%
Environmental authorisations	90%	95%	100%	<90%
Environmental authorisations compliance to conditions	90%	95%	100%	<90%
Stoppage directives (includes stoppages ito MHSA, MPRDA, NWA and NEMA)	2	1	0	Tshikondeni 2 Grootegeeluk 1 Arnot 3 Matla 1



NATURAL CAPITAL				
Measure	Worst	Best	Target	Actual 2014
Environmental liability provisions (in place)	90%	95%	100%	88,4% (inactive mines) 85,5% (captive mines) 41,1% (active)
Carbon footprint (% CO ₂ reduction per annum)	1%	5%	Carbon neutral by 2030	3,5% increase
Water intensity (% reduction per annum)	1,5%	2,5-5%	5%	32,3%

HUMAN CAPITAL				
Measure	Worst	Best	Target	Actual 2014
SAFETY				
Fatalities (months without a fatality)	<12	>24	Indefinite	5 months
LTIFR (per 200 000 hours worked)	0,21	0,18	0,15	0,19
HEALTH				
Accepted occupational disease rate (rate per 1 000 employees)	<i>Being finalised in 2015</i>	<i>Being finalised in 2015</i>	<i>Being finalised in 2015</i>	<i>Will be provided in 2015</i>
% people who received HIV/Aids training	50%	80%	100%	64%
% people tested positive and enrolled in HIV management programme	<80%	80%	100%	60%
PEOPLE MANAGEMENT				
Talent bench - % of clusters with 2 or more successors	45%	48%	55%	20%
Skills provision (% of internal appointment of critical skills)	<75%	75%	80%	80,3%
Skills retention (% turnover)	<6%	6%	8%	5%
Manage non-performance (% lowest performance)	2%	3%	3%	10,6%
Organisational culture assessment (top employer, engagement survey and best company to work for)	Achieve benchmark standard	Achieve benchmark standard	Achieve benchmark standard	Excellence standard

SOCIAL CAPITAL				
Measure	Worst	Best	Target	Actual 2014
BRANDING				
Brand perception as proxy for reputation (survey on scale 1-5)	<3	3	4	3



SOCIAL CAPITAL				
Measure	Worst	Best	Target	Actual 2014
MINING CHARTER, PER SITE				
Mining charter, per site and per element indicating non-compliance (%)	100%	100%	100%	90%*
Ownership –group	26%	52%	26%	52%
Employment equity (%) across all bands at every business unit	40%	40%	40%	67%*
Human resources development (% of payroll excl. levies), including internal and external training	5%	5%	5%	9,95%*
Woman in mining (Dept of Labour target as mining charter does not have specific targets)	20%	20%	20%	19%
Housing and living conditions (promoting home ownership through subsidies, building houses, bond assistance)	<i>To be finalised in 2015</i>	<i>To be finalised in 2015</i>	<i>To be finalised in 2015</i>	0 employees sharing accommodation
Mine community development (% of NPAT)	1%	1%	1%	1,77%*
Preferential procurement				
– Capital (%)	40%	40%	40%	34%*
– Goods (%)	70%	70%	70%	69%*
– Services (%)	50%	50%	50%	71%*
BBBEE**				
BBBEE level	Level 5	Level 4	Level 4	Level 3

*Non-weighted average calculated over 8 mining rights as submitted to DMR on 13 March 2015 in mining charter scorecards

**Measured in terms of old codes of good practice

MANUFACTURED CAPITAL				
Measure	Worst	Best	Target	Actual 2014
People productivity (total tonnes handled/full-time employee – TTH/FTE)	7 171	7 860	8 223	7 593*
People productivity (production tonnes/FTE)	1 974	2 324	2 549	2 616*
Growth from coal commodities (% deviation)	>10%	Within budget	Within budget	12,37%
Project delivery measure (time and cost variance from plan)	> 10%	1% to 10%	0%	>10%
Individual project's ROI, measured by risk-adjusted WACC (times)	1,35	1,5	>1,5	Not measured individually

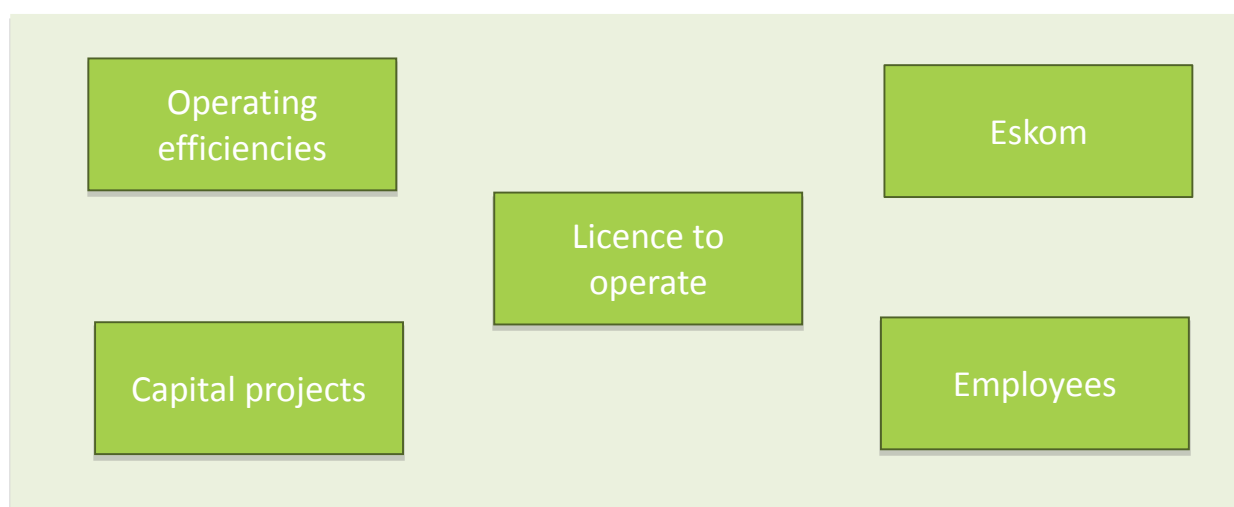
*Average



FINANCIAL CAPITAL				
Measure	Worst	Best	Target	Actual 2014
STATUTORY AND REGULATORY COMPLIANCE				
Material compliance to King III and full compliance to JSE LR (%)	90%	95%	100%	99%
INTERNAL TARGETS				
Funds from operations to net debt (%)	<50%	50%-60%	>60%	381%
Core operating margin (%)	15%	20%	>20%	17,52%
Annualised return on capital employed (ROCE) (%)	18%	20%	>20%	(2,20%)
Annualised return on equity based on core headline earnings (%)	14%	16%	>20%	13,79%
Core HEPS (cents per share)	1250	1500	1750	1374
Services cost as a % of total operating cost (approved by Exco)	11%	10%	9%	10,7%
TARGETS INFLUENCED BY COVENANTS WITH FINANCIAL INSTITUTIONS				
Net debt to equity (%) (covenant is <80%, board fixed it at 45%)	45%	17%	Between 30% and 45%	24%
Net debt to annualised EBITDA (times)	<2,5	<2	1	1
EBITDA interest cover (times)	>4	7 to 15	>5	14



Material issues



Eskom

Material issue: Dependency on Eskom as both client and reliable supplier of electricity

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Customers, suppliers, providers of capital, shareholders

Opportunity: Maintaining and building stable annuity revenue by participating in the direct and indirect energy supply for the South African economy.

Focus areas

- Broadening local and international customer base
- Establishing rehabilitation trust fund
- Regular liaison with Eskom
- Renegotiating Medupi coal-supply agreement – addendum 9 finalised

Exxaro currently supplies 25% of Eskom's annual coal requirement under contract. While the importance of this state utility to our financial performance is obvious, there are inherent risks in undue dependency on a key client for any company. We mitigate these risks in different ways:

- Supplying high volumes at low margins (usually cost + 3%) is offset by contracted offtake agreements for secure revenue streams
- Delays in offtake agreements are countered by amending contracts, often on a take-or-pay basis. We renegotiated the ninth amendment to the Medupi agreement in 2014
- The R10 billion expansion of Grooteegeluk to supply Medupi, which is now running almost five years behind schedule, has introduced several world-class features and best practices at this mine – from dry beneficiation to zero-effluent production – that will benefit all Exxaro's coal operations



- Exxaro enjoys a very constructive relationship with Eskom. Through regular interaction and providing technical, engineering and maintenance support to Eskom, we have strengthened the relationship at all levels, particularly in developing mutually beneficial solutions
- Exxaro has been relatively unaffected by current load-shedding and electricity supply constraints
- We continue to play an active role in the growth of the South African economy by remaining a responsible and supportive business partner to Eskom, ensuring that Exxaro causes no disruptions to the supply of coal. Coal-fired electricity generation remains the primary source of energy for the economy for the foreseeable future
- One of our strategic goals is to diversify our portfolio in the energy-generation environment. This is reflected in becoming a preferred partner in joint ventures with Tata Power of India (renewable energy through Cennergi), GDF Suez (independent power production supplied by our Thabametsi mine) and Linc Energy (underground coal gasification in sub-Saharan Africa, currently postponed because of market conditions)
- We are investing the cost and time of exceeding our compliance levels to secure the necessary licences and rights and conditions precedent that underpin the success of future projects. This has established Exxaro as a leader in good governance (reflected in numerous local and international accolades)
- We are working closely with Eskom to ensure that all contributions to rehabilitation trust funds are in place for Eskom tied operations.

Operating efficiencies

Material issue: Operating efficiencies

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, shareholders

Opportunity: Implementing project Turnkey and group-wide efficiencies initiatives, maintaining Grootegeeluk among the lowest-quartile cost producers in the world, growing in the global commodity downturn

Focus areas

- People productivity – target 2 549 production tonnes/full-time employee, achieved 2 626
- Costs
- Production
- Commodity prices
- Markets: competition and products



The national development plan (vision for 2030) articulates the challenges South Africa faces: the need to alleviate poverty, address unemployment, uplift communities, raise living standards, build economic capabilities via skills and infrastructure, and expand economic opportunities to all. In other words, create a virtuous cycle of growth despite the impact of the global economic downturn on South Africa.

Exxaro remains committed to actively supporting the aspirations of the national development plan despite an economic climate where lower growth and slowing demand have resulted in lower commodity prices.

With the bulk of our revenue derived from coal and iron ore, the group is at risk to these price fluctuations. The following examples indicate the impacts we have to mitigate by comparing 2014 to 2013 annual averages:

- Richards Bay Coal Terminal steam coal price declined by 10%
- Metallurgical coke and hard coking coal prices both fell by 23%
- Iron ore fines price dropped by 29%
- However, the ZAR depreciated against the US dollar by 13%, partially offsetting lower commodity prices
- By April 2015, all these commodities were trading well below 2014 average levels.

Anticipating this cyclical downturn, Exxaro initiated project Turnkey some 18 months ago to address overhead costs and has intensified the focus on extending the operating efficiencies across the group.

Project Turnkey

Project Turnkey – what prompted the change?

- Global economy slowed down
- Demand and sales of our product dropped
- Commodity prices dropped
- Major infrastructure required to grow
- Ongoing industrial action reduced confidence

The combination of a depressed global economic outlook and decreased demand and prices invariably places pressure on revenue, operating margins and cash flow. Project Turnkey is Exxaro's response to this economic reality. Over the past 18 months, expert project teams across the group have been focused on four outcomes:

- Align our operating model to our vision and strategy, given our current size
- Remove confusion by establishing clear roles and responsibilities
- Reduce costs across the organisation
- Entrench the right culture and behaviours that reflect our values.



Our progress, combined with the flexibility and belief in Exxaro evident among our people, has been commendable, despite the challenges of living with constant change:

- We developed in-house solutions and created an optimised operating and governance model that is fit for purpose
- We realigned roles and responsibilities between the corporate centre and operations, and among functional disciplines
- We removed an organisational layer at regional level to reduce duplication
- We facilitated a successful consultation process with organised labour and all stakeholders
- Business systems, infrastructure and logistics processes are in place
- We have filled all critical positions required to support our new operating model.

Official implementation of project Turnkey began on 1 January 2015 – entrenching this as part of our day-to-day operations and the way we deliver our outputs.

Group-wide efficiency initiatives

Across the group, projects are under way to streamline and accelerate processes while increasing productivity, enhance safety and meet production targets. Notable successes during the year include:

- Exxaro's Grootegeluk is the largest coal beneficiation complex in the world and it remains one of the lowest-cost producers globally. Scale therefore defines developments at this mine – from innovative ideas, to the skills of its people and the size of equipment. During the year, the biggest spreader in southern Africa rolled onto the Grootegeluk Medupi expansion project (GMEP) because Exxaro needed a spreader that could deal with high volumes of discard material for backfill and reintegration into the mined pit. At full production, this discard rate is expected to reach up to 7 670t/h. This requires a robust machine to deal with such large volumes over the extended life cycle of the mine. With a reach of 100m and spreading capacity of over 6 000t/h, this enormous machine will keep up with the production rate of power station coal for about 40 years.
- Because most fine-processing technologies are wet, product and waste streams must be dewatered. Product dewatering reduces the moisture content of the product to required specifications while dewatering waste streams reduces the volume of material that needs to be treated by the slimes handling plants. It also reduces overall fresh water consumption during processing. Exxaro's metallurgy research and development department procured two filter press machines to assist in fine material processing. These were commissioned in January and are now fully operational. One of the machines is used in conjunction with the pilot plants for inline dewatering of product and discard streams during test work. As the pilot plants and associated filter press are mobile, they can easily be relocated to sites where test work can be performed. This allows for bulk testing to determine the potential to beneficiate slimes as well as final moisture contents of the products. The second filter press will be used to dewater products and discards generated during fine processing test work, which will reduce the drying



time and turnaround time. This plant is now being used to treat slimes and remove most of the solids before they are discharged to the water reticulation system, previously a very labour-intensive and inefficient process. This allows clean water to be discharged to the stormwater system and is in line with Exxaro's zero-harm philosophy.

- Our information management department developed a solution to speed up inspections and automate work scheduling. Instead of paper job cards being issued for a plant maintenance schedule (often resulting in a work instruction of over 70 printed pages per inspection), artisans now have an electronic device pre-loaded with all the structural elements of a plant – right down to the actual nuts and bolts. The device was successfully piloted at Grootegeluk and rolled out over the next four months to North Block Complex, Arnot and Matla.
- Keeping up with production targets and customer demands means staying abreast of industry developments. Combining technology and innovation is also a strategic thrust for our group. During the year, Leeuwpan was the first Exxaro opencast mine to test new continuous surface miner technology, a viable alternative to drill-and-blast mining activities that also effectively delivers a consistently sized product. The rationale for the trial was to determine whether there were any significant advantages in improving product fragmentation, specifically through the dense medium separation (DMS) plant where high-value products (known as peas) are produced. Because Leeuwpan relies on peas for its profitability, it continuously explores ways to increase production of this product.



Licence to operate

Material issue: Licence to operate

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, shareholders

Opportunity: Exceeding compliance standards supports community and enterprise development initiatives, in turn creating jobs; facilitates alternative energy developments; supports South Africa's national development plan and contributes to transformation in mining. *The national development plan (vision for 2030) articulates the challenges South Africa faces: the need to alleviate poverty, address unemployment, uplift communities, raise living standards, build economic capabilities via skills and infrastructure, and expand economic opportunities to all. In other words, creating a virtuous cycle of growth. The need to address these issues remains despite the global economic downturn impacting South Africa.*

Focus areas

- Mining charter compliance for 2012-2014 (except for senior management target)
- BBBEE (revised codes from 2015) – current and future contribution status
- Government relationships
- Social return on investment (index value) – social value of community projects (social and labour plans, and local economic development)
- Environmental compliance
- Carbon management
- Water intensity
- Biodiversity

Beyond compliance

Exxaro's dedicated approach to sustainability focuses heavily on the physical environment and social communities with which we are involved. We are guided by non-negotiable principles, including protecting the lives, health and well-being of our employees by preventing harm to people and the environment.

We have a moral and legal obligation to ensure responsible and sound environmental management at each location, from cradle to grave. Our approach to the environment is based on the building blocks overleaf, which help Exxaro move beyond compliance:





In our approach to sustainability we regard compliance as a minimum standard. While this is the basis of our licence to operate – in terms of mining rights, environmental licences and permits, and stakeholder benefits via social and labour plans – it is also integral to our duty as a responsible corporate citizen and a fundamental value in our company.

Our BBBEE compliance is detailed on page 17, while our group mining charter compliance history is summarised overleaf. Compliance for calendar 2013 and 2014 is averaged over eight operational mining rights:

- Grootegeluk
- Leeuwpan
- Arnot
- Matla
- Inyanda
- North Block Complex
- New Clydesdale
- Tshikondeni.



Mining charter compliance

Element	Metric	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Target 2014	Actual 2014*
Ownership	% black ownership	53	52,10	52,14	52,14	52,09	26	52,90
Beneficiation	Domestic use	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Procurement and enterprise development	Capital goods	30%	43%	45%	59%	49%	40%	34%
	Services	70%	24%	42%	37%	58%	70%	69%
	Consumables	30%	25%	43%	47%	62%	50%	71%
Employment equity	Top management	Management representation at year end was 48%	50%	60%	No mine employee on top management level	60%	40%	67%
	Senior management		30%	34%	44%	53%	40%	42%
	Middle management		51%	54%	54%	55%	40%	57%
	Junior management		63%	64%	69%	65%	40%	73%
	Core and critical skills		25%		98%	96%	40%	98%
Human resources development	% of payroll (excl. levies)	6	5,1	5,5	6,6	5,3	5,0	9,95
Community development	% of net profit after tax	1,8	2,5	1,8	4,7	0,9	1%	1,8
Housing and living	Hostel conversion Occupancy rate Home ownership	Hostels: 594 (being converted to single quarters/ family housing or closed) Single quarters: 1 343 Family housing: 420 Rent company houses:	1,15% of employees	22%	No employees sharing rooms Home ownership promoted through housing allowances	Exxaro provides accommodation to 37% of mine employees. Number of people sharing – 0	100%	100%



Element	Metric	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Target 2014	Actual 2014*
		1 002 Own accommodation: 7 821						
Sustainable development	Environment		Programmes in place to achieve target by 2014	Implementation of approved EMPs	Rehabilitation and closure plans being drafted for all mines where not finalised before year end	Implementation of approved EMPs	100%	91%
	Health and safety		Developmental plans for 70% of actions – continuous improvement in safety and health, transforming culture, training, adopting leading practices, and supporting related research.	Health: 100% of mandatory reports submitted. HIV/Aids: ongoing testing, treatment or access to treatment. TB: implementing management standard aligned with national guidelines	MOSH leading practices and MHSC research findings investigated and implemented, where applicable, or being implemented	Leadership strategies (programmes implemented)	100%	98%
	Research and development		100%	Samples predominantly analysed in South Africa at in-house or contracted off-site laboratories	100%	100%	100%	100%
Reporting	Annual reporting to DMR	Yes	Yes	Yes	Yes	Yes	Compulsory	Yes
Total score								90%

Met target

Missed target

*2014 scorecard reflects the average across the eight operational mining right sites and will differ from enterprise-level figures reflected elsewhere in the suite of reports for 2014.



Broad-based black economic empowerment (BBBEE)

For Exxaro, the issue of BBBEE has separate elements:

- **Empowerment credentials**

When Exxaro was formed in 2006, it was the largest black-empowered mining company in South Africa – with 52% of our shares held by a consortium of four black-owned companies (referred to as BEE Holdco and detailed the integrated report). In terms of the founding agreement, this shareholding was locked in until 2016 to give the fledgling company time to grow as well as provide a meaningful return to those shareholders.

Current legislation sets the threshold for BEE ownership at 26%. Exxaro's empowerment credentials flow through to all its joint ventures and equity interests based in South Africa (eg Kumba, Cennergi). Our strategic intention is to maintain or improve our current empowerment credentials. We are actively engaging with BEE stakeholders and developing a strategy that will successfully maintain our empowerment credentials beyond 2016.

- **BBBEE compliance**

A key risk facing almost all South African companies from 2015 is complying with the revised codes for broad-based black economic empowerment or BBBEE.

The BEE codes of good practice (commonly referred to as the codes) were developed over time from an initial commission report up to the newest codes that take effect for all entities by 2015.

The new codes consist of five elements:

- Ownership (priority element)
- Management control
- Skills development (priority element)
- Enterprise and supplier development (priority element)
- Socio-economic development

Under the old codes, Exxaro had achieved level 3 contribution status (with 1 being the highest). Under the new codes, we estimate we will drop several levels and that it will take around five years and a significant investment to return to level 4. This is an industry-wide phenomenon.

However, as a responsible corporate citizen, Exxaro wants to make a transformational difference to South Africa's macro economy. Our group must abide by all regulatory and legal requirements governing the mining industry and should even aspire to exceed, where warranted, compliance to enable Exxaro to grow and develop economic opportunities within the broader socio-economic challenges in the country.



Exxaro has identified the impact of the new codes on the organisation, and appropriate steps are being taken to address relevant areas.

BBBEE status

Element	Element weighting	Score
Ownership	20	21,54
Management control	10	8,06
Employment equity	15	3,97
Skills development	15	11,19
Preferential procurement	20	17,56
Enterprise development	15	15,00
Socio-economic development	5	5,00
Total	100	82,32

Broad-based BEE status level	Level 3
BEE procurement recognition level	R1,10 for R1,00 spend
Black ownership	66,18% (based on flow-through principle)
Black women ownership	30,06%
Value-adding supplier	Yes
Calendar year verified	1 January 2013 to 31 December 2013

**Verified under the old codes of good practice*

Exxaro's BEE contribution for calendar 2014 will be completed by the end of April 2015 and is expected to be in line with the current BEE status held.

Government relationships

As a key sector in the South African economy, the mining industry spans the economic, environmental and social arenas. The industry deservedly attracts the focus of government that has a duty to the nation to act as the custodian of mineral resources. This custodianship involves ensuring that extraction and beneficiation of the country's mineral wealth benefits not only mining companies and their shareholders, but the national fiscus in the form of taxes and foreign revenue earnings; employees in the form of employment, remuneration and benefits; and local communities in the form of employment, infrastructure development and socio-economic development.



To ensure these benefits flow efficiently and uniformly, the mining industry is highly regulated by government, starting with mining right authorisations, in association with water use and environmental authorisations. This requires mining companies to work in close partnership with several government departments in establishing and operating mines.

The South African government is recognised as one of our key stakeholders. We manage these relations holistically, with engagement centred on the core areas of authorisation processes and compliance, policy and legislation development, and collaboration and business partnerships with state-owned entities.

As a member of the Chamber of Mines, we are represented in interaction between the chamber and government in formulating legislation, for example the review of the Mineral Resources and Petroleum Development Act that has been returned for further consultation and approval in 2015.

We meet with local, district and provincial government decision-makers in areas where we operate. We also participate in local economic development forums. Functional management interacts regularly with government counterparts in key areas including safety, labour, health and hygiene and environmental management. The content of engagement includes legislative compliance and inputs to local and regional development plans.

Social compact and community investment

In 2013, we completed the first internal audit of our social and labour plans in the 2008-2012 cycle. We also commissioned an external expert to evaluate the social return on investments (SROI) across the spectrum of our investments, both qualitatively and quantitatively. The results of the SROI assessment show that Exxaro achieved an overall weighted average social return on investment of R1,32 for every R1,00 invested (or planned to be invested). This represents a community investment portfolio where the majority of projects are generating a positive return.

In developing social and labour plans for the new five-year cycle (2013-2017), we considered the following criteria:

- DMR and mining charter requirements for community development projects
- New realities faced by the mining industry
- National, provincial and local strategic focus areas (human capital development, enterprise development, urban renewal, sustainable development and environment).

Our approach to community development is holistic and long term:

- We strive to develop a **shared vision with communities** affected by our mining activities
- We **transfer ownership** of development initiatives back to communities by establishing community development forums



- We develop formal social closure plans for all operations, focused on **sustainable legacy projects**
- Mandatory that our social and labour plans are **aligned to social closure plans and community development forum plans**.

The Lephalale Development Forum (LDF) is an example of our community development approach and it has actively contributed to building South Africa's first post-apartheid city – Lephalale. It was created in 2008 after it became clear that developing the Medupi power station in the municipal area of Lephalale would fuel economic growth and, in turn, place huge strain on existing rural infrastructure. Bringing together public and private partners would facilitate coordinated initiatives in:

- Local economic development (incubator and hub)
- Infrastructure
- Social services (education, health, etc)
- Labour and skills
- Environmental sustainability.

The forum has made significant progress since 2008, including:

- Launch of the Lephalale enterprise and supplier development incubator and hub as a partnership between LDF, Exxaro, Anglo Sebenza Fund and Shanduka Black Umbrellas
- Successful implementation of local economic development projects:
 - **Infrastructural development** (housing, roads and water) – 740 housing units complete and 2 400 erven designed; three roads built for around R200 million, creating 450 jobs; Exxaro spent R100 million to expand the Zeeland Bulk Water Works treatment plant from 16Mℓ per day water to 40Mℓ per day with water supplied to the town at cost
 - **Agriculture** – self-feeding and income-generating project to supply produce to local supermarkets in a public-private partnership between Queen Langa and her community and government; a poultry project in partnership with government that is already sustainable
 - **Skills development** – through our Medupi expansion project, 2 000 people received skills training, 11 500 temporary construction jobs were created and 490 permanent jobs
 - **Education** – focused on infrastructure upgrades, and developing learners, teachers, principals and governing bodies. In 2014, Exxaro spent over R7 million on infrastructural development at four schools

Other social initiatives during the year are detailed on our website while environmental challenges and achievements are reported next as this broad category is a material issue for Exxaro. Notable social developments in 2014 included:

- Launch of Exxaro employee community involvement programme (volunteerism) – building on Exxaro's reputation as a caring company, employees give their time, skills and energy for the benefit of society, either in or outside working hours



- Housing – as part of Leeuwpán and Arnot's social and labour plans, over 100 houses have been built for community members – transferring skills, creating jobs. This is in addition to almost 800 houses built in the Lephalale area in prior years.

Environment

The nature of the mining business means a high environmental impact. Through a combination of increasingly stringent legislation and technological advances, the industry has made significant strides in reducing or mitigating its environmental impact in the past two decades. Importantly a growing spirit of collaboration – between mining company, with authorities at all levels and local communities – is ensuring that the benefit of individual initiatives is intended for the greater good.

At company level, significant resources across the sustainability capitals are being directed at reducing environmental impacts across all time horizons.

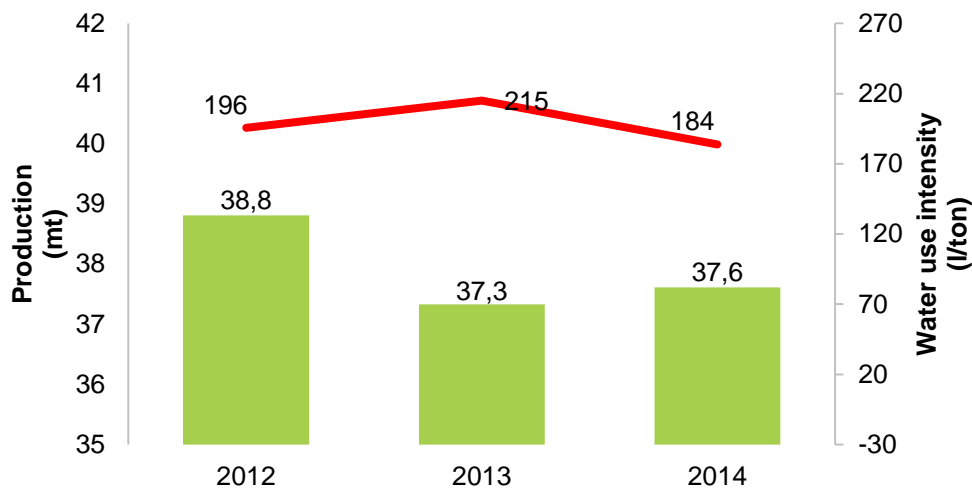
In recent years, Exxaro has crystallised its approach to environmental management by ensuring an integrated and strategic focus on key issues. This holistic view is paying off now, with significant reductions in key impact areas such as energy, water and waste. By concentrating on our intensity factors (ie the amount of any resource consumed to deliver a specified amount of product), we ensure we are consuming resources responsibly, reducing waste and using renewable resources wherever possible.

In three years, our absolute GHG emissions have increased by 4,38% (after adjusting for divestments). Our energy intensities have increased by 17,3% for electricity and 2,6% for diesel (electricity intensity rose from 13,6MWh/kt to 15,9MWh/kt and diesel intensity from 1 508l/kt to 1 547l/kt over the same period). Diesel is the most significant energy source in our coal operations, consuming 2 103 148GJ of energy, slightly more than 2 039 476GJ of energy from electricity consumed in 2014.

Our initiatives in water management are paying off, with water withdrawal intensity dropping by an effective 9% over three years (we now use 6 912 megalitres of water to produce 37,6Mt compared to 7 590 megalitres to produce 38,8Mt in 2012).



Water stewardship



Responsible mining through biodiversity management

We have adopted a similar holistic and long-term view to managing biodiversity. With biodiversity impact assessments completed for all operations in recent years, minimising and mitigating that impact becomes a methodical and measurable process. In 2014, Exxaro's biodiversity policy and standard were approved by the board and are being rolled out across the group.

Our **rhino translocation project** is a good example of our approach to managing biodiversity, and our aim to conserve and re-establish resilient eco-systems. Given the rising incidents of poaching in South Africa, we collaborated with the Game Rangers' Association of Africa and Debswana to enlarge the range where rhinos can be found and hopefully spread the poaching risk.

The main purpose of the translocation project is to expand the range and genetic viability of white rhino (*Ceratotherium simum*) in southern African and increase population growth. Both Exxaro's Manketti Game Reserve and the Debswana reserve in Botswana need to supplement genetic material in their rhino population.

In June 2014, ten white rhino (five pregnant cows and five female calves) were captured at Manketti and relocated to Botswana. Supported by three helicopters, the team included six veterinary surgeons, two ground teams and a capture operator who handled the loading and transport of the rhino. Each rhino was chemically immobilised by a vet from the helicopter, and then treated by two vets on the ground. Before the rhino were loaded onto the capture crate, DNA samples were taken for the database, micro-chips inserted into the horns and body, and identifying notches cut into the ears.

In an epic convoy to Botswana, two vets attended to the welfare of the rhino, and the precious cargo was protected by a private security company in South Africa, and then by the Botswana Defence



Force and security agencies. After release into their new home, a release team and vets monitored the rhino intensively.

The rhino have adapted very well to their new environment with four of the adult cows calving within six months.

Capital projects

Material issue: Capital projects

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, shareholders, government

Opportunity: capital projects facilitate export agreements, support community and enterprise development initiatives, advance clean technology methods, creating economic growth and contributing to the virtuous cycle of growth.

Focus areas

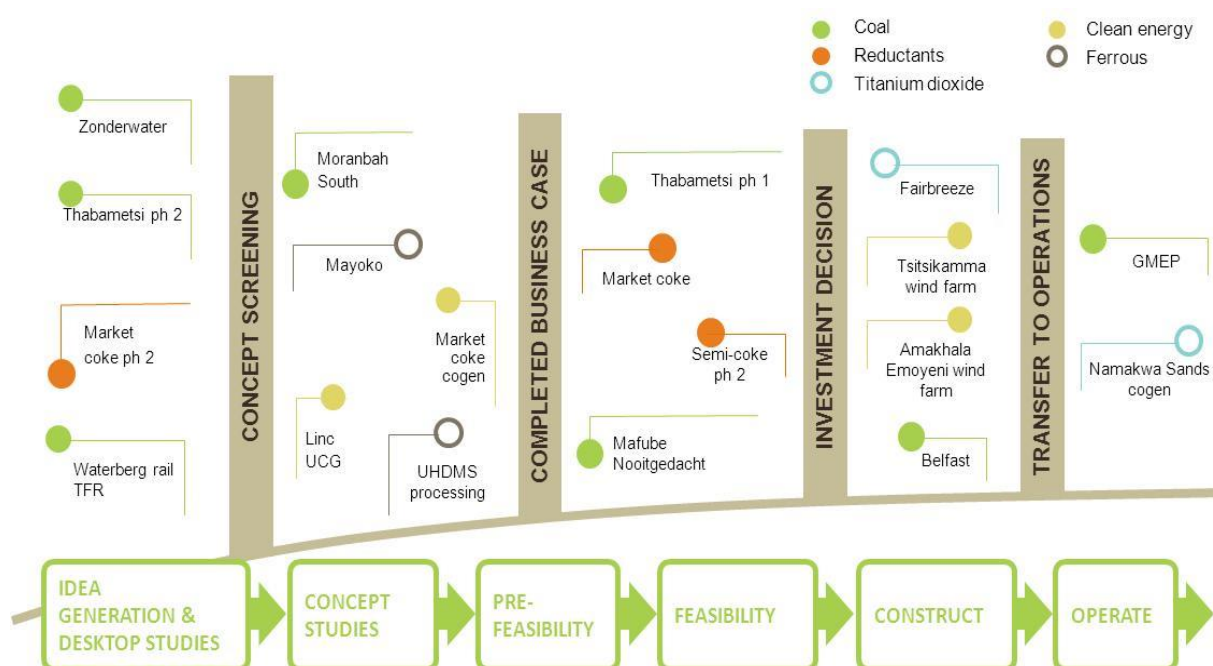
- Project pipeline – constant review to accommodate market conditions
- Coal project portfolio Waterberg – Thabametsi
- Coal project portfolio Mpumalanga – Belfast approved
- Growth from coal commodities – percentage deviation from budget
- Project delivery – on time – GMEP on time and within budget
- Return on capital employed target of 20%

The lifeblood of any mining company is its project pipeline, with new projects timed to come on stream as existing operations reach the end of their lives.

Given the amount of work and capital investment that precede construction for any new project, decisions are weighed up in the context of our strategy, investment criteria, resources (financial and human) and market conditions. This is a continual balancing act that can be upset unexpectedly – and often by factors outside management's control, from infrastructure to regulatory approvals.



Project pipeline



A key theme underpinning our project pipeline is *responsible growth*. Inextricably linked with our approach to sustainability and strategic delivery, responsible growth ensures the maximum number of stakeholders benefit from our continued expansion and that sustainable development factors are considered during the project.

As example, our largest capital project to date is the expansion at Grootegeeluk (known as GMEP – Grootegeeluk Medupi expansion project) while our largest joint venture is our investment in renewable energy, Cennergi. GMEP will ensure Eskom has sufficient coal to run Medupi power station when it is commissioned, and Cennergi is focused on protecting South Africa's remaining non-renewable resources, currently by building wind farms.

Both initiatives benefit the country as a whole, and reflect Exxaro's strategic objective to support national economic development (Exxaro now supplies about 25% of Eskom's coal for the national power grid).

Stringent criteria govern our investments, including return on capital employed and return on project investment (refer strategic dashboard).

The timing of capital expenditure is also carefully considered. In 2014, as it became apparent that the timeline for Medupi power station was being pushed out 2019, we revised our capital spending at Grootegeeluk to align with Eskom's ramp-up pace.



Exxaro's core business is coal, which currently contributes over 95% of revenue and operating profit. For the first time, in 2014 our coal business passed the 50% mark on headline earnings per share or HEPS. Our aim is to diversify our sources of revenue to reduce the risk of fluctuations in commodity prices.

Waterberg, Limpopo

Strategic facts

- Exxaro has largest coal resource base in South Africa
- Almost 90% of this lies in the Waterberg, anchored by our Grooteegeluk operation
- The Waterberg holds 50% of South Africa's remaining coal reserves

The Waterberg is strategically significant to both South Africa, and by extension its power utility Eskom, and Exxaro for several reasons, including.

South Africa

- Economic significance:
 - Largest remaining coal resource
 - Catalyst to unlocking the northern mineral belt (under phase 1 of the national strategic infrastructure plan or SIP1)
 - Location for electricity generation (under SIP9)
- Social significance – first major new post-apartheid urban centre

Eskom

- Security of coal supply (quality, volume and price)
- Certainty of base-load electricity generation

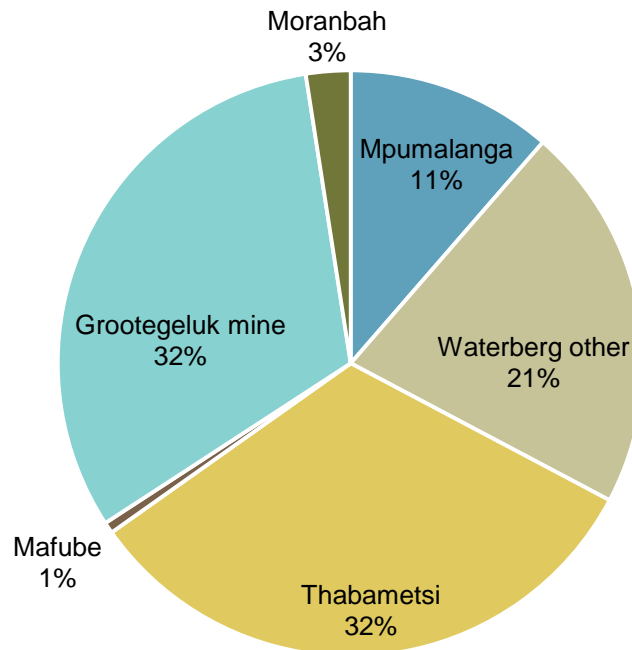
Exxaro

- Remain a reliable supplier of coal to customers
- SA-domiciled coal producer of reference
- Sustainable earnings and dividend growth
- Ongoing benefits for stakeholders.

Exxaro is uniquely positioned to participate in developing the Waterberg once it gains momentum, given the extent of our resource base in that region and scale of our flagship Grooteegeluk operation. Our R10 billion investment in expanding Grooteegeluk (via the Medupi expansion project) was delivered on time, within budget and with no harm to its people (32,7m hours without a fatality). This high-tech facility will supply 14,6Mtpa of coal to Eskom's Medupi power station for the next 40 years.



Exxaro Coal Resource base



Key to unlocking the resources in the Waterberg is infrastructure, specifically the rail link to Maputo and Richards Bay Coal Terminal (RBCT). Transnet Freight Rail has completed the second of a five-stage plan to increase rail capacity from 2,1Mtpa to 24Mtpa by 2015, while Exxaro has addressed the issue of its proportionate share of RBCT capacity with the Total Coal acquisition.

Coal portfolio, Mpumalanga

Growing our coal portfolio is not without risk, given that logistical constraints (Transnet Freight Rail) have delayed the development of significant coal resources in the Waterberg, Limpopo. Equally, South Africa's traditional coalfield in Mpumalanga is nearing the end of its life, but resource pockets remain. One of these is in the Belfast area where we will start construction of a R3,8 billion greenfields mine in 2015.

Belfast

Strategic facts

The Belfast project will form part of our existing North Block Complex mine.

- Reserves: Arguably, the last good quality A-grade, high-yield coal reserves in Mpumalanga, with a secondary product in power station coal for Eskom
- Volumes: Primary product will be 2,2Mtpa coal for export and 500tpa to Eskom
- Revenue: Over life of mine, this is anticipated to be around R15bn.



After lengthy studies, the board has given the go-ahead to develop potentially the last sizeable value-added project Exxaro has in Mpumalanga. Belfast will support our strategy of increasing thermal coal exports and, therefore, our share of the South African coal market.

The mine has been designed in two phases:

- Phase 1: 16-year life of mine, working the high-yield A-grade coal
- Phase 2: Lower-grade coals and deeper. If operations proceed to phase 2, this could add another ten years to the life of mine.

Although detail design and early works are under way, the water use licence was only issued in September 2014 and environmental objections could take some time to resolve. Construction is therefore not expected to start before the latter half of 2015.

Belfast is a good example of Exxaro's environmental stewardship, particularly water and wetland management. The redesign of the plant around various wetland areas illustrates a particularly innovative approach to project management and plant design, with a letter of commendation from the Department of Water and Sanitation for the team's thorough approach. Other innovative approaches include the zero-effluent plant and built-in energy efficiencies, for example, handling discard by return-of-belt of the overland conveyor system. All these elements are aligned with our sustainability strategy. Simply put, it is the right thing to do.

Total Coal SA

Strategic facts

Increase exports

- Increase our export allocation by 4,1Mtpa and our control over entitlement

Improve our portfolio

- Mine with multi-products
- Expedite developments in Waterberg

Secure Eskom supply

- Potential to increase supply to Eskom from Eloff mine

Unlock synergies

- Increased flexibility
- Market knowledge
- Management expertise

During the year Exxaro announced the acquisition of 100% of Total Coal South Africa (TCSA), South Africa's fifth-largest coal producer, for some R5 billion. This will increase the size of our coal portfolio by roughly 12%. By year end, the transaction had been approved by the competition authorities, with only the transfer of the mining right outstanding



TCSA's mines and underdeveloped coal assets are all in the Witbank coal basin in Mpumalanga with remaining lives of over 20 years and a resource base of 1 498Mt of coal in the ground and 395Mt of run-of-mine coal resources. Most of its annual production of some 4,5 million tonnes is exported to China and India.

This acquisition gives Exxaro the flexibility to adjust its portfolio. As example, we will be able to accelerate brownfields projects in the Waterberg region by increasing the scale of existing operations or changing planned projects to multi-product mines. Importantly, the deal also involves additional export entitlement of up to 4,1Mtpa at Richards Bay Coal Terminal, almost doubling our export allocation.

Employees

Material issue: Our people

Risk: High, with potential impacts on compliance levels, operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees

Opportunity: Attract, develop and retain skilled employees. Zero losses to fraud and corruption, maintaining business continuity, safety and become a recognised employer of choice

Focus areas

- Skills – shortages, training and development as percentage of payroll (2014: 6,8%), mining charter targets (met except for senior management and people with disabilities)
- Fraud and corruption – cases reported, investigated
- Labour unrest – number of actions, production losses, union rivalry, employee relations (2014: zero strikes after industry-wide labour unrest in early 2013)
- Safety – fatalities, LTIFR (2014: 1 fatality, LTIFR of 0,19 against target 0,15)

One of the highlights of 2014 was Exxaro's ranking as top employer in the South Africa mining industry by the international Top Employers Institute. This is a significant accolade in a competitive industry facing challenging conditions. For Exxaro, this validates our strategic initiatives in recent years to ensure we have the skills required to operate sustainably and the depth of management needed for succession planning. For our people it means being helped to develop their full potential in a workplace that is safe and healthy, and being rewarded for their contributions.

Being ranked as the top employer in our industry underscores our focus on developing an employee value proposition that attracts the required calibre of people, enhancing leadership skills and entrenching the high-performance culture that drives our sustainability.



No wage negotiations were conducted in 2014. Changes to wages and conditions of service for bargaining unit employees were done in terms of a two-year wage agreement. While we expect 2015 negotiations to be intense, we are hoping for a successful outcome that reflects the sound relationship between labour representatives and Exxaro.

A priority during the year was successfully avoiding any impact of our restructuring on morale. Change in the corporate context always needs to be managed sensitively, and we have attempted to address this by communicating openly with our people through consultation and individual career planning sessions.

Skills

In supporting the national goal of transforming workplace demographics, we are focused on developing the full potential of our people, rewarding top performers and addressing the industry-wide shortage of critical skills in key fields, such as engineering and mining operations.

One of the areas where we believe Exxaro is adding real value is developing unemployed youth. At present, the number of youth receiving skills training represents about 10% of our total workforce of over 7 800. We focus on developing key and critical core skills through our feeder schemes. This initiative is recognised by the MQA and Exxaro receives a significant proportion of discretionary grants back for developing mining skills in South Africa.

Our housing strategy is focused on home ownership – primarily by bridging the gap for employees who want more than a basic government house, but do not qualify for a bank loan. Exxaro assists by contributing R125 000 towards securing this loan. Supported by fair contracted terms between the company and individual for repayment, this scheme is helping to reduce employee indebtedness at often usurious interest rates.

We are concerned about the current level of employee indebtedness, in turn a reflection of subdued economic growth. Debt counselling is being provided to our people using internal and external resources which should, in time, reverse the rising trend of garnishee orders.

By year end, we had exceeded mining charter and internal targets on employment equity for top, middle and junior management, core skills and women. Appointing people with disabilities remains an industry-wide challenge.

Exxaro spent R221 million (2013: R200 million) on industry-related training initiatives during the year, ranging from ABET (adult basic education and training) to postgraduate studies. This training involved some 800 youth candidates, of whom over 80% were historically disadvantaged South Africans (HDSAs) selected for learnerships, internships, bursaries and various skills programmes. We also have over 380 South African employees in management development programmes at present.



Our employee share ownership plan, Mpower 2012, paid dividends of R14 million for the 2014 financial year, benefiting 7 240 employees.

Fraud and corruption

Exxaro has established policies on which employees are regularly trained. The policies are frequently reviewed and include:

- Code of ethics
- Whistleblowing
- Conflicts of interest
- Fraud investigation
- Fraud prevention
- Fraud response
- Gifts and benefits from suppliers.

In 2014, we focused on anti-bribery and corruption, giving rise to a tailored policy supported by dedicated training that started with the board and executive committee. Refresher training is being rolled out across the workforce via e-learning (2014) and videos (2015) covering theft, fraud, bribery and corruption.

Exxaro has a zero-tolerance approach to corruption, enforced by an active fraud and ethics committee. Communicating this approach to employees includes a visible statement of zero tolerance, signed by the CEO, at all operations, supported by posters with details of the anonymous reporting line. Renewed theft, fraud and corruption awareness included six articles in the quarterly internal newsletter, which also disclosed the results of forensic investigations to serve as a deterrent.

After training all employees on the new anti-bribery and corruption policy, specific fraud and corruption risk assessment workshops have been planned for 2015 to compile a fraud and corruption risk register in addition to the ERM risk registers already in place. High-risk jurisdictions and activities were identified in 2014 independently from the planned workshops. Based on this, customised training and awareness was conducted and internal controls enhanced to assist with risk mitigation.

Safety

Regrettably, there was one reportable fatality in 2014 after a fatality-free 2013. Having proved that we can operate safely, we continue to strive towards zero harm at all operations. Commendably, North Block Complex recorded 23 300 fatality-free production shifts in 2014 after starting the year with the equivalent of 31 fatality-free years.

The LTIFR per 200 000 hours worked was 0,19 for the period (2013: 0,19) against a target of 0,15. While disappointed about missing our target, 11 operations recorded no lost-time injuries. The



significant reduction in the number of lost-time injuries reflects improved awareness and training across all operations, which includes the Global Minerals Industry Risk Management programme. We also use the Mine Safety and Health Act as a standard to proactively manage health and safety practices across the group.

The group's health and hygiene efforts reflect an improvement in the number of employees enrolled in the HIV/Aids programme compared to 2013. Although there was a 25% reduction in the number of newly diagnosed occupational diseases, we still face challenges with tuberculosis cases.

Stakeholder engagement

Philosophy and policy

At Exxaro, building long-term, stable and mutually beneficial relationships with our stakeholders is a business imperative because it establishes the context within which we can operate successfully and create value for stakeholders.

Our stakeholder relationship management includes stakeholder communication and, together, this establishes an engagement framework for Exxaro. Stakeholder engagement is a pillar of our corporate governance approach and supports our commitment to sustainable development programmes.

We aim to achieve specific goals from building mutually beneficial relationships with our stakeholders:

- Obtain support for operational and strategic plans, and the performance of the business
- Proactively manage the risk, opportunities and reputation of the company
- Understand stakeholder expectations, and create and deliver relevant, beneficial value
- Build mutual trust and respect
- Promote the well-being of society.

Stakeholder engagement is a cornerstone of our business philosophy (refer integrated report). Stakeholder relationship management and communication are viewed as strategic activities in achieving our development and growth objectives and play a critical role in risk management and identifying opportunities.

Our stakeholder engagement framework reinforces Exxaro's understanding that our success depends on positive relationships with those who have a direct and indirect stake in our business. Effective and mutually beneficial relationships help build an enabling environment for Exxaro to succeed while meeting the needs and expectations of stakeholders.



We embrace the universal principles of engagement, namely:

- Transparency – open agenda and information exchange
- Accountability – emphasis on governance
- Legitimacy – recognise that stakeholders have valid needs and expectations
- Mutual respect – engage with dignity.

We have adopted the AccountAbility AA1000SES stakeholder engagement standard to guide the development of related capabilities and activities in the company. This standard is a basis for a generally applicable, open-source framework for designing, implementing, assessing and communicating the quality of stakeholder engagement.

The guiding principles of AA1000SES and the principles of the following documents shape our stakeholder engagement activities:

- King report on governance for South Africa 2009 (King III)
- Global Reporting Initiative guidelines
- Companies Act 71 2008, amended
- IIRC reporting framework.

Highlights of our stakeholder engagement activities in 2014 are disclosed in the integrated report, and detailed overleaf.



Stakeholder engagement in 2014

Stakeholder	Engagement method	Purpose	Frequency	Issues/responses
Community stakeholders (including all authorities, affected and interested parties such as NGOs)	<ul style="list-style-type: none"> Community development forums Engaging with provincial authorities and forums formed by government Bilateral engagement with Limpopo premier 	<ul style="list-style-type: none"> Identify material issues affecting local government and communities Hand over completed projects, eg Belfast RDP housing, Grootegeeluk agricultural corridor, North Block Complex education programme Information about procurement and job opportunities Determine and monitor progress on implementing social and labour plans Develop local economic development projects collaboratively 	<ul style="list-style-type: none"> Community engagement forums: quarterly Government engagement and forums: ad hoc Premier engagement: ad hoc 	<ul style="list-style-type: none"> Increasing demand for an equity stake in Exxaro Requests for additional investments in community development In 2014, we conducted a baseline study of community stakeholder issues at each business unit Local economic development projects <p>Our social and labour plans are focused on these areas</p>
Customers	<ul style="list-style-type: none"> Marketing Contracting 	<ul style="list-style-type: none"> Cost cutting Cost efficiency Enable Exxaro to understand and meet customer specifications 	<ul style="list-style-type: none"> As required by each commodity business' marketing department 	<ul style="list-style-type: none"> Changing economic market conditions Product quantities and qualities Logistical issues
Employees	<ul style="list-style-type: none"> Road shows Group newsletter Electronic communication Information briefs Caucus groups One-on-one meetings 	<ul style="list-style-type: none"> Keep employees informed on relevant issues and developments, such as implications of changing economic and market conditions 	<ul style="list-style-type: none"> Regularly throughout the year as milestones are reached 	<ul style="list-style-type: none"> Project Turnkey – restructuring – need to cut costs Voluntary severance packages – no forced retrenchments Progress with unions Provide opportunity for employees to communicate directly with CEO and senior management
Labour Unions	<ul style="list-style-type: none"> Scheduled management and union meetings 	<ul style="list-style-type: none"> Engaging with unions recognised for collective bargaining rights on issues affecting the employer/ employee relationship 	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> Business-specific procedural, operational and workplace issues



Stakeholder	Engagement method	Purpose	Frequency	Issues/responses
	• Communication/participative forums	• Information disclosure and interaction	• Quarterly at business unit and corporate centre	• Information disclosure on financial results, prospects, concerns, outlook, strategic planning and report back
	• Collective bargaining forums	• Collective bargaining on substantive issues with unions recognised for collective bargaining rights	• Annually unless otherwise agreed	• Changes to wages and conditions of employment of bargaining unit employees
	• Consultative forums	• Consultative forums on employment equity and workplace skills	• Biannually at business units unless otherwise agreed	• Employment equity plans/reports, workplace skills plans and annual training report
	• Task teams	• Task teams to deal with specific matters	• As needed/agreed	• Agreed issues that may affect the employer/employee relationship
	• Future forums at mines	• Promote ongoing discussions between worker representatives and mine management about the future of the mine, implement strategies on downscaling and retrenchment when required, feedback on progress against social and labour plan commitments	• Biannually unless otherwise agreed	• Mine closure issues • Skills development • Local economic development
	• One-on-one meetings	• Align government and Exxaro outlook on present and future plans • Update on group strategy and developments	• At least once a year	• Support for government initiatives • Report progress against legislated targets, build partnerships with government
Government	• Interested and affected parties' authorisation process	• Comply with environmental impact assessment (EIA) authorisations' requirements	• As required by EIA authorisation process	• Compliance with legislation • Pollution • Transparent communication
	• DMR	• Engaging on acquisition of the TCSA business • MIGDETT	• As required	• Exxaro's plans with TCSA business • 10-year anniversary of mining charter



Stakeholder	Engagement method	Purpose	Frequency	Issues/responses
Investors	<ul style="list-style-type: none"> Road shows Briefings and meetings Securities Exchange News Service (SENS) Financial reporting Site visits 	<ul style="list-style-type: none"> Ensure investors are informed of group strategy, performance and developments Provide relevant, accurate information to enable fair evaluation of Exxaro's market value 	<ul style="list-style-type: none"> Two to four times a year 	<ul style="list-style-type: none"> Group strategy and implementation Capital allocation Dividend policy BEE shareholding structure Actual financial and operational results Mayoko project, TCSA acquisition, additional information
Media and general public	<ul style="list-style-type: none"> Site visits Interviews News releases Website Advertising 	<ul style="list-style-type: none"> Provide information for media to inform public and other stakeholders Update on group strategy and developments 	<ul style="list-style-type: none"> Formal engagements at least three times a year 	<ul style="list-style-type: none"> Legislative compliance Group strategy and implementation Corporate activity Role in energy provision and use Socio-economic development Environmental impact of mining operations, eg impact on wetlands in Mpumalanga
State-owned enterprises – Eskom	<ul style="list-style-type: none"> Formal meetings 	<ul style="list-style-type: none"> Develop coal supply contracts, eg addendum 9 for supply to Medupi power station Obtain sufficient electricity supply 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Contracts to provide mutual benefit to parties
State-owned enterprises – Transnet Freight Rail	<ul style="list-style-type: none"> Formal meetings 	<ul style="list-style-type: none"> Logistics to transport coal from mines to RBCT 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Number and frequency of trains scheduled
NGOs – Escarpment Environmental Protection Group	<ul style="list-style-type: none"> On-site engagement 	<ul style="list-style-type: none"> Keep mine stakeholders informed on operational affairs 	<ul style="list-style-type: none"> Quarterly 	<ul style="list-style-type: none"> Corporate citizenship Exxaro's response to impact of mining on environment Appeals to Exxaro's authorisations, permits and licences



Stakeholder	Engagement method	Purpose	Frequency	Issues/responses
Suppliers	<ul style="list-style-type: none"> Green procurement 	<ul style="list-style-type: none"> Maximise supply chain efficiency by buying environmentally friendly products and services, and setting sustainability requirements in supplier agreements 	<ul style="list-style-type: none"> As opportunities for green initiatives occur and as initiatives are identified by the green procurement working group 	<ul style="list-style-type: none"> Detailed green criteria provided to suppliers
	<ul style="list-style-type: none"> Sustainable supplier engagement 	<ul style="list-style-type: none"> Collaborate with suppliers in addressing supply chain sustainability issues and enhance their capabilities to meet sustainability standards: Supplier sustainability assessments (audits) Supplier sustainability development Supplier innovations 	<ul style="list-style-type: none"> As required by supply chain management 	<ul style="list-style-type: none"> Vendor engagement portal to be implemented in 2015 Part of working group led by Chamber of Mines in developing responsible sourcing principles for the mining industry
	<ul style="list-style-type: none"> Meetings, forums 	<ul style="list-style-type: none"> To ensure Exxaro meets preferential procurement goals by purchasing goods and services from suppliers that meet BEE compliance requirements 	<ul style="list-style-type: none"> Ongoing requirement on request-for-quotation or tender enquiry documents Specified as a requirement for evaluating tenders 	<ul style="list-style-type: none"> Ongoing legislative compliance



External economic, environmental and social standards

In constantly aiming to benchmark itself against global best practice, Exxaro endorses a number of voluntary external standards, charters and principles, including:

- United Nations Global Compact (signatory)
- Millennium Development Goals
- Carbon and water disclosure projects (CDP).

Broader industry participation

As a stakeholder in the mining industry, Exxaro actively participates in shaping appropriate policies in South Africa through many channels, including:

- The Chamber of Mines of South Africa
- JSE Limited and Computershare forums
- National Energy Regulator of South Africa (NERSA)
- Energy intensive users group (EIUG)
- National electricity response team (NERT)
- Energy efficiency accord through the technical committee facilitated by the National Business Institute (NBI)
- Industry energy policy-influence workshops
- World Wildlife Fund (WWF) round table event
- South African Chamber of Commerce and Industry's (SACCI) electricity dialogue
- SANBI (South Africa National Biodiversity Institute).

Exxaro is also involved in the initiatives of:

- South African Independent Power Producers Association (SAIPPA)
- Coaltech 2020
- Fossil Fuel Foundation
- Peace Parks Foundation (donated over R12 million to date)
- SA Centre for Carbon Capture and Storage with international and local partners
- Clinton Foundation
- Mpumalanga Coal Producers Community Development Forum.

Commitment to external initiatives

Integral to our goal of leadership in sustainability, Exxaro actively participates in initiatives that benefit both the industry and South Africa.

Developing the body of knowledge

We are particularly committed to developing the body of knowledge at tertiary level by funding chairs in selected disciplines. In 2014, Exxaro funded four university chairs:



- **Exxaro chair in business and climate change** (Unisa) – promotes and advances related research, teaching and advocacy-orientated community engagements, especially in developing economies. Key research themes include:
 - Business response to climate change in key industry sectors in South Africa, including mining, finance and insurance, retail, agriculture and automotive
 - Green economies and green jobs.
- **Exxaro chair in global change and sustainability** (Wits) – provides a research platform of global significance and local impact, fostering informed and innovative actions for adaptation and mitigation strategies for sustainability in the rapidly changing southern African region. Key research themes include:
 - Sustainable urbanisation
 - Healthy and productive ecosystems
 - Sustainable communities post mining – post-mining ecology and post-mining economy
- **Exxaro chair in business and biodiversity leadership** (Pretoria) – focuses on thought leadership in the interface between business and biodiversity. Key research themes include:
 - Implementation of voluntary ecosystem valuation
 - Identifying and evaluating business responses to biodiversity in Exxaro and other industries
 - Land rehabilitation
 - Linking biodiversity with environmental management and other issues such as climate change and water with special emphasis on wetlands.
- **Exxaro chair in energy efficiency** (Pretoria) – participates at the forefront of research activities in energy efficiency, to deliver world-class research and educational outputs. Key research themes include:
 - Mining system components: energy efficiency study (conveyor belts, crushers, winders, pumps, etc)
 - Design efficiency in capital projects (eg designing green- and brownfield mining and processing projects from start using energy efficiency guiding principles)
 - Mine engineering for energy efficiency (eg above and underground distance, opencast vs underground mining method, HVAC (heating, ventilation and air-conditioning), material handling)
 - Cogeneration, using waste heat to produce electricity for use in the same or related processes in the same operations (ie smelters, process plants, flares)
 - Smelter technology and smelter efficiency
 - Clean development mechanism (CDM) and carbon trading (carbon footprint and carbon-neutral study), as well as the low-carbon economy
 - Energy efficiency measurement, verification, energy baseline determination and evaluation

Exxaro also sponsors (with industry partners) the chair in the centre of excellence for maintenance engineering at the University of Pretoria. This programme aims to equip engineering students to



address maintenance challenges in industry, given the growing industrial need, and ensure outstanding quality in the field of maintenance-related science and engineering.

By co-sponsoring the Exxaro/Kumba chair in the geology department at University of Pretoria, we support related activities to enhance undergraduate, honours and post-graduate training of geoscientists, as well as research activities.

Exxaro is a founding co-sponsor of the South African Minerals to Metals Research Institute (SAMMRI), a collaboration between mining industry members and the Department of Science and Technology. Its objective is to develop high-level technical skills for the South African extractive industry by sponsoring research projects at tertiary institutions aimed at industry needs.

The Mineral Education Trust Fund was founded by the Chamber of Mines' tertiary education support programme and aims to attract, retain and develop undergraduate teaching staff, create academic centres of excellence, focus on departments that deliver in terms of quality and foster collaboration. It focuses on the disciplines of metallurgy, chemical mining engineering and geology.

Exxaro is a member of the National Business Initiative which ensures a coordinated response to issues such as climate change and water, and other related national priorities.

The Exxaro people development initiative is a bridging course that prepares students for tertiary education in mining-related fields.

Community education

In 2014, 267 community members were enrolled for ABET programmes through Exxaro initiatives.

Learner development and teacher development programmes were implemented at Grootegeeluk, North Block Complex, Inyanda and Leeuwpans to support learners and teachers in mathematics, physical science, English and career guidance:

- Grootegeeluk: Over 600 learners from 16 schools benefited from the first phase of the Grootegeeluk holiday school programme in Lephalale and surrounding villages. This is part of a broader education initiative that includes Saturday and holiday classes in mathematics, physical science, English and career guidance for learners, as well as teacher and principal development programmes. A number of other programmes are being implemented: a whole school development initiative at Mabalane Seleka Technical School (including infrastructure upgrades, resourcing, and staffing assistance); funding an initiative to improve literacy among hearing-impaired learners at Sedibeng School for the Deaf; and a teacher student staffing initiative.
- Inyanda: Inyanda launched a similar programme as part of its social and labour plan, with extra classes for grade 10, 11 and 12 learners from Pine Ridge Combined School in the Klarinet community on Saturdays and school holidays to improve their pass rates. The project was



initiated with the consent of the Department of Basic Education, and will provide a steady flow of local learners suitable for our bursary and artisan programmes. The school's pass rate in matric improved from 76% in 2013 to 85% in 2014.

- Leeuwpan: More than 1 500 grade 10 to 12 learners from the five local schools received extra tuition in mathematics, physical science, life sciences, accounting, geography and economics.
- North Block Complex: This programme in Belfast was executed most effectively. The circuit's pass rate improved from 71% in 2013 to 86% in 2014. 310 Grade 12 learners from eight schools in the Emakhazeni circuit benefited from a Saturday and holiday school programme; teacher training was conducted for grade 9 teachers to improve annual national assessment pass rates in mathematics and English; science practicals were conducted for grade 11 learners; rounded off by a career guidance expo and awards ceremony.

Safety

Highlights

- Outstanding performance to 30 June 2014, when we operated for over 20 months without a fatality
- 11 out of 21 business units, including regional and corporate offices (2013: 6), worked a calendar year without a lost-time injury (LTI)
- 13 business units achieved the LTIFR target of 0,15
- Focused programme rolled out to empower safety, health and environmental representatives with the knowledge to identify risks better and contribute more effectively to reducing safety risks in the workplace.
- Internal section 54 inspectorate programme rolled out at all business units, authorising appointed employees to stop unsafe activities and, in time, prevent accidents
- North Block Complex reached 24 181 fatality-free production shifts by year end, equivalent to 32 years without a fatality – one of the best safety achievements in the mining industry. Leeuwpan reached 18 617, equivalent to 20 years
- Implemented incident cause analysis method (ICAM) to investigate incidents with appropriate training for incident investigation facilitators (SHE practitioners) and incident investigation chairpersons (business unit managers).

Lowlights

- One regrettable fatality after working for a full year without a fatality in 2013 for the first time. We have proved we can reach our target of zero and this is a powerful incentive to all our teams
- Exxaro missed its LTIFR target of 0,15, recording 0,19 at year end.



Safety performance

The safety of our people is fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus. As part of this focus, all operational business units have international health and safety accreditation (OHSAS 18001).

Exxaro's target was zero fatalities and an LTIFR (per 200 000 hours worked) of 0,15 for 2014. Disappointingly, actual LTIFR performance was below our target but stable year on year at 0,19. Interestingly, our target of 0,15 is 42% better than the coal industry average of 0,26 while our achieved 0,19 is 27% better than the coal industry average.

The fatality-frequency rate in 2014 was 0,01 compared to 0,00 in 2013. Our target remains zero, as no death is acceptable.

Regrettably Mr Solomon Latebotse Mashigo was fatally injured on 5 July 2014 after being struck by a rock while operating continuous miner equipment at Arnot. We again extend our sincere condolences to his family, colleagues and friends. While a formal investigation is under way, we continue to highlight the need for ongoing vigilance, an unrelenting effort on safety awareness training and continuous improvement.

Outside our reportable statistics, Mr Christopher Schroeder, a mechanical foreman employed at the Mayoko iron ore project in the Republic of the Congo, died on 25 November 2014 following snakebite. The investigation revealed that the incident happened outside working hours, not at his place of work, and was unrelated to official duties. As such, it has not been classified as a reportable fatality.

More positively, to the end of June 2014, the group recorded an outstanding performance by operating for over 12 months without a fatality. This followed our first fatality-free year in 2013 – proof that our target of zero fatalities is attainable and a significant incentive to our teams to repeat this achievement.

Programmes to improve our safety performance include:

- We completed the Global Minerals Industry Risk Management (GMIRM) course for top and senior management, and will now focus on implementing the safety improvement plans derived from this course.
- We have started the GMIRM supervisory course and will roll out the operator-level course
- The use of visible felt leadership as a tool to communicate with employees has been improved to increase visibility of management in the workplace to improve safety
- We continue to empower SHE representatives with relevant skills through a focused programme.

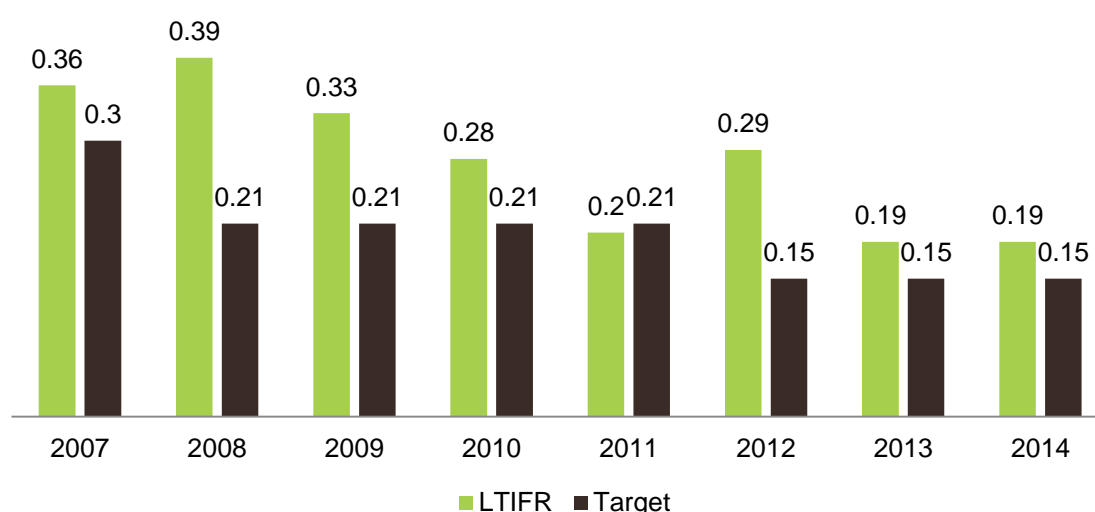


With the support of government, the Chamber of Mines and Exxaro's recognised unions, this focus is producing tangible results. By year end, 11 business units had worked for 12 months without a lost-time injury.

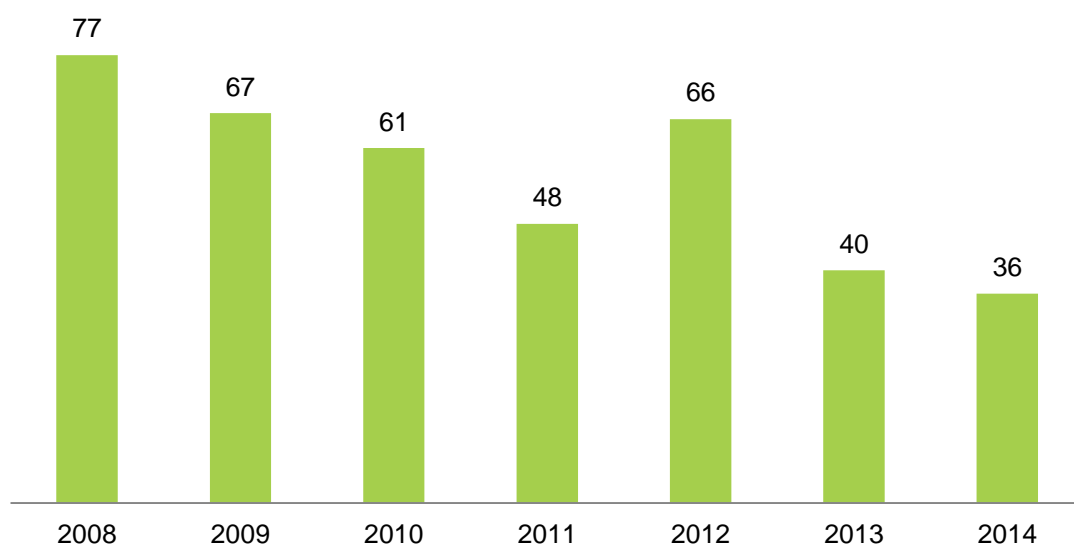
In 2014, no fines or sanctions for non-compliance with safety and health laws and regulations were imposed on any Exxaro operation. As a group, Exxaro was served with seven section 54 and zero section 55 notices in the period, all amicably resolved as quickly as possible.

In risk-specific terms, the leading cause of injury remains lifting and materials handling. While key risks differ by operation, our major challenges are vehicle incidents, energy and machinery isolation, and risk awareness and discipline at all levels. Because skills shortages exacerbate these challenges, we concentrate on continuous on-the-job training to ensure sufficient trained people are in place, applying safe working practices.

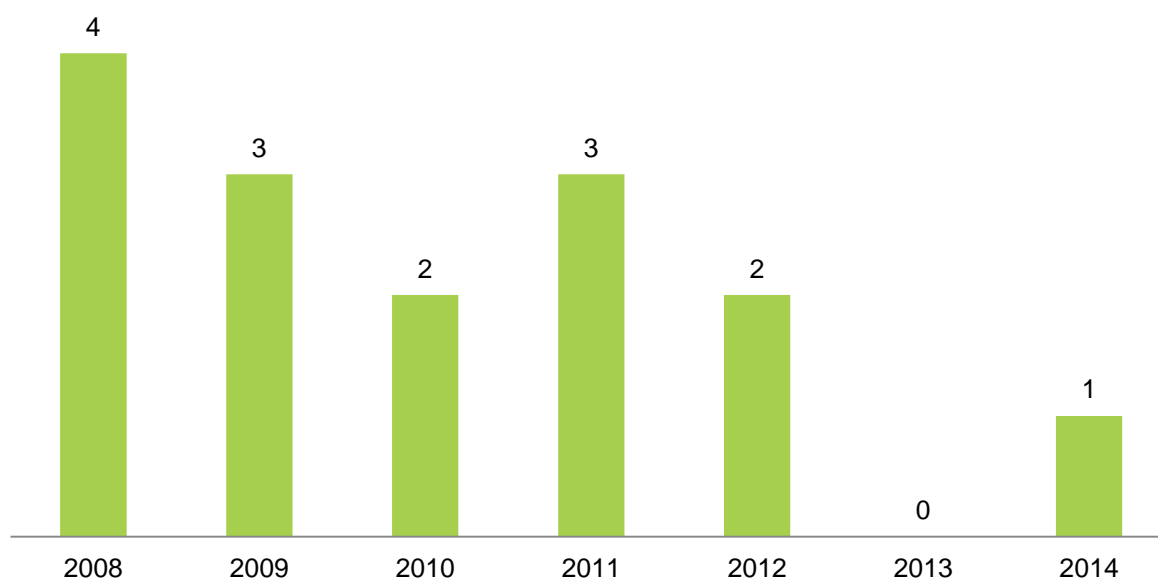
LTIFR performance vs target 2007-2014



LTI trend 2008-2014



Fatalities trend 2008-2014



Safety awareness

Exxaro continues to strive for excellence in safety. We have conducted different campaigns in different business units, according to specific risks. Projects rolled out from the corporate centre include:

- CEO safety indaba, attended by employees from all business units, the executive committee and the board
- Regional safety indaba for business units in the captive region (mines producing solely for Eskom) with corporate centre representatives



- Industrial theatre in different business units to refresh safety awareness among employees. This was also conducted during the CEO safety indaba
- Business unit-specific indaba at Arnot towards year end.

Safety governance

Our ultimate target remains zero injuries and, therefore, zero fatalities. To reach this goal, we review our LTIFR target annually based on prior performance, and apply stringent management protocols, programmes and systems. Every lost-time injury is investigated by the relevant business unit manager, while all fatalities and high-potential incidents are investigated by a committee with the appropriate skills, headed by an independent chairman. Findings are reported to the executive committee and the sustainability, risk and compliance committee and escalated to the board if required. Each business unit tracks its adherence to standards and legislation through a programme of self-assessments and corporate audits.

Occupational health and hygiene

Highlights

- 39% reduction in reported occupational diseases
- Five employees and one community peer educator have disclosed their HIV-positive status
- Ongoing group-wide HIV disclosure initiative encouraging employees to disclose their status
- 24% improvement in number of employees enrolled on the HIV/Aids programme
- Approved integrated HIV/Aids and tuberculosis policy.

Lowlights

- Adoption of mine occupational safety and health (MOSH) leading practice on hearing protection devices – training awareness and selection – not fully implemented at business units.

Challenges

- Potential impact of chronic diseases of lifestyle on people's health and safety in the workplace.

Our vision for health and hygiene is to create a workplace with no adverse effects on our employees and affected communities. We keenly understand the health risks posed by the mining industry, and the importance of programmes to reduce new cases of occupational diseases and ensure a healthy workforce:

- A healthy workforce enables Exxaro to achieve its strategic goals. Employees have various opportunities to access healthcare including their medical aid schemes, occupational health services, HIV/Aids and tuberculosis (TB) programmes
- Workplace risks that affect the health of employees are identified, detected early and prioritised
- Prevention programmes are implemented



- Our medical surveillance processes are continually strengthened to ensure our employees remain healthy and productive.

Key health and hygiene indicators are reported to the executive committee monthly, quarterly and annually. Regular reporting enables management to more effectively monitor the risk identification and assessment process, comply with legislation and reporting requirements, and track the implementation of programmes against set targets.

In 2014, we made further progress on several major health-related projects, including:

- We implemented our revised guideline for detecting, investigating and following up on health and hygiene incidents. This followed the 2013 review of our health and hygiene programme that identified factors influencing the prevalence of occupational diseases
- Risk assessment conducted at Grootegeluk
- We continued designing system requirements to support health processes
- Follow-up and monitoring by our health practitioners of individuals identified as at-risk for chronic diseases of lifestyle after the 2013 survey at some operations which established prevalence and contributing social factors
- After reviewing the current implementation of our TB programme at all sites to ensure early detection and compliance to treatment, in 2014, we implemented corrective actions and shared best practices across the group.

Occupational diseases

Reported occupational diseases

Reported cases are those newly diagnosed and submitted to the compensation authorities to confirm they are work-related and eligible for compensation under the Compensation for Occupational Injuries and Diseases Act (COIDA) and Occupational Diseases in Mines and Works Act (ODMWA).

In 2014, Exxaro reported 52 cases of occupational diseases (2013: 87): 40% were cases of TB, 30% noise-induced hearing loss or NIHL, 23% pneumoconiosis and chronic obstructive airways diseases (COAD). This 39% year-on-year improvement reflects the group's focus on occupational risk exposure profiles to further reduce the incidence of occupational diseases.

Reported occupational diseases (cumulative)

	2014	2013	2012	2011	2010	2009	2008
NIHL	16	8	22	47	12	11	3
Pneumoconiosis	12	37	24	31	23	2	3
Silicosis	-	-	7	-	-	-	-



	2014	2013	2012	2011	2010	2009	2008
COAD	4	2	-	2	-	1	1
Occupational TB	20	40	65	53	52	6	15
Dermatitis	-	-	-	2	2	-	-
Asbestosis	-	-	-	1	-	-	-
Work-related upper limb disorders	-	-	-	-	1	-	-
Total	52	87	118	137	90	20	22

Accepted occupational diseases

These are cases where the condition is demonstrably work-related and accepted for compensation. In 2014, Exxaro had 11 occupational disease cases accepted for compensation: five for TB, two each for pneumoconiosis and NIHL, and one each for silicosis and dermatitis.

Mining sector targets on noise and silicosis

In 2003, the mining sector set targets to eliminate silicosis and noise-induced hearing loss:

Noise	Silicosis	Current status
<ul style="list-style-type: none"> Reduce NIHL to less than 10% per individual by 2008 Reduce noise from equipment to under 110dB(A) by 2013 	<ul style="list-style-type: none"> By December 2008, 95% of all exposure measurement results <0,1mg/m³ for respirable crystalline silica Eliminate silicosis by 2013 	<p>In 2014, Exxaro had:</p> <ul style="list-style-type: none"> 1 case of silicosis accepted 16 cases of employees with hearing loss submitted to Rand Mutual Assurance (RMA) and two accepted for compensation.

Although there was a decrease in the number of newly reported occupational diseases, we continue to implement hearing conservation and dust-control programmes to further reduce the number of new occupational diseases.

Chronic diseases of lifestyle

Chronic diseases of lifestyle – the so-called lifestyle diseases – have rapidly overtaken occupational diseases as the primary health risk for companies today. According to the World Health Organization (WHO):

- Obesity worldwide has more than doubled since 1980: in 2014 11% of men and 15% of women aged 18 years and older were obese; 25% of men and 68% of women have a waist circumference that puts them at risk of developing chronic illnesses
- Directly related to obesity, the global prevalence of diabetes was estimated at 9% in 2014. Much of the diabetes burden can be prevented or delayed by behavioural changes favouring a healthy diet and regular physical activity.



A similar situation exists in South Africa, with the Human Sciences Research Council (HSRC) study noting that 'South Africa is heading for a disaster' if the number of people living with chronic diseases of lifestyle do not change that lifestyle:

- Roughly two of every five deaths are attributable to these diseases
- Some 40% of related deaths among men occur before age 60
- More than seven in ten women above 35 are overweight
- Among children, obesity and being overweight were highest in the two- to five-year age group, where 19% of girls were overweight and 5% were obese, while 17% of boys were overweight and 4% obese
- A contributing factor is the rapidly increasing consumption of packaged foods high in calories, saturated fats, animal proteins, sugars and salt
- Physical activity levels are low – lack of exercise in adults is another contributory factor.

Apart from HIV, chronic diseases are becoming the highest cause of death. Some 30% of people who took part in the HSRC survey reported a family history of high blood pressure, while 16% confirmed they had high blood pressure.

In the survey conducted at Exxaro, the following conditions were identified:

- Diabetes
- Hypertension
- Heart disease.

To address the burden of chronic diseases at Exxaro, a focused campaign was launched in February 2014 and rolled out to all business units. For the review period, medical surveillance identified 181 new diabetes cases and 472 hypertensive employees. Awareness programmes on healthy living, including the 'biggest loser', were initiated.

Based on this information, we have integrated the prevention and control of chronic diseases into our workplace health programmes. A standardised approach on collecting information has been implemented to ensure information on chronic diseases is captured. This is supported by case management and monitoring the progress of individuals with chronic diseases.

HIV/Aids and TB

The prevalence of HIV/Aids across Exxaro is currently estimated at over 12%, below the industry average. We continue to educate our people about this pandemic. With appropriate counselling and support, 92% of our workforce (excluding contractors) voluntarily tested between 2010 and 2014, and more are seeking treatment.

We recorded a 24% improvement in the number of employees enrolled on the HIV/Aids programme to 675 in 2014 (2013: 545), with 481 employees on anti-retroviral treatment (ART).



Since launching our disclosure initiative in 2012, five employees and one community peer educator have openly disclosed their HIV-positive status. All business units have now rolled out this initiative.

We are also making headway in slowing the spread of HIV/Aids. Between January 2009 and December 2014:

HIV/Aids awareness

Year	Attended information session	Tested*	% tested	Employees testing positive	Enrolled at Dec (cumulative)	On ARVs
2009	7 156	6 684	93%	358	299	161
2010	3 443	2 888	84%	434	448	323
2011	1 712	874	51%	71	307	311
2012	3 800	3 616	95%	474	454	327
2013	5 853	3 756	64%	314	545	521
2014	5 732	2 804	49%	261	675	481
Total	27 696	20 622	74%	1 912	2 429	2 124

* Tested figures include contractors, while assured numbers (page x) are for employees only

Community HIV programme

As part of our focus on improving the lives of communities around Exxaro operations, 168 community peer educators have been trained.

Tuberculosis

Tuberculosis (TB) is more prevalent among miners in southern Africa than any other working population: with an incidence rate of 2 500 to 3 000 per 100 000, individuals are three times more at risk of contracting TB than the general population. The TB rate among mineworkers is ten times higher than the level of a health emergency as defined by WHO.

According to the Department of Health, there are 41 810 cases of active TB in South African mines every year. This is the highest incidence of TB in any working population in the world, as it affects 500 000 mineworkers, their 230 000 partners, and 700 000 children.

Regular migration across the continent and rural areas of South Africa makes it difficult to provide effective and consistent treatment of TB among mineworkers.

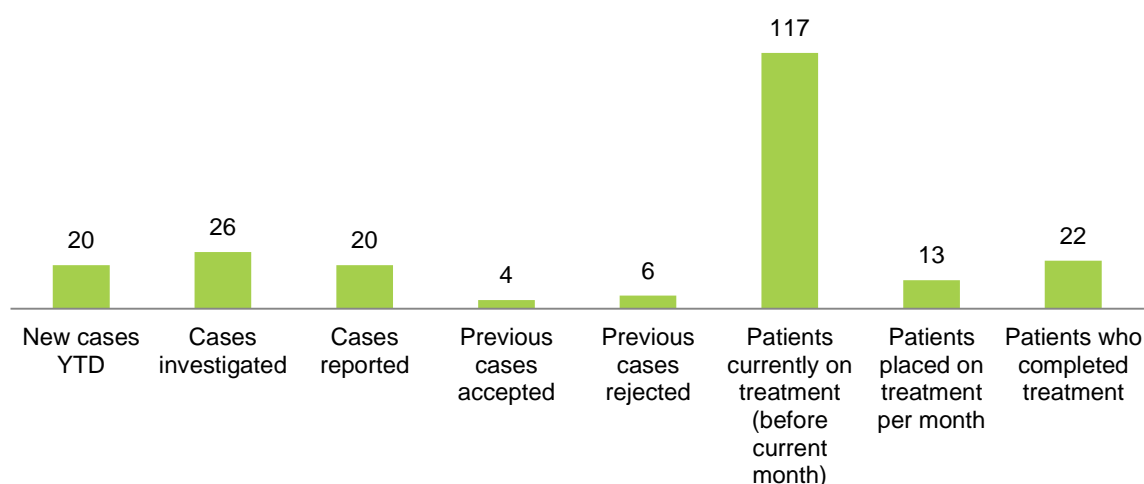
It is widely recognised that the HIV/Aids and TB epidemic will affect every workplace, with the potential for prolonged staff illness, absenteeism and death affecting productivity, employee benefits, occupational health and safety, production costs and workplace morale.



Early diagnosis and proper treatment are therefore key to tackling a disease that has reached crisis proportions in our country.

Exxaro's TB rates (per 100 000) are similar to the general population, and shown below. As part of improving our TB programme, a revised integrated TB and HIV/Aids policy was developed and approved.

TB cases January-December 2014



Employee wellness

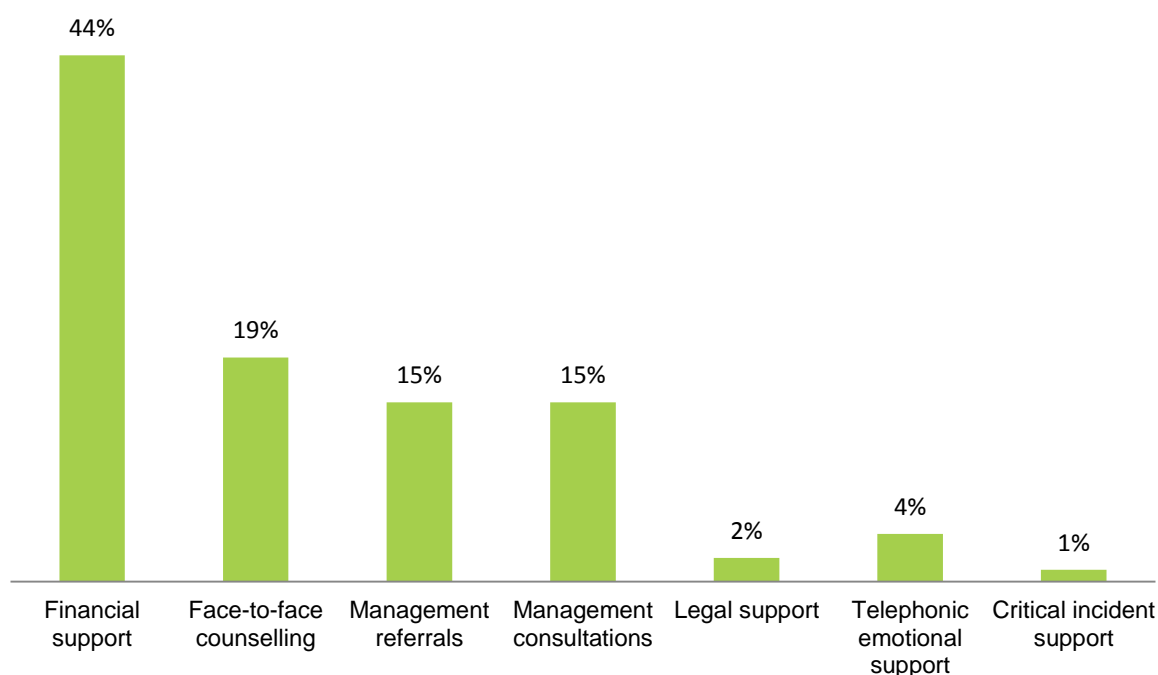
Under an employee assistance programme, any of our people facing difficulties have access to an external counselling service. This is a preventive measure that helps employees take the necessary steps to manage personal concerns, and assists management in minimising productivity issues.

During the year, an increasing number of our people used this service for:

- Financial issues
- Personal and emotional difficulties
- Family matters
- Work-related challenges
- Dependency on substances.



Services to employees and managers



Our people

Highlights

- Exxaro's talent pipeline and feeder schemes enabled over 800 jobless youth to obtain qualifications, in-service training and employment
- 36 employees enrolled for postgraduate studies and 346 for management development programmes, all company-sponsored
- Skills audit completed at Grooteegeluk mine and started at Matla mine – five business units now completed
- Participated in a global performance management survey and benchmarked favourable
- Completed internal performance management audit with largely positive findings
- Ranked top employer in the South Africa mining industry 2014 by the international Top Employers Institute
- Tshikondeni mine-closure consultations with organised labour well managed: 210 employees redeployed in 2014 to other Exxaro operations and 25 elected voluntary severance packages.

The shortage of specific skills in South Africa remains a particular challenge and a national plan is in place to address critical or scarce competencies. As such, attracting, retaining and developing these skills is a priority for all mining companies and a competitive advantage. This is the driving force behind Exxaro's feeder schemes, currently benefiting over 800 people.



Supported by the leading practices developed in recent years, Exxaro concentrates on exceeding compliance targets in South Africa by training and development to maximise individual potential, equality and safety in the workplace, meet our employment equity targets and improve living standards in our stakeholder communities. Collectively, our initiatives contribute to reducing the shortage of skills in our industry.

Skills development

For Exxaro, the skills deficit in South Africa translates into issues of leadership, culture, skills development, and providing a pipeline of core and critical skills.

We believe the collective sustainability of business depends on rapidly developing the skills each company needs to run its operations and empower employees to develop their full potential and ultimately contribute to national economic growth. The private sector, therefore, cannot afford to wait for the public education system to produce the calibre of people it needs at every level.

Accordingly, we focus on ensuring all staff have the knowledge and skills they need to develop personally and to help us build the company for the benefit of all. Our policy is to invest an appropriate amount of total salaries and wages each year on human resource development.

In 2014, this was 6,8% or an investment of R221 million (2013: 6,5% or R200 million).

We encourage our people to be jointly responsible for managing their career growth. We provide financial assistance to permanent employees with potential to further their education through part-time studies of recognised, approved courses and programmes. When we nominate people to attend courses or programmes, these are fully sponsored (tuition, examinations, travel, accommodation costs and study leave).

In 2014, 36 employees enrolled for postgraduate studies and 346 for management development programmes sponsored by Exxaro (2013: 36 and 372 respectively).

We have specific strategies to ensure the accelerated learning and development of black people, women and people with disabilities, including:

- Fast-tracking those with leadership and management potential
- Accelerated development for occupation-based skills
- Formal study assistance
- Adult basic education
- Life skills programmes
- Learnerships
- Bursaries and internships.



Skills and human resources development

Rm	2014	2013	2012*	2011	2010
Total training	221	200	177	225	140
HDSA training	180	161	134	172	115
% HDSA	81	81	76	76	82

* Decrease reflects disposal of mineral sands operations and certain closures

Current and future skills requirements

To meet our current and future skills requirements, we invest in our existing employees, future employees, and in the communities that provide our labour. At present, 99% of Exxaro's labour is sourced in South Africa and, at any operation, over 70% is sourced from host communities. Our education, bursar and skills development initiatives are geared towards empowering local communities to compete for positions in the company.

Graduate programme

Our three-year professionals-in-training programme blends academic theory with the work environment. Each graduate has a mentor who supervises exposure to various commodities, leadership and management training. Mentors also assist with fulfilling registration requirements for relevant governing bodies and professional associations. In 2014, there were 86 professionals in training (2013: 80) throughout Exxaro in a R35 million programme. Of these trainees, 39% are women and 2% people with disabilities.

Bursary programme

There are currently 88 bursars studying at South African institutions at a cost of R8,6 million per annum. Over two-thirds are historically disadvantaged South Africans and 23% are women.

As part of the Exxaro people development initiative, we granted 18 bursaries in 2014 to school-leavers interested in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, industrial, mining or civil), mine surveying and geology. Candidates must be grade 12 students from Exxaro communities who want to study for a technical degree or diploma. Two students secured Exxaro bursaries in the 2015 intake. The total annual cost of this programme is R2,5 million.

Training

Across the group, training and development are based on a comprehensive needs analysis, incorporating business strategy, identified skills gaps via the performance management process and training matrixes, succession-planning requirements, employee career progress and employment equity plans.

In 2014, we continued our programme of skills audits, completing the audit at Grooteegeluk mine and starting the process at Matla mine. The skills audit identifies current job and competency



requirements, comparing these with what is needed currently and, more importantly, in future to achieve organisational goals and objectives.

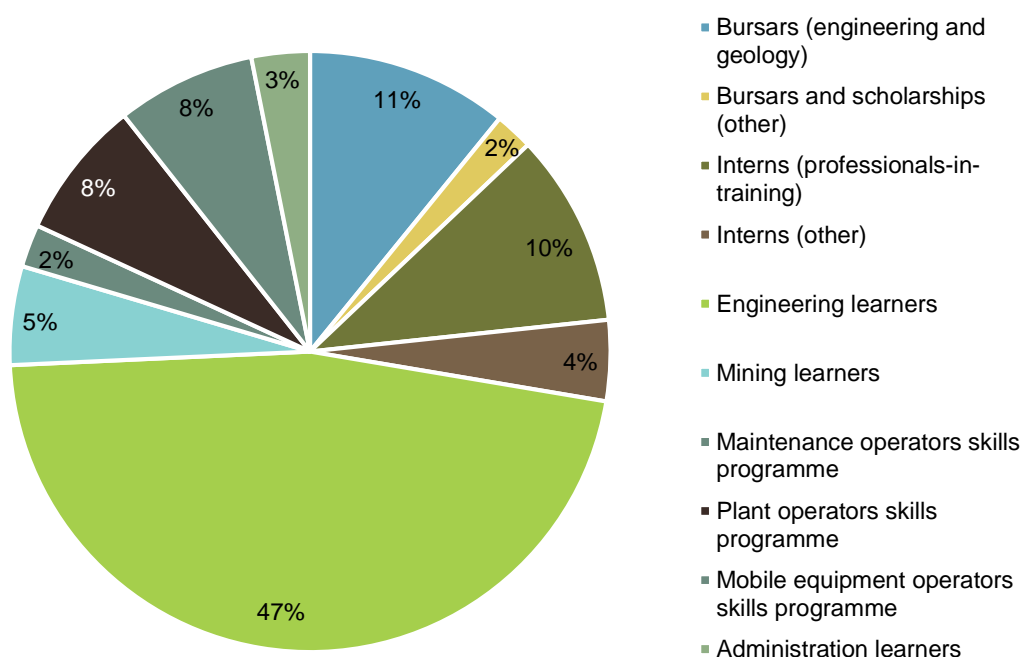
We offer sponsored training in engineering learnerships at the Grovos training centre in Lephalale, and sponsored engineering and mining learnerships at Colliery Training College (CTC, where Exxaro is a shareholder) in eMalahleni, Mpumalanga. As part of our feeder schemes, we also provide sponsored formal and practical training in core skills programmes including plant operators, maintenance operators and mobile equipment operators.

The success of the Grovos engineering learnership continued in 2014, with new milestones that included:

- The intake of 167 candidates (36 women) is its second highest
- 93% first-time pass rate
- 62 of the 89 learners (70%) who completed their training successfully were employed in Exxaro
- Over R22 million income in Seta grants received, decreasing training cost by 32%
- Cost to train an engineering learner over the full learnership period decreased to R188 787, the lowest in three years, mainly due to optimising grant opportunities.

Three Exxaro business units (Grootegekluk, Matla and Tshikondeni) are MQA-accredited training providers in selective mining and engineering disciplines. This enables our people to be trained in mining and engineering, declared competent and obtain their MQA certification inhouse.

Talent pipeline/learner feeder schemes – 2014



Literacy and numeracy

All employees with qualifications below NQF level 1 are given the opportunity to become functionally literate. Candidates are screened and counselled to ensure informed decisions, and where employees complete training in their own time, there is an incentive scheme for each level completed.

Exxaro pays for voluntary adult basic education and training (ABET) programmes at all operations, investing R4,5 million in 2014 (2013: R6 million). We have accredited ABET training centres at Grooteegeluk (partnership with external provider), Tshikondeni and Matla, while accredited external providers are used by the other business units.

In 2014, 87 employees and 111 non-employees or people from our communities completed various ABET levels successfully, while 230 employees and 267 non-employees enrolled on various ABET levels. More than 1 200 employees have passed one or more ABET levels since the inception of this programme.

With only 13,6% of Exxaro's total workforce now holding a qualification below NQF 1, communication is more effective, particularly on safety issues.

Scholarships

Last year, we offered scholarships for studies in education, health sciences and entrepreneurial studies, and in the fields of Exxaro's research chairs. These students are expected to practise their crafts in communities where we operate for a specific period, or their research should support the objectives of the chair and add value to Exxaro. In 2014, five scholarships were awarded to three medical students and two education students.

Talent management

We are committed to developing our people to increase our talent pool and achieve our strategic objectives. Our talent management processes were therefore enhanced and an integrated framework developed in 2013 to enhance our system for managing people and allow Exxaro to rapidly and effectively respond to business needs.

This framework is being implemented in phases, starting with identified high-potential employees in 2013. The purpose of this step is to accurately and effectively identify their strengths and developmental needs, provide career guidance, and assist our succession-planning process by developing concrete action plans for talent and leadership development.

Simultaneously, bargaining-category employees are completing a skills audit, with training matrixes and career paths being part of the outcome. In 2014, we focused on advancing talent management in this category by having thorough career discussions at our business units, and crafting individual development plans.



Leadership development

Exxaro's culture and strategy reflect its appreciation for quality in leadership, evident in various ongoing commitments to leadership development. Leaders in Exxaro are encouraged to seek a deep fundamental understanding of their unique leadership styles in the context of our defined leadership philosophy of (In)Credible leadership, and to contribute their strengths in attaining our business goals.

In 2014, the executive team and 50 high-potential individuals were assessed and presented with customised leadership development plans. At present, 22 high-potential employees are completing a carefully selected leadership programme, positioned to facilitate authentic growth in both personal mastery and leadership excellence.

All executive, senior and middle management leaders in Exxaro were responsible for facilitating change adoption in their own functional areas to support an effective transition into the restructured business. The rationale for assigning this responsibility to management is the direct correlation between leadership presence and effectiveness and creating a climate conducive to optimal performance and workforce support. Exxaro also developed a customised guidebook on leadership which is proving a valuable management resource.

A deeper definition of our culture was initiated in 2014, paving the way for all employees to fully understand their personal contributions under the *I power possibility* campaign. This will form the foundation for culture definition and adoption in 2015.

In addition, Exxaro participated and performed comparatively well in the global enterprise contribution performance management survey offered through the Corporate Executive Board, based in the United Kingdom.

Through persistent focus on a selection of management development programmes and relevant development initiatives for leaders and teams, Exxaro continues to make progress towards becoming a high-performance organisation. Leadership development, performance management and a strong value system remain a key focus in our philosophy and pursuit for integrated business achievement. Reflecting this progress, Exxaro was certified as a Top Employer South Africa for 2014 based on independent research by the Top Employers Institute.

Attracting and retaining a skilled workforce

For the past eight years, we have been building a culture that reflects Exxaro's values and philosophy by engaging our talent to unlock value for the company and its stakeholders. Our aim is to develop a high-performance, enabling culture at every level using integrated and benchmarked practices aligned with our strategy and focused on meeting business targets.



Exxaro progressively measures itself as an employer of choice against several other organisations, nationally and internationally, on the key drivers of culture, talent and engagement. For example, specific strategic responses are identified from results in the prestigious *Deloitte Best Company to Work For* survey in which we participate every second year. Our aim is to steadily improve our rating, reflecting the group-wide emphasis on performance in a healthy employee climate that proactively attracts and retains talent.

In 2014, Exxaro was first among mining companies in the Top Employers Institute survey. This global ranking certifies excellence in the conditions employers create for their people to grow and develop, and is the output of months of rigorous research and independent auditing. To achieve this certification, organisations are assessed on primary and secondary benefits, working conditions, training and development, career development and culture management.

By benchmarking ourselves in this way, we continually address gaps in the way we work, understanding that continual improvement is the only way to ensure we remain an employer of choice.

Employee/management relations

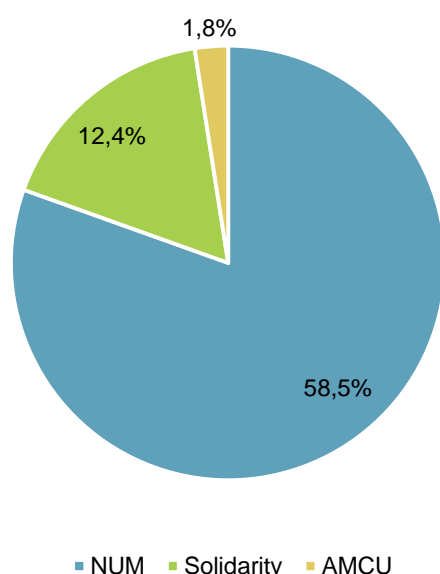
Throughout the group, our approach to the employment relationship is based on the principles of constructive engagement or regulated cooperation of all stakeholders.

Labour legislation is the broad framework within which employee relations policies, systems and procedures are developed and under which employees are managed (individually and collectively) in Exxaro.

Some 74% of our employees are represented by affiliated unions recognised by Exxaro subsidiaries: primarily National Union of Mineworkers (NUM) (58,5%), Solidarity (12,4%) and Association of Mineworkers and Construction Union (AMCU) (1,8%).



Recognised unions



We concentrate on maintaining sound relations with employees in bargaining units through ongoing engagement with their representatives. Negotiations for wages and conditions of employment are conducted through various in-house forums and the Chamber of Mines.

Dedicated forums at operations enable management and organised labour (recognised as the collective bargaining agents of employees) to engage on matters about the employer/employee relationship.

Exxaro's disciplinary codes are based on the principle of fairness as required by labour law, and our supervisors have the skill to implement the codes. Diversity training is ongoing throughout Exxaro.

Confirming the commitment from all parties to build solid relationships, one grievance about labour practices (alleged inconsistent application of rules or company policy) was filed and settled in the reporting period. Exxaro recorded zero strikes in 2014.

At Tshikondeni, section 189 mine-closure consultations with organised labour were successfully concluded when a collective agreement was signed in September 2013 to regulate the closure process. In 2014, 210 employees were redeployed to other Exxaro operations and 25 employees elected a voluntary severance package. The redeployment process will continue in 2015.

Retention

Exxaro has an active retention programme to maintain scarce skills that accounts for over 5% of total payroll. Equally, considerable attention is given to building a sustainable talent pipeline of skills in critical or scarce competencies.



To preserve our technical and engineering competence, aggressive retention and succession-planning strategies are in place. These are supported by comprehensive training and growth opportunities that continually rotate and expose talented individuals to multidisciplinary teams.

Share ownership

Mpower 2012, our current employee share ownership plan, was implemented in 2012 with 7 290 participants each receiving 387 units worth R75 000 on 1 July 2012, regardless of remuneration level or years of service. This plan will run until May 2017 and new qualifying employees will receive a pro-rated number of units.

Under Mpower 2012, employer companies in the group contributed cash to the trust to purchase shares. This means there is no loan to repay, so Mpower 2012 participants enjoy potential growth and profit from the outset. Participants received dividends totalling R14 million for the 2014 financial year (2013: R11 million), and R9 million was paid as distributions to good leavers (2013: R5 million).

Employment equity

Eight years ago, we formed South Africa's largest black-owned mining company and our aim was to be the best example of how the country's businesses should be run. Integral to this goal, we made a commitment to our people to ensure their progress and to build the skills base we needed to fulfil our vision. Employment equity is just one of the ways in which we are doing this, supported by continuous diversity programmes at our business units.

Our employment equity strategy is founded on detailed plans developed by each business unit in consultation with its employees and unions. These are updated annually and progress reported to the sustainability, risk and compliance committee, social and ethics committee, and government.

By following these plans, each unit ensures that recruitment and skills development is managed responsibly, advancing transformation without affecting existing positions in the company. Each business unit has a dedicated senior manager for employment equity, and an employment equity forum that ensures appropriate plans are developed, executed, monitored and communicated to employees.

Exxaro's staff complement was 7 841 at 31 December 2014 (2013: 7 920), split into employees in bargaining units (77,4%) and the management and specialist category (22,6%).

The breakdown of our annual employment equity reports, as submitted to the Department of Labour, is shown below. As these reports cover 1 August 2013 to 31 July 2014, totals differ from year-end numbers which may appear elsewhere in the report.



Exxaro workforce by category and region

Region	Bargaining unit					Management and specialist					Total
	Male	% of total workforce	Female	% of total workforce	Total	Male	% of total workforce	Female	% of total workforce	Total	
Gauteng	61	0,78	18	0,23	79	467	1,01	402	5,13	869	948
KZN	41	0,52	18	0,23	59	2	0,03	1	0,01	3	62
Limpopo	2 154	27,47	372	4,74	2 526	369	4,71	75	0,96	444	2 970
Mpumalanga	2 819	35,95	516	6,58	3 335	238	3,04	53	0,68	291	3 626
Foreigners	72	0,92	1	0,01	73	14	0,18	3	0,04	17	90
Expatriates						7	0,09	2	0,03	9	9
Local nationals						121	1,54	15	0,19	136	136
Total	5 147	65,64	925	11,80	6 072	1 218	15,53	551	7,03	1 769	7 841

Table reflects figures as submitted to the Department of Labour on 31 December 2014.

For 2014, Exxaro's average employee turnover rate was 6,8% (2013: 6,7%), due to death, resignation, dismissal and disability. The turnover rate by employee group is shown below:

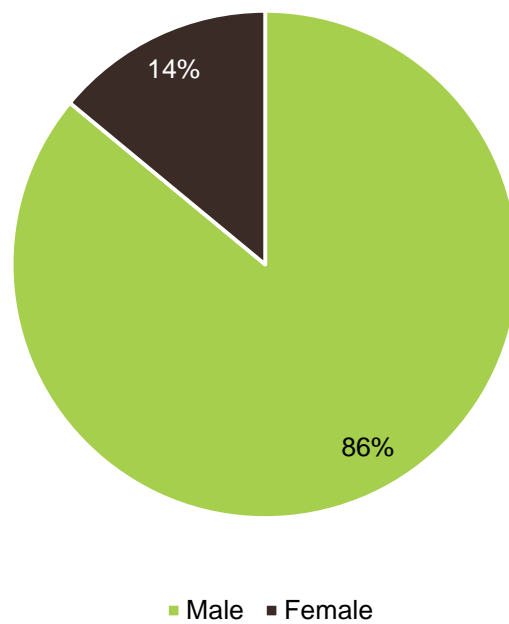
Breakdown of turnover – level

	Terminations Jan-Dec 2014	
	% workforce	Number
Top management	0,00%	0
Senior management	5,61%	6
Middle management	7,60%	65
Junior management/skilled	8,38%	229
Semi-skilled	5,52%	185
Unskilled	6,27%	42
Total	6,83%	527

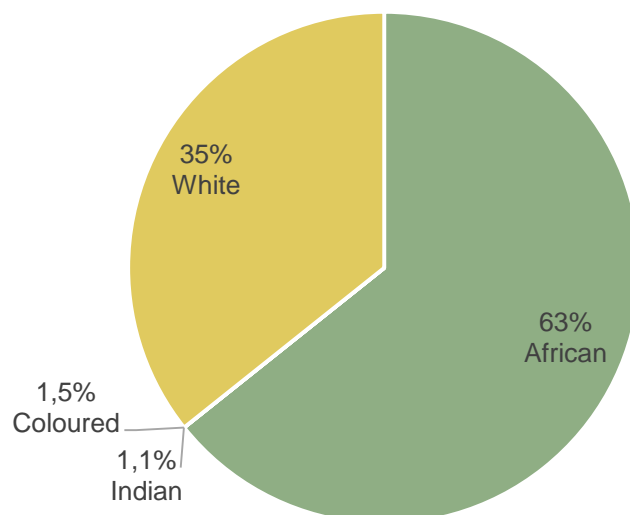
Note: Highest turnover in the junior management/skilled category specifically due to high turnover of artisans and miners.



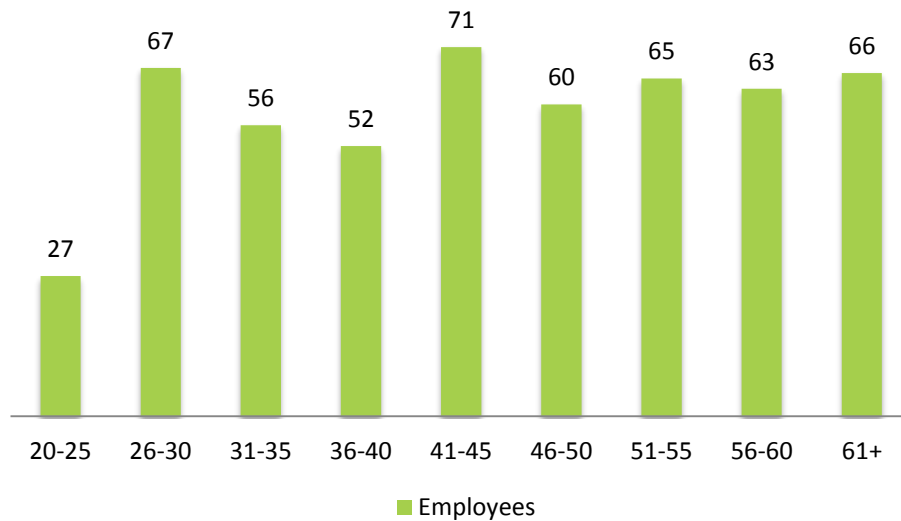
Breakdown of turnover by sex



Breakdown of turnover by race



Turnover per age group



Remuneration

Our brand is built on a strong vision — everything we do today will allow others to realise their vision tomorrow. We believe in the power of people and their ability to explore and shift boundaries, which leads to success. Our people strategies have therefore been developed to reinforce our brand values:

- People-powered
- Inspired leaders
- Leading performance
- Sustainable effort.

Our remuneration policy (see integrated report) includes guaranteed and variable components. These are critical in attracting, motivating and retaining the high-performing and talented individuals required to build a sustainable business.

One of our competitive sources of value is our people: to meet our strategic goals, our reward policies and objectives must:

- Be integral to an overall human resources strategy, geared to support business strategies
- Be designed to motivate and reinforce superior performance, and continually demonstrate the company values
- Encourage the development of organisational and individual performance
- Encourage the development of skills required to meet future business needs
- Be based on the premise that employees should share in the success of the company
- Be designed to attract and retain high-quality individuals with the optimum mix of skills
- Be aimed at securing our people's commitment to goals via the optimum mix of financial and non-financial rewards.



Managing work conditions

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.

Eliminating discrimination and resolving grievances

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. Managers and supervisors are continuously trained on the appropriate application of disciplinary measures should the need arise.

In 2014, one incident of alleged discrimination (male against female) was reported. A disciplinary inquiry was held and the perpetrator dismissed after being found guilty.

Human rights policy

Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines. As a signatory to the United Nations Global Compact, we encourage freedom of association and collective bargaining, ensure child labour is not tolerated and that forced or compulsory labour is not practised.

In 2014, Exxaro's compliance with legislation and international conventions was audited by our internal auditors and confirmed.

Our induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. Security personnel are fully trained on human rights aspects relevant to each operation. Refresher courses also cover human rights issues.

Women in mining

In Exxaro, women make up 19% of the workforce, and we continue to focus on attracting women through our talent pipelines. Although this remains a challenge, women comprise 39% of young professionals-in-training, 23% of our full-time bursars in engineering and mining at universities and 30% of the intake to learnerships and skills programmes.

Housing

To comply with both the mining charter and our own business needs, we have focused on homeownership. This is based on a long-term housing strategy, with the goal for all employees to have the opportunity to participate in homeownership.



Since introducing a five-year mortgage repayment subsidy for first-time homebuyers who are permanent employees in 2009 – a period marked by the unprecedented scarcity of bank mortgage finance – 241 employees have benefited from this plan.

In addition, a housing assistance scheme was piloted at Arnot in 2013 with a capital amount of R75 000 after tax. This was extended to all business units in October 2014 and the capital amount increased to R125 000 after tax. This will assist first-time homeowners on specific salary grades to become home owners. To date, 21 employees have benefited from this initiative.

Both schemes focus on making homeownership more affordable, especially for employees on lower income levels.

To comply with the mining charter, over the past five years Exxaro has converted all its hostels into single-quarter accommodation or family units, improving the quality of life for over 1 566 employees.

While our housing policy focuses on homeownership, bargaining unit employees receive a housing or living-out allowance. The housing allowance is paid to employees with a registered bond and the living-out allowance to those renting accommodation. The value of these allowances in 2014 was over R203 million.



Homes for our stakeholders

In Lephalale, we invested R509 million to provide 740 housing units designed using green principles (and aligned to the energy-efficiency goals of the Department of Energy). These are broken down into 164 houses and 576 flats (studio, one-, two- and three-bedroom). We have also designed another 2 400 erven to support our future Waterberg projects.

At Leeuwpan, we have completed 25 houses valued at nearly R6,7 million as part of the mine's first social and labour plan. These homes meet an urgent need for housing in the area identified in the local municipality's integrated development plan. Five local contractors were appointed to each build five homes while a sixth contractor installed fences. Workers were mentored in bricklaying, plumbing and other portable skills, and around 50 temporary jobs were created during the project.

Arnot supported the local municipality in meeting its housing commitments to the community. Arnot will build 110 houses at Sikhululiwe rural village, about 34km from Middelburg for an investment of R8,4 million. While housing beneficiaries are identified by the municipality, Exxaro has requested that the aged and people living with disabilities receive priority. Handover will take place once all houses have been completed.

Our communities

Highlights

- Development of the social return on investment model, with implementation beginning in 2015
- Public-private partnership participation

Lowlights

- Enabling technology for community development

Challenges

- Exxaro's primary challenge for community development is to create projects that are strategic, sustainable and maximise social value creation.

Community development

To further align our reporting with the guidelines of the Global Reporting Initiative (GRI) and framework of the International Integrated Reporting Committee (IIRC), in this report we include details of the rationale, policy and procedures that determine our community development activities.



Business rationale for community development

Strategic community development

The journey Exxaro has embarked on aligns to best practice, demonstrating that community development has evolved from being ad hoc grant- and donation-oriented to strategic, which means greater focus on:

- A clearly defined and measurable community development strategy that aligns related priorities with business objectives and competencies to create benefits for both business and society
- An outcomes-based approach that emphasises the quality of socio-economic impacts over inputs and outputs
- Sustainability of impacts beyond the period of assistance
- Effective reporting and communication of impacts to both internal and external stakeholders.

Strategic community development has been defined as:

Voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of the opportunities created by private investment in ways that are sustainable and support business objectives.

Strategic community investment, a good-practice handbook for companies doing business in emerging markets, International Finance Corporation, 2010

Exxaro's current and future drivers for community development are to:

- Meet compliance obligations
- Maintain social licence to operate
- Manage reputational and stakeholder-related risks
- Create shared value for business and the community.

We regard Exxaro as a tenant of its host communities, not the landlord, and a successful relationship with communities is therefore fundamental to our business success and growth. The key to success lies in sharing:

- We are implementing the community risk and issue management process and conducted formal assessments at each business unit to further formalise our assessment and understanding of local impacts and their management
- In addition, the Exxaro social compact provides a supported and integrated implementation framework for our vision of sustainable communities.

Through the Exxaro social compact (next section), we are developing a body of best-practice evidence of community and business development and growth. We use this as an opportunity to inspire and influence others and together create systemic change that will solve the root causes of our operational risks and challenges.



Our responsible behaviour and business practice are informed by local and international standards and frameworks, including

- United Nations Global Compact
- United Nations Universal Declaration of Human Rights
- United Nations Voluntary Principles on Security and Human Rights
- ICMM (International Council on Mining and Metals)
- Global Reporting Initiative (GRI)
- JSE Socially Responsible Investment Index
- South Africa's Companies Act 2008
- Minerals and Petroleum Resources Development Act (MPRDA)
- South African Mining Charter
- King III corporate governance
- South African broad-based black economic empowerment (BBBEE) codes of good practice

Our business and community values guide how we operate and work with communities:

Vision

Through our innovation and growth, we will be a powerful source of endless possibilities.

Mission

We create unrivalled value for all stakeholders of our diversified resources business through our processes, thinking and passion.

Values

- Empowered to grow and contribute – developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges
- Teamwork – we succeed together through a climate of respect and equality
- Committed to excellence – we take ownership, provide visible leadership and encourage collaboration, commitment and creativity for the benefit of all
- Honest responsibility – we speak the truth and accept accountability for our actions.

Through our vision, mission and values, we are committed as a company to being a source of possibilities and to creating value for all of its stakeholders. Exxaro specifically undertakes to empower people, respect them and treat all equally, to be truthful and accept accountability for its actions. In making these promises, we knowingly commit ourselves to courses of action with society at large.

These commitments are the foundation of our community values which, in turn, describe our commitment to our host communities wherever we work:



Exxaro social compact values and principles:

- **No harm to communities** – We will manage the direct and indirect social and environmental impact of our operations to ensure we do no harm and create the best possible opportunities and legacies during and after our presence in any community
- **Partnership for development** – Together with our host communities, we will create long-term economic empowerment and improve local growth prospects
- **Interdependence** – We believe in the interdependence between Exxaro and our host communities for the success and prosperity of both
- **Shared ownership** – We wish to create shared ownership of community development and opportunities for the future
- **Support community goals** – We will enable communities to achieve their own development goals by providing structured support through the core of our business, our reach and relationships.

Our vision is to make sustainable communities a reality, supported by Exxaro's long-term presence and involvement in a host area. We believe that by being an integral part of local life and an active corporate citizen through our people and our core business, we can support communities in being ready for growth and managing their own positive change.

Community development is not a quick fix and has many complexities, even within the local community. By being a constant partner and support throughout this process, we believe we can learn with communities what their sustainable future looks like, during and after our mining operations, and together develop a local area and local individuals.

Principles underpinning the Exxaro social compact

The Exxaro social compact sets out what our host communities can expect from us. It is a key part of our sustainability strategy, which is built on the capitals model (integrated report), and describes how we continually protect and grow our social capital. Social capital includes the essential social and political structures and networks around our business activities and how we best can use our assets and relationships to maximise their value.

The compact is founded on the concept of interdependence with our host communities:

- As an extractive company, our business depends on access to natural resources underground or near communities. As a corporate citizen, we do not work in isolation and we rely on the wealth-creation capabilities and stability of local communities
- A driving principle for Exxaro is growth – we measure our success in the financial growth of the company and the economic growth of communities. We believe the long-term profitability of our company is intimately connected with the prosperity of communities
- We promote the self-determination of communities and individuals – we believe that, with the right support, communities can decide their own future, beyond the existence of the mine.



Together, these principles support our innovative understanding of sustainable communities: a community characterised by strong local assets, skills and enterprise, high levels of civic participation, good governance, a willingness to change and the determination to prosper.

Sustainable communities are our future as a company and, through the Exxaro social compact, we will focus our efforts to create an environment where they can develop.

Employee volunteerism

Exxaro has an approved volunteerism policy that goes beyond donating money and resources. Rather it focuses on Exxaro fostering a personal link with its communities by sharing its human capital as part of community development. Employee volunteerism is defined as a planned and managed effort that seeks to motivate and enable employees to effectively serve community needs.

Employee volunteerism offers numerous benefits:

- Improve corporate image and relations with stakeholders by positioning the company as a leader in community development
- Develop socially conscious employees
- Enhance employees' professional and leadership skills
- Act as a tool to support specific business functions, most often in stakeholder engagement
- Boosts employee morale, team building, loyalty, productivity, motivation and reduces absenteeism
- Illustrates organisational values in action.

Exxaro launched its corporate volunteerism project in 2014 and this will be rolled out to all our operations in 2015.

Community development governance and management structure

In 2014, Exxaro used an enterprise-wide project management system and process that includes dedicated project managers to support our business units in managing all our SLP and local economic development (LED) projects. All project information/data provided by community development specialists and practitioners is fed into this system to generate reports.

For project implementation, the community development management team at the corporate centre is responsible for guiding and supporting community development specialists and practitioners at business units through regular engagement and clear processes, policies, tools and technology.

We have also developed criteria and indicators for sustainability, with audits conducted against each SLP/LED project. Internal financial audits were conducted at identified SLP/LED projects.



With reference to project Turnkey (see material issues), sustainability (covering safety, health, environment and community) managers and community specialists are being appointed at each operation to support stakeholder management and SLP/LED implementation

To ensure Exxaro creates social value in its community projects, social return on investment (SROI) assessments were conducted in 2013, as detailed in the supplemental information to our 2013 integrated report. To summarise, SROI methodology provides a framework for measuring and accounting for value created based on the perspective of each stakeholder who experiences or contributes to the change. SROI tells the story of how change is being created by measuring social, environmental and economic outcomes, and valuing these in monetary terms. This enables outcomes to be expressed as a ratio of benefits to costs for each project in rand terms, ie the social, economic and environmental return for every R1 invested in a project. Exxaro will support social projects with an SROI of at least 2.

In 2014, we developed a handbook for community development that supports our operations in implementing and evaluating SLP/LED projects according to SROI principles. A three-day training session was provided to all our community specialists and practitioners. We also made progress in developing an SROI generic toolkit with the main objective of assessing all proposals and determining the SROI value.

This toolkit provides simple, practical guidance for Exxaro on strategically developing its communities, tools to assist with governance structures for community development and the development of a project from beginning to end, supported by theory, best practice and Exxaro-specific examples.

Structure of the toolkit

Part 1: Organisational level			
Chapter 1: Strategy and governance	Chapter 2: Implementation	Chapter 3: Monitoring and evaluation	Chapter 4: Reporting and assurance
Part 2: Project level			
Chapter 5: Design and planning	Chapter 6: Implementation	Chapter 7: Monitoring and evaluation	Chapter 8: Reporting and assurance



Current policies and procedures that apply to project management include:

- Exxaro Chairman's Fund and Foundation policy (detailed below)
- Volunteerism policy
- Community stakeholder management policy
- Donation policy
- Management standard for social closure.

Exxaro Foundation and Exxaro Chairman's Fund

These are registered public-benefit organisations in terms of section 30 of the Income Tax Act. Their purpose is to provide a conduit to channel resources for the group's socio-economic development programme. They are managed by a board of trustees comprising either Exxaro employees appointed to the position for three years, and an external person per trust whose appointment is based on expert knowledge. All appointments are made by the Exxaro executive committee.

Although the group manager: community development is accountable for the broad strategy and policies on community development, trustees monitor adherence to:

- Align the trust's activities with Exxaro's community development strategy and policies
- Ensure projects being considered pass the test of financial sustainability and good governance
- Ensure appropriate branding of donations and community development projects
- Monitor progress of approved projects and evaluate impact.

The trustees of the Exxaro Foundation and Exxaro Chairman's Fund meet quarterly. The schedule of meetings is distributed at the beginning of each year to enable SHEC teams in business units to prepare proposals well in advance. Other experts are invited to attend meetings as required, and ad-hoc meetings are arranged when necessary.

Community development strategy

Community development vision and strategic objectives

- Leave self-sufficient and self-sustaining host communities that will exist beyond the life of our operations
- Ensure compliance with SLP legislative requirements and that local communities are not negatively impacted by Exxaro's business activities.

Community development strategic focus areas – 2015-2018 (detailed at the end of this section)

- Ensure our communities and key sustainability stakeholders are continuously engaged
- Volunteerism rolled out at business units
- Sustainability of SLP/LED projects (SROI and project management)
- Social closure plans (Tshikondeni, Inyanda and Strathrae)
- Community development model (development and roll-out in Lephalale)
- Enterprise development (supplier and enterprise development)
- Agriculture (Lephalale, Durnacol)



- Total Coal integration and alignment
- NXXT programme (social transformation)
- Ensure approval and compliance with all conditions and commitments in approved SLPs.

Achieving these objectives requires a solid understanding and constant review of related opportunities and risks. These are captured in an entrenched process where risks and opportunities are identified, assessed, mitigated and managed to within risk-tolerance levels.

Community development strategic focus areas

All Exxaro's community development activities, including SLP/LED projects and donations, are focused on areas deemed relevant and strategic to South Africa's socio-economic development:

- Formal education
- Community skills development and capacity building
- Enterprise and supplier development
- Health and welfare
- Environment
- Infrastructure (related to socio-economic projects)
- Agriculture.

These focus areas are reviewed periodically to ensure materiality and relevance.

During the DMR's 2013 *lekgotla*, the following focus areas were determined by all stakeholders and Exxaro has incorporated these into its group approach. Exxaro is also represented on each of the commissions.

Department of Mineral Resources commissions

Commissions	Detail
Human capital development	Maths, science and technology academy (teacher skills enhanced), high-tech centre of excellence (learnerships, artisans), Mpumalanga university
Urban renewal	Rejuvenation of towns, support to municipalities such as increased water availability and speeding up access to basic services, maximise the benefits of SLPs, investment in skills development
Enterprise and supplier development	Related development, support local communities, industrial parks, procurement
Sustainable development and the environment	Water resource protection, climate change response

Beneficiary profile

To comply with the legislative requirements (listed public benefit activities, 9th schedule of Income Tax Act), and our sustainable development strategies and policy, we focus on identifying and evaluating socio-economic development activities or projects where at least 75% of beneficiaries are



black South Africans. By extension, this means that at least 75% of the value of all contributions to the Exxaro Foundation or Chairman's Fund directly benefits black South Africans in communities surrounding the group's operations.

Stakeholder engagement on community development

In determining community needs, each community development specialist/practitioner at an operation or business unit adheres to the following process:

- Establish national priorities as reflected in the government's national development plan, provincial development plans and Exxaro's strategic focus areas
- Engage with the local municipal authority to determine identified and prioritised needs of the community, as reflected in the municipality's integrated development plan (IDP)
- Engage with a community development forum comprising concerned community members and relevant municipal officials to test whether they support the proposed community development projects tabled for inclusion in Exxaro's SLP
- Requests for community development initiatives falling outside the approved SLP follow the same process as outlined above.

This policy provides a uniform approach to community engagement and outlines a process to ensure Exxaro creates transparent dialogue and a harmonious working relationship with communities that host our mining operations.

This policy also seeks to achieve the following objectives:

- Give credence to Exxaro's stated strategic objective of being a caring, responsive and responsible organisation that contributes to the sustainability of communities it operates in
- Ensure social cohesion in areas where we operate
- Strive for a collaborative and consultative community stakeholder engagement approach
- Manage negative impacts and tensions created by our mining activities
- Position and brand Exxaro as a champion of community development
- Forge partnerships with community stakeholders with the same vision and approach on community development
- Provide business unit managers with objective data and comprehensive information on the material conditions and perceptions of host communities to enable the development and implementation of suitable intervention plans.

Identifying our stakeholders

The following categories or community groupings are recognised as external or internal stakeholders whose interests must be considered when engaging:



Exxaro stakeholders

External community stakeholders	Authorities	Authorities, such as local and district municipalities as well as national and provincial government departments, are primarily concerned with the impact of our operations on local and wider communities.
	Local businesses	Local businesses have a direct need to be informed of business opportunities available at Exxaro operations.
	Traditional leaders and other local community institutions	Traditional leaders, local farmers, leaders of institutions (schools, hospitals, etc) and other community leaders are considered important role players as they have influence over local communities and are perceived as being able to vocalise the interests of the broader community.
	Non-government organisations (NGOs)	NGOs include charity groups, social groups, environmental groups and other non-profit organisations in a local community whose interest is to influence policy and decisions.
	Other interested parties	Includes organised business chambers, competitors, employer associations, research organisations, standards-generating bodies, suppliers and customers.
Internal stakeholders	Employees	All employees have a vested interest in the success of Exxaro operations and are thus interested and affected internal stakeholders. Organised labour is also an important internal stakeholder.
	Business unit management team	These teams are responsible for the effective, efficient and responsible functioning of an operation. As such, they have the fiduciary duty to be aware of and responsive to the issues and concerns of the community, and to eliminate or mitigate the negative impacts of our operations on the community.
	Community development specialists/ practitioners	Community development specialists/practitioners play a critical role at business unit level as they are the first line of interaction between Exxaro and communities. They are kept abreast of all material issues in the operation and the impact these could have on communities.
	Executive committees, board sustainability, risk and compliance committee	Exxaro's corporate governance teams are ultimately collectively responsible and accountable to government and wider society for the manner in which operations conduct business. Effective external community stakeholder engagement and management at national, regional and local levels are part of their governance mandate.



Identifying material community development issues

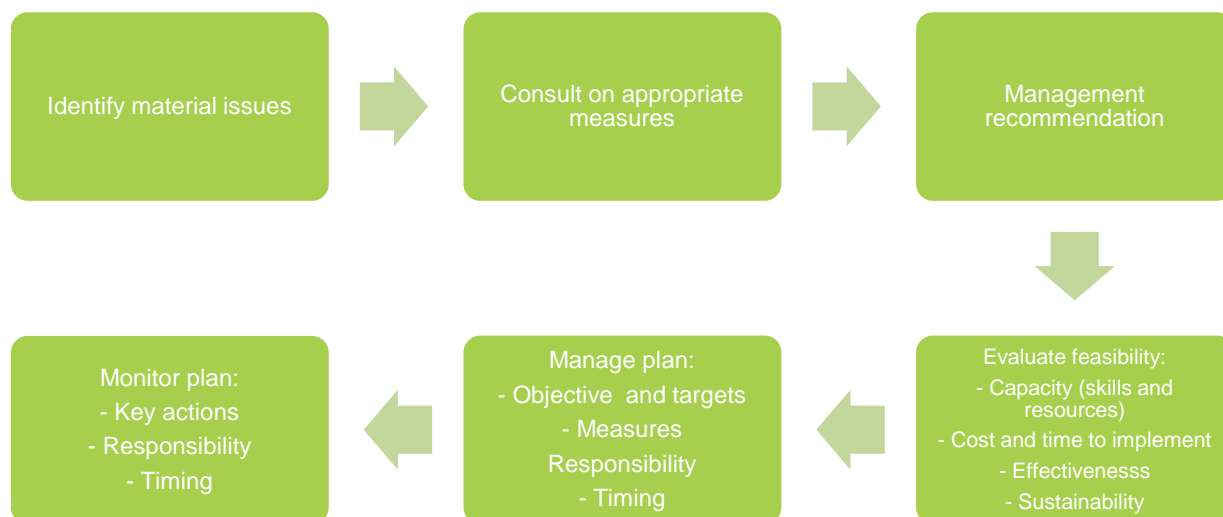
Process

Every operation is required to formally assess the objective material conditions, concerns and issues of its host community every three years. An approved methodology is applied to conduct assessments and record socio-economic material issues.

The objectives of the formal assessment are broadly to:

- Identify internal and external community stakeholders
- Identify and quantify the operation's positive contribution to the socio-economic development of the local community and the country
- Identify negative impacts, material issues and concerns raised by internal and external community stakeholders
- Develop management responses to identified material issues and concerns
- Develop plans to eliminate, mitigate or minimise identified negative impacts.

After identifying material issues, the business unit management team applies a standard process:



After the formal assessment process has been completed, each management team must implement decisions captured under 'management recommendation' while keep the community informed of progress.

Establishing community engagement forums

Community engagement forums are a proven vehicle to meet common objectives:

- Provide a platform for management to address the community on measures it intends taking to address issues identified in the formal assessment and obtain the community's consent to implement these measures
- Provide regular feedback on progress and gauge whether community expectations are being fulfilled



- Give the community an opportunity to raise new material issues that might have arisen since the formal assessment
- Give management the opportunity to proactively engage with the community on a range of issues of common interest, thus implementing our stated strategic objective of being a caring, responsive and responsible organisation.

Alignment with enterprise risk management process

All material community issues that require strategic risk management intervention are rolled up to the Exxaro risk reporting and communication structure, using the enterprise risk management process so that each issue/risk is:

- Communicated by business unit/region to manager community development
- Captured in the system and a risk description assigned
- Analysed for potential impact and evaluated to determine the root cause
- Treated by applying existing risk controls.

For key risks, the degree of assurance is determined against the following tiers:

- Tier 1 and 2 – first- and second-line assurance; executive control (mine management)
- Tier 3 – third-line assurance; non-executive control (external)

Risk ownership is assigned to the business unit (risk champion), while risk control ownership is assigned to corporate SHEC.

Determining the community development budget

Exxaro's budget for social and labour plan/local economic development (SLP/LED) projects is determined over a five-year period and based on the net operating profit after tax of our operations after considering the needs and focus areas of each community and the DMR. Formal approval is given by the trustees of the Exxaro Chairman's Fund and Exxaro Foundation and executive committee.

In consultation with the DMR as part of our SLPs, the approved budget for SLP/LED projects for 2013-2017 is R300m. Discretionary and other donations (such as donations in kind) form part of our operational budgets.

Adhering to regulatory guidelines

Exxaro adheres to the BBBEE codes of good practice and our community development initiatives cover supplier and enterprise development as well as socio-economic development. Exxaro also adheres to the mining charter.

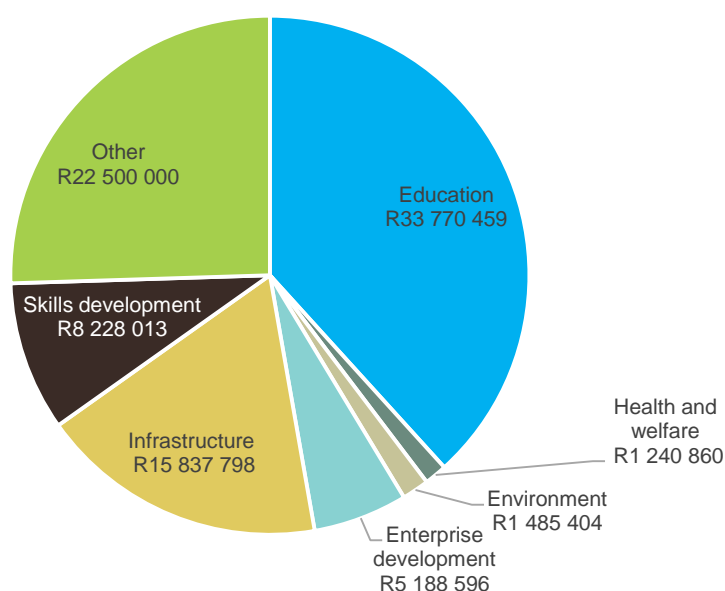


Annual community development expenditure

Total community development spend

In 2014, an estimated 109 jobs were created and 231 people in our communities benefited indirectly from our total investment of R88 million. The Exxaro Chairman's Fund and Exxaro Foundation spent R65,5 million on approved SLPs (2013: R35 million), mainly on education (teacher and learner development) – R39,2 million and infrastructure (building roads and houses) – R15,8 million. Discretionary donations of R22,5 million went to community development initiatives that do not form part of Exxaro's SLP commitments. In 2014 the percentage spent on community development initiatives was almost 2% of net profit after tax after excluding non-recurring impairment charges.

Total spent on social and labour plans/local economic development projects and corporate commitment per focus area 2014 (R88 million)



Community development annual budget	2014	2013
	Rm	Rm
Revenue	16 401	13 568
Operating expense	-15 197	-12 576
Other income	1 466	1 594
Impairment charges	-5 962	-143
Net operating profit/(loss)	-3 292	2 443
Net financing cost	-103	-286



Community development annual budget	2014	2013
	Rm	Rm
Income from financial assets	9	12
Share of income from equity-accounted investments	2 515	3 631
(Loss)/profit before tax	-871	5 800
Income tax expense	-13	-645
(Loss)/profit after tax	-884	5 155
Donations as percentage of NPAT	1,77%	1,00%
Total spent on donations:	88	57
Volunteerism	2	1
Community investments (including donations)	86	56
- Gauteng and corporate projects	35	14
- KwaZulu-Natal		3
- Limpopo	31	12
- Mpumalanga	20	25
- Western Cape		2

Discrepancy between budget and actual spend

The difference between approved and actual funds spent was just over R4 million, chiefly due to:

- Planning to implement certain projects in a sustainable way took longer than anticipated
- Engaging with beneficiaries such as municipalities and the education department needed to be done efficiently.

Exxaro's current social and labour plan/LED projects

Project	Investment	Progress	Beneficiaries
Belfast tissue-making project	R600 000 Expenditure: R1,64m	Project completed but not sustainable in current format. Phase 2 launched to resuscitate project	4 remaining
Belfast brick-making project	R1,5m Expenditure: R1,68m	Project completed but not sustainable in current format. Phase 2 launched to resuscitate project. Funding for phase 2 secured	1 remaining
Belfast bakery project	R1,3m Expenditure: R2,4m	Project completed. Bakery breaking even with small profit	15
Belfast RDP housing	R1,57m Expenditure: R1,27m	Houses completed. Phase 2 to supply water and sewer systems in progress	Houses handed over to municipality, but no houses handed over to beneficiaries
New Clydesdale bakery	R4,04m Expenditure: R1,1m	Structure completed. Bakery equipment being procured.	None yet
Grootegeluk agriculture corridor	R6,0m Expenditure: R1,8m	Established phase 2, one successful business within first year	Phase 2: 6



Project	Investment	Progress	Beneficiaries
Grootegeluk building roads	R71,2m Expenditure: R1,5m	Prefeasibility study completed, requirements established for environmental impact assessment and water use licence. Quotations requested for detail design of southern link road.	None in prefeasibility and detailed design phase. Beneficiaries will only be identified in construction phase
Grootegeluk education programme	R27,7m Expenditure: R7,8m	Phase 1 completed: teacher development programme, learner development programme, resourcing technical school (science lab, computer equipment), school staffing support (6 teachers, 8 students)	1 112 learners, 80 teachers
Grootegeluk enterprise development	R8,5m Expenditure: R1,0m	Enterprise and supplier development centre operational since April. Three entrepreneurs in full incubation, five entrepreneurs in pre-incubation	8 entrepreneurs 214 indirect beneficiaries (employees)
Grootegeluk Re Ka Kong poultry	R1,1m Expenditure: None	Scope is 90% finalised, to be followed by tender process for implementation	6 and a possible 2 contractors during construction
Grootegeluk community hall upgrade	R1,5m – Exxaro R1,3m – municipality Expenditure: R2,1m	Renovation of the community hall is 80% complete. Construction of the gym is 70% complete.	13 from the community during construction. Local SMME contractor with 6 full-time employees
Grootegeluk Thusanang bakery	R2,5m Expenditure: R0,3m	Construction is 80% complete. Request for tenders on training, mentoring and supply of bakery equipment	12 identified
Inyanda education programme	R7,5m Expenditure: R3,2m	Phase 1 completed. Whole school development Pine Ridge Combined School. Learner development, teacher development.	196 learners, 22 teachers
Inyanda Klarinet library	R5m Expenditure: R0,2m	Project only approved at end 2014	In construction phase 20 beneficiaries will be contracted
Inyanda Klarinet sport field	R12m Expenditure: R1,4m	Detailed design approved by mine management and municipality. Tenders requested and adjudicated. Construction to begin in 2015	Some 60 construction workers from community will be contracted
Inyanda Butterfield bakery	R3,97m Expenditure: R3,59m	Project completed but not sustainable in current format. Funding secured for phase 2 to resuscitate project	12
Inyanda artisan development programme	R1,6m Expenditure: R0	Skills survey under way	None yet
Leeuwpan education programme	R11,17m Expenditure: R465 000	Phase 1 completed. Learner development programme for grade 12s	512 grade 12 learners
Leeuwpan TVET (tertiary vocational education and training) college	R6,6m Expenditure: R4,3m	Construction is 70% complete. Crèche to be built before current crèche converted to offices	5 SMME contractors



Project	Investment	Progress	Beneficiaries
Leeuwpán crèche	R0,8m Expenditure: None	To start with detail design	Once in construction, the contractor will be SMME from community and some 5 construction workers will be appointed
Leeuwpán multi-purpose centre	R2,0m Expenditure: R2,3m	Construction 95% complete, minor issues to be addressed	3 SMME contractors
Matla refuse truck	R2,0m Expenditure: None	Truck purchase under way. Branding will be done soon.	6 once truck is operating
Mogol Academy	R4,9m Expenditure: R0,8m	Classes for ABET and civil skills training have already started.	2015 enrolment for ABET and civil skills of 95, with 17 staff
North Block Complex education programme	R5,7m Expenditure: R2,2m	Phase 1 completed. Learner development for grade 12s, teacher development programme, 8 schools	321 learners, 40 teachers
Tshikondeni Mukomawabani community hall	R2,3m Expenditure: None	Project funds approved, detail design phase under way	Some 25 construction workers from community will be contracted. Community SMMEs will supply building materials
Tshikondeni RDP houses	R10,7m Expenditure: None	Project funds approved, detail design phase to begin	Some 50 construction workers from community will be contracted while local SMMEs will supply building materials



Report assurance

Exxaro's community development spending and reporting is rigorously assessed and assured each year:

- Exxaro Chairman's Fund and Exxaro Foundation are externally audited annually
- Enterprise-wide project management implementation provides strict internal controls
- Internal audits
- Sustainability audits
- Exxaro's integrated report is externally and independently assured on key indicators (end of this report).

Please also refer to our combined assurance section in the integrated report.

Sustainable procurement

In implementing our philosophy on supply chain sustainability, we aim to ensure that decisions are based on procuring goods and services from suppliers that demonstrate commitment to sustainable business practices and support our compliance to the mining charter.

Exxaro has identified green procurement, HDSA procurement (with increased focus on local procurement) and sustainable supplier engagement as key elements of sustainable procurement.

Our enterprise resource planning system is now able to code, track and monitor 'green' purchased items. In terms of sustainable supplier engagement, we communicate a supplier code of conduct on our website, spanning purchase orders and request-for-quotation processes. A web-based supplier audit and engagement capability should be operational by the last quarter of 2015.

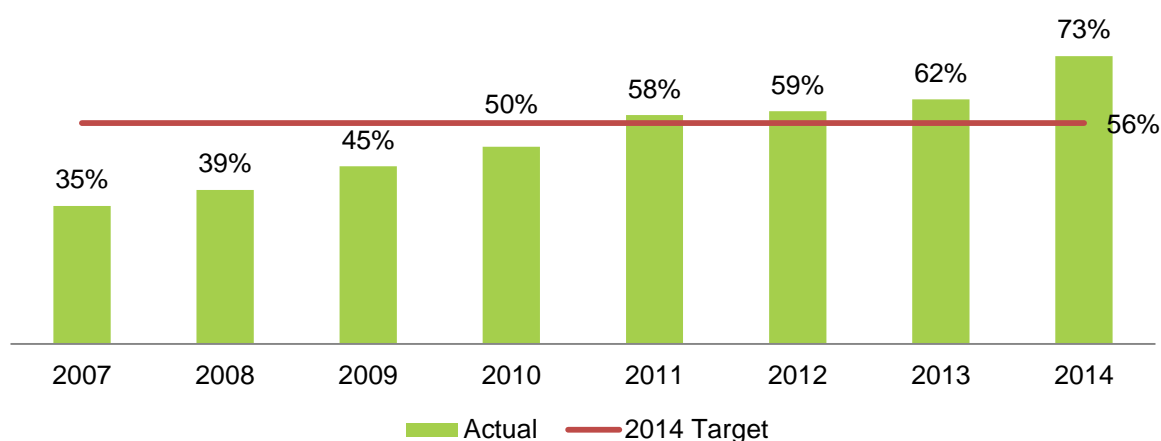
Supply chain management

Our sustained commitment to procuring from designated suppliers (including black-owned, -empowered, woman-owned and -influenced) is reflected in the steady progression from under 40% in 2007 to 73% (against the target of 56%) in 2014, or R7,7 billion spent with HDSA-owned companies (2013: R7,9 billion).

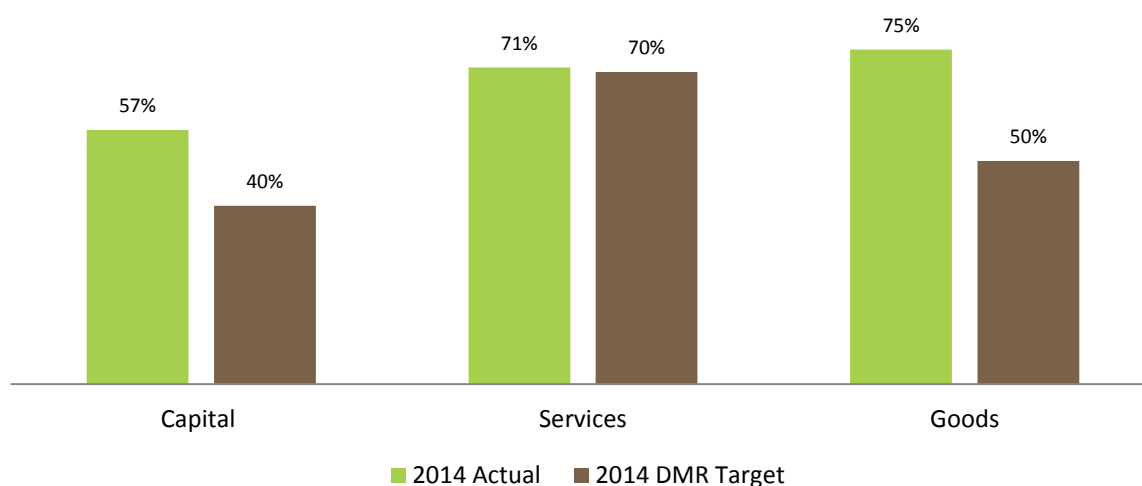
Measured against mining charter definitions, Exxaro spent R7,2 billion in 2014 with qualifying BEE entities, exceeding procurement targets set for capital, services and consumables for that year. In summary, Exxaro therefore complies with the preferential procurement criteria set out in the DMR scorecard at enterprise level.



Procurement from HDSA suppliers



Preferential procurement from BEE entities as per mining charter targets (DMR) for 2014



Contractor management

Exxaro focuses on its core activities and subcontracts specialist tasks. At any point, hundreds of contractors are moving through our sites, presenting specific health, safety and environmental risks. Contractors must adhere to group standards as part of our legal compliance process. As such, managing contractors is now a key compliance indicator in its own right.

Our induction and training centre at Marapong near Grootegeeluk is reducing the time and cost incurred by new contractors before they start work at the mine. Contractors complete all their computer- or classroom-based induction at this centre in one process, from registration to issuing access cards, which takes about five days.

With all contractor employee data captured on Exxaro's HR database, we are able to monitor, control and enforce compliance. The system also provides accurate and timely business information, and effective forecasts of people-related statistics (from medical surveillance to e-learning). Exxaro has



invested over R35 million in HR system enhancements and data maintenance to comply with relevant legislation.

Our environment

Highlights

- Belfast integrated water use licence (IWUL) granted
- Suspension lifted on Eerstelingsfontein IWUL (following appeal lodged in 2010)
- Completion of Matla water treatment plant

Lowlights

- Delays in obtaining environmental licences for new projects such as Glisa water treatment plant

Exxaro's green timeline

2014	<ul style="list-style-type: none"> • Cennergi: construction of two wind farms under way
2013	<ul style="list-style-type: none"> • Cennergi achieves financial closure and construction begins on Amakhala Emoyeni and Tsitsikamma wind farms • Agreement with GDF SUEZ focuses on energy security through independent power production • Agreement with Linc Energy on underground coal gasification focuses on cleaner energy
2012	<ul style="list-style-type: none"> • Carbon footprint significantly reduced • Cennergi preferred bidder on two wind energy projects totalling 234MW
2011	<ul style="list-style-type: none"> • Launched biodiversity, waste and air programme • Formed stand-alone energy company, Cennergi, with international energy partner • R107 million spent on developing cleaner energy initiatives – cogeneration, carbon credit trading, renewable energy, biodiesel, coal-bed methane development and coal base-load projects
2010	<ul style="list-style-type: none"> • Major water management programme introduced • Developing renewable energy projects.
2009	<ul style="list-style-type: none"> • Comprehensive response developed to energy, carbon and climate change management
2008	<ul style="list-style-type: none"> • Energy efficiency task team established, voluntary champions at each business unit • Sponsors Unisa chair in business and climate change for three years
2007	<ul style="list-style-type: none"> • Carbon emissions reported for the first time (19 million tonnes of CO₂e)
2006	<ul style="list-style-type: none"> • Exxaro adopts Energy Efficiency Accord

Investing in our natural world

Sustainable development issues, particularly our use of natural resources like water, air, biodiversity and land, are central to our business. As such, we focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment by:

- Ensuring all activities are properly authorised
- Complying with all statutory environmental requirements as a minimum
- Using energy and water as efficiently as possible



- Ensuring activities are conducted responsibly from the twin perspectives of compliance and natural resource use.
- Actively participating in voluntary environmental benchmarks such as the global carbon and water disclosure projects, among others
- Developing innovative policies and programmes for addressing environmental impacts and use of natural resources.

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 are key indicators in ensuring Exxaro remains a sustainable business. We also adopt the precautionary principle entrenched in NEMA in evaluating the environmental impacts of business opportunities.

All South African operations have submitted applications for integrated water use licences, with those granted to date and pending shown below (many Exxaro business units need more than one licence). In outstanding areas, Exxaro's water use is permitted under the Water Act 54 1956.

Status of integrated water use licences

Business unit	Status	Remarks
Grootegeluk	Approved	Amended to include new projects
Grootegeluk cyclic ponds	Pending	Awaiting signatures for final sign-off
GMEP	Approved	
Char plant I	Approved	
Char plant II	Pending	Awaiting signatures for final sign-off
Coke and co-generation	Withdrawn	Pending finalisation of feasibility study
Grootegeluk infrastructure projects	Pending	Application assessed by DWS Limpopo and corporate centre
Thabametsi	Pending	Application assessed by DWS Limpopo and corporate centre
Tshikondeni	Approved	
Tshikondeni mini-pits	Approved	
Matla	Approved	Amended to include new projects
Matla amendment	Approved	



Business unit	Status	Remarks
Matla controlled release	Approved	
Matla river diversion	Approved	
Matla water treatment plant	Approved	
Matla mine 1 new shaft	Pending	Assessed by DWS Bronkhorstspuit and corporate centre
Arnot consolidated	Pending	EMP in place. Consolidated IWUL assessed by DWS Bronkhorstspuit
Arnot Mooifontein portion 5	Pending	Assessed by DWS Bronkhorstspuit
Arnot Mooifontein portion 1, 7 & rem	Pending	Assessed by DWS Bronkhorstspuit
New Clydesdale	Approved	
Leeuwpán	Approved	Amended to include new projects
Leeuwpán Block OI	Pending	Assessed by DWS Bronkhorstspuit
Inyanda	Approved	
Inyanda siding	Pending	IWUL assessed by DWS Bronkhorstspuit
Zincor	Approved	Divestment
Zincor NRDF	Approved	Divestment
NBC Glisa	Pending	IWUL assessed at DWS Letsema
NBC Strathrae	Pending	IWUL assessed by IUCMA
NBC Eerstelingsfontein	Approved	IWUL active after suspension lifted by minister
NBC Belfast	Approved	
KZN Sands CPC	Approved	Water uses authorised
KZN Sands Hillendale	Approved	Water uses authorised
Hlobane (Sithebe & Nkongolwana)	Approved	
Hlobane (Manzane)	Approved	
Hlobane (Tshoba)	Approved	
Namakwa Sands BSB mine	Approved	
Namakwa Sands MSP	Approved	
Namakwa Sands smelter	Approved	



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.

Focus areas

After a strategic review of key environmental risks from Exxaro's operations, the following challenges were identified (dealt with in specific sections of this report):

- Air quality management
- Water quality management, security of supply
- Hazardous waste management
- Biodiversity management
- Ongoing rehabilitation
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

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. Some EMPs are being updated to align to the MPRDA and to include new developments.

Exxaro received no environmental stoppage directives during the review period and no fines were incurred.

As applications for various projects are at different stages of regulatory assessment, we continuously engage with the relevant authorities, agencies and other stakeholders to expedite these licences.



Incident reporting

Using a standardised reporting system, all business units manage incidents effectively, resulting in a safer and more sustainable work environment.

In 2014, three level 2 incidents occurred and were reported to the relevant authorities. Corrective actions to remedy the incidents and prevent recurrence were approved by authorities prior to implementation. There were no significant (level 3) incidents in 2014.

Environmental incidents – group

Business Unit	Level 1		Level 2		Level 3	
	2014	2013	2014	2013	2014	2013
Arnot	-	4	-	-	-	-
Char plant	14	-	2	-	-	-
Durnacol	-	-	-	-	-	-
Grootegeeluk	14	71	1	2	-	-
Hlobane	-	-	-	-	-	-
Inyanda	3	16	-	-	-	-
Leeuwpans	92	51	-	-	-	-
Matla	25	22	-	-	-	-
New Clydesdale Colliery	-	1	-	1	-	-
North Block Complex	3	9	-	-	-	-
Tshikondeni	1	1	-	4	-	-
Total	152	175	3	7	0	0

Level 1: Minor impact and/or non-compliance.

Level 2: Intermediate impact and/or non-compliance.

Level 3: Major impact and/or non-compliance.

Environmental incidents – level 2

Business unit	Description	Receiving environment	Response
Grootegeeluk	Return-water dams overflowing after 220mm of rain in 24 hours	Contained within slimes dam facility	Appropriate steps to minimise water damage and optimised reuse to stop overflows
Char plant	Return-water dam overflowing after 100mm of rain in 24 hours	Possible soil/groundwater pollution	Water samples analysed – appropriate steps taken to mitigate limited pollution
Char plant	Reticulation system overflow during relining project	Possible soil/groundwater pollution	Pump stopped and water samples submitted for analysis



Air quality

As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other criteria pollutants (eg PM₁₀ and PM_{2.5}) 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.

Air quality management initiatives

Objectives	Critical success factors	What	When	Progress
Fully-compliant, sustainable air quality management system, managed and controlled by trained specialists at business units	Integrated air quality management planning in core operational processes	Baseline air quality assessments Air quality impact assessments Optimise air quality monitoring programme	Second quarter 2015 Second quarter 2015	Baseline assessments and air quality impact assessments completed in some business units and under way in others as part of the group-wide air quality management initiative
Ensure Exxaro's air quality framework enables sustainable business growth		Develop air quality management plans Performance review	Third quarter 2015 Third quarter 2015	Air quality management plans developed for most business units. Work under way to complete the balance



Long- and short-term goals for air quality management

Air quality management goals	Target	Progress 2014
Initiating smaller particulate matter (PM ₁₀ and PM _{2.5}) monitoring at some business units, particularly those close to sensitive receptor areas	2016	Some business units have budgeted for this in 2015 due to financial constraints
Redesigning dust fallout and PM ₁₀ monitoring networks in our business units, in line with mining schedules. This will ensure fair representation and accuracy of monitored data	2016	Dust fallout networks have been redesigned in most business units
Meteorological monitoring to ensure availability of surface data for temperature, wind direction, wind speed, and more. This data will be used for dispersion modelling, baseline characterisation, dust fallout monitoring and reporting, etc	2017	Some business units have purchased meteorological stations, while others have committed to buying these in 2015 and 2016
Ensuring compliance to air quality standards and guidelines in the country	2016	All business units currently monitor dust fallout and results are assessed for compliance to national dust regulations.

Emissions from mining operations

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 promulgated in 2013.

Although our operations are classified under the non-residential limit in new regulations, some are close to residential areas. As such, we track our compliance against the more stringent residential limit (600mg/m²/day) instead of the non-residential limit (1 200mg/m²/day) to minimise the impact on residents.

We continue to concentrate on improving our mitigation measures for operational activities that contribute significantly to dust. This will ensure fallout dust is reduced to the residential limit.

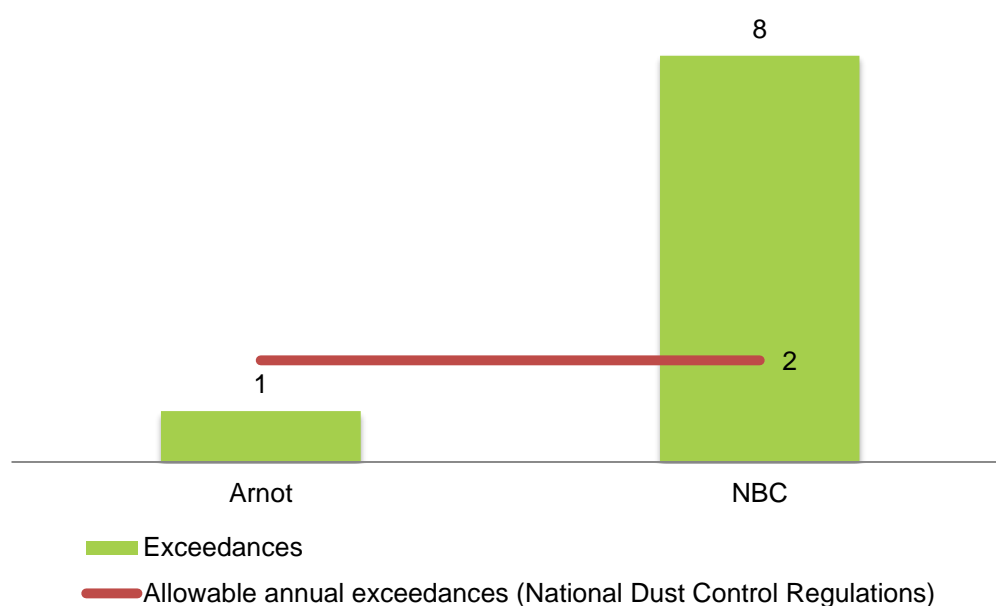
Comparing Exxaro's dust fallout rate against the regulated non-residential limit (1 200mg/m²/day), only two operations exceeded the two allowable annual limits in 2014.



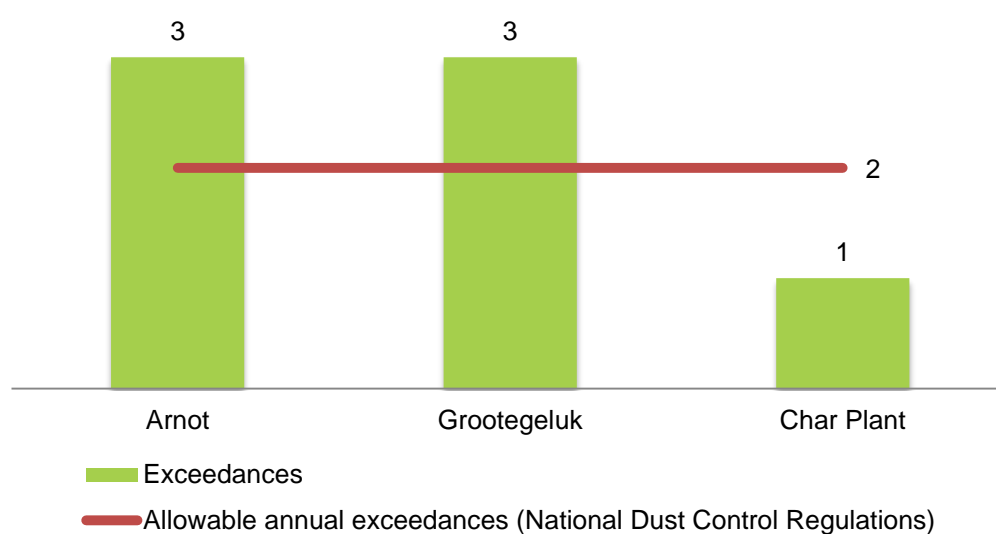
Dust fallout – 2014

Long-term target	2014	2013	2012	2011
Coal 300mg/m ² /day	335	351	480	393

Residential limit (600mg/m²/day) – January-December 2014



Non-residential limit (1 200mg/m²/day) — January-December 2014



Climate change and carbon footprint

Definitions and context

Scope 1: Direct greenhouse gas (GHG) emissions, measured in tons of carbon dioxide equivalent (tCO₂e) emissions from sources owned or controlled by the company, eg emissions from diesel, petrol, gas and anthracite combusted in the day-to-day mining operations

Scope 2: GHG emissions from electricity generation by Eskom, purchased by Exxaro

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

The scope 1, 2 and 3 emission protocol provides a common measurement platform to compare firms, and makes it possible to better aggregate to a 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.

Carbon footprint

Following the notable reduction in carbon intensity and other greenhouse gas emissions from 2010 to 2013, Exxaro remained committed to reducing its carbon intensity in 2014.

Our energy and carbon measurement, data management, accounting and reporting is maturing.

Exxaro reports carbon emissions through CDP South Africa (the local arm of the international benchmark carbon and water disclosure projects), where we remain among the leading companies by reporting on scope 1, 2 and 3 emissions.



We base our accounting and reporting for GHG emissions on the Greenhouse Gas Protocol initiative – corporate accounting and reporting standard. We have also elected to use the operating control accounting approach for emissions.

Accounting and reporting for GHG emissions

The Greenhouse Gas Protocol initiative, launched in 1998, is a multi-stakeholder partnership of businesses, NGOs, governments and other stakeholders convened by the World Resources Institute and the World Business Council for Sustainable Development.

Its mission is to develop GHG accounting and reporting standards for global businesses and promote their broad adoption. Its vision is to harmonise these standards internationally to ensure different trading schemes and climate initiatives adopt consistent approaches to GHG accounting. Its stated objectives are to:

- Help companies prepare a GHG inventory that is a true and fair account of their emissions, by using standardised approaches and principles
- Simplify and reduce the costs of compiling a GHG inventory
- Provide business with information that can be used to build an effective strategy to manage and reduce GHG emissions
- Increase consistency and transparency in GHG accounting and reporting among various companies and GHG programmes.

The standard requires accounting and reporting to be applied to six greenhouse gases covered by the Kyoto Protocol — carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆).

The GHG Protocol standard contains accounting rules on significant structural changes and requires a company to develop a base-year emissions recalculation policy clearly articulating the basis and context for recalculation.



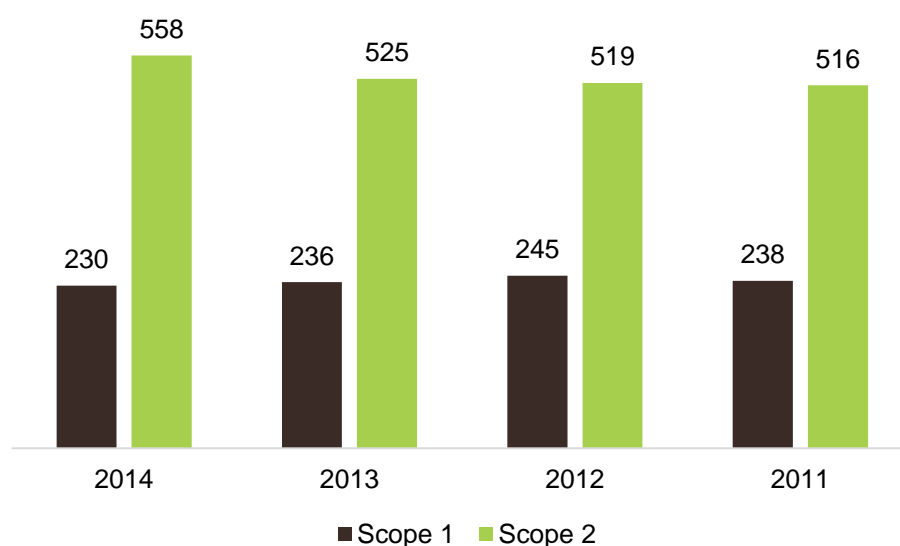
Greenhouse gas emissions

(kt CO ₂ e)	2014	2013	2012	2011
Scope 1	229,8	236	245	238
Scope 2	557,6	525	519	516
Total scope 1 and 2	787,0	761	764	754
Year-on-year change (%)	3,4	(0,4)	1,4	
Scope 3	74 768	69 737	70 581	70 471
Year-on-year change (%)	7,2	(1,2)	0,2	

Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa (0,94t CO₂e/MWh).

Scope 3: Reported emissions are based on emissions from the use of product sold by Exxaro plus transmission and distribution losses from the South African grid derived from Eskom's emissions factor for electricity sold (1,03t CO₂e/MWh) and the grid emission factor for South Africa (0,94t CO₂e/MWh). Reported emissions represent over 99% of Exxaro's scope 3 emissions.

Greenhouse gas emissions (kt CO₂e)



Diesel and electricity remain the primary sources of energy for Exxaro. Total energy consumed increased by 2,5% in 2014 to 4 318 894 giga joules (GJ), reflecting mainly higher electricity use which rose by 6,2%. The bulk of this was due to expansion activities at Grootegeeluk. Energy sourced from diesel consumption decreased 1,2% in 2014.

Sustainability is integrated this into the group strategy. Our operational activities are therefore guided by our climate change response strategy and position statement. The energy and carbon steering committee oversees, reviews and assesses improvement projects and activities, and ensures they are aligned with Exxaro's climate change position statement.

This ensures a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enabled operations to focus on improving capacity and capability to manage energy, emissions and other climate change-related issues.



The Exxaro energy and carbon framework is a guideline for the energy and carbon programme to define and understand how activities and projects contribute to the overall Exxaro strategy, a mechanism to help prioritise projects and initiatives, and a communication tool to ensure consistent effort across various operations.

Carbon disclosure

The CDP (formerly the Carbon Disclosure Project) is a UK-based global climate change reporting system. This data provides valuable insights into the strategies of companies and helps channel investment to companies adhering to sustainable carbon and emissions management.

Exxaro participates in two CDP programmes: CDP Climate Change (since 2008) and CDP Water. To facilitate our preparation for the climate change programme, we manage a central data repository that records energy consumption, energy intensity performance, carbon emissions measurement and cost performance in each business unit and the group. This database undergoes annual external assurance audits.

In 2012, Exxaro was the first South African company and third globally to score 100% on disclosure in the CDP Climate Change programme. In 2014, Exxaro was again included in the JSE 100 Climate Disclosure Leadership Index (CDLI), one of only 11 companies assessed to have met the criteria this year. This clearly demonstrates Exxaro's commitment to transparency, improving disclosure and reducing carbon emissions.

In 2013, Exxaro participated in the Business Unity South Africa (BUSA) climate change initiative and industry task team on climate change. Through BUSA, Exxaro supported the Department of Environmental Affairs' investigation into South Africa's emissions potential to 2050: this went beyond reporting just Exxaro's views to supporting the review of methodology and grid emissions factor calculations. The task team was instrumental in influencing National Treasury to consider refinements to proposed carbon tax legislation.



Energy consumption by business unit by energy source[#]

(GJ)	Electricity				Diesel				Petrol			
Business unit	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Coal	2 039 476	1 923 707	1 897 646	1 923 201	2 100 790	2 128 526	2 221 489	2 162 868	8 917	7 066	7 583	9 129
Year-on-year change (%)	6,0	1,4	(1,3)		(1,3)	(4,2)	2,7		26,6	(6,8)	(16,9)	
Arnot	188 557	183 733	186 447	177 988	16 235	20 989	19 570	52 383	925	2 010	2 285	2 837
Char plant	-	-	-	22 610	4 547	5 857	3 081	2 369	-	-	-	-
Durnacol	551	612	354	349	1 711	1 903	2 533	4 465	279	211	160	257
Grootegeeluk	1 183 010	1 008 230	950 991	966 374	1 053 830	905 312	830 549	731 913	2 491	1 592	2 251	2 900
Hlobane	119	86	15	16	1 334	1 376	1 275	1 682	117	51	64	134
Inyanda	27 328	28 397	27 747	26 437	103 487	119 968	166 070	196 857	-	-	-	-
Leeuwpans	90 112	85 576	88 927	90 946	595 468	539 944	605 280	606 766	-	14	-	-
Matla	449 492	434 560	459 302	447 659	107 524	84 530	69 087	63 970	4 336	3 187	2 823	3 002
New Clydesdale	16 474	63 086	59 599	55 862	126	18 532	23 947	81 457		-	-	-
North Block	27 094	26 867	22 490	19 788	177 872 710	267 426	343 347	321 374		-	-	-
Tshikondeni	56 740	92 560	101 774	115 172	38 655	162 690	156 750	99 632	769	-	-	-
Corporate	96 106	88 013	89 666	53 124	2358	137	1 074	812	302	2 573	3 022	2 683
Year-on-year change (%)	9,2	(1,8)	68,8		1 621	(87,2)	32,2		(88,3)	(14,9)	12,6	
AlloyStream	53 939	35 672	38 205	3 366	1 426	-	347	-	-	46	63	42
FerroAlloys	19 606	19 638	21 362	18 169	564	114	294	-	-	15	30	28
Head office	17 039	27 216	24 922	24 434	31	24	155	554	201	2 511	2 838	2 487
R&D	5 522	5 486	5 177	7 155	338	-	278	258	101	-	91	126
Total	2 135 581	2 011 719	1 987 312	1 976 325	2 103 148	2 128 665	2 222 563	2 163 681	9 219	9 638	10 605	11 812
Year-on-year change (%)	6,2	1,2	0,6		(1,2)	(4,2)	2,7		(4,3)	(9,1)	-	

[#] 2011 and 2012 data reported for current operations, consistent with GHG emissions reporting.



(GJ)	Other energy sources*				Total energy used			
Business unit	2014	2013	2012	2011	2014	2013	2012	2011
Coal	8 583	692	442	341	4 148 819	4 059 990	4 127 160	4 095 539
Year-on-year change (%)	1140	56,5	29,6		2,2	(1,6)	0,8	
Arnot	462	-	31	-	205 255	206 732	208 333	233 207
Char plant	583	347	23	174	5 131	6 204	3 104	25 153
Durnacol	142	-	-	-	2 404	2 726	3047	5071
Grootegeeluk	1 698	262	196	132	2 238 809	1 915 396	1 783 987	1 701 319
Hlobane	63	-	-	-	1 516	1 514	1 354	1 832
Inyanda	-	-	3	-	130 815	1 483 364	193 820	223 294
Leeuwpan	-	-	49	-	685 579	625 534	694 256	697 712
Matla	2 275	75	102	35	559 291	522 352	531 314	514 666
New Clydesdale	-	-	25	-	16 599	81 618	83 571	137 319
North Block	-	-	1	-	204 966	294 292	365 838	341 162
Tshikondeni	3 359	7	12	-	98 754	255 257	258 536	214 804
Corporate	62 363	52 378	70 976	1 127	160 827	143 101	164 738	57 747
Year-on-year change (%)	19,1	(26,2)	-		12,4	(13,1)	185,3	
AlloyStream	58 504	51 171	69 698	3	113 869	86 890	108 313	3 411
FerroAlloys	1 156	1 183	1278	1 123	21 326	20 950	22 964	19 320
Head office	2 440	7	-	-	19 510	29 757	27 915	27 475
R&D	263	17	-	1	6 123	5 503	5 546	7540
Total	70 946	530 070	71 418	1 468	4 318 894	4 203 091	4 291 898	4153285
Year-on-year change (%)	33,8	(25,7)	-		2,8	(2,1)	3,3	

* Other energy sources include paraffin, Sasol gas, LP gas.



Exxaro's energy consumption

Our coal operations now account for almost all energy consumption in the group after divesting of the mineral sands and base metals businesses in recent years. As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption. This has included projects to specifically increase the efficiency of diesel and electricity use. This led to a slight decrease in energy consumed through diesel in 2014, on the back of ongoing improvements in diesel consumption.

Specific energy-intensity improvement targets were set for each operation in 2014. These targets formed part of relevant managers' remuneration-linked performance contracts and further absolute emission reductions are expected from these initiatives in future.



Diesel consumption performance in coal operations

	Diesel (kℓ)			Production (kt)					Diesel consumption intensity (ℓ/kt)			
	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Coal	57 477	58 236	60 779	59 176	37 203	37 332	38 808	39 244	1 547	1 560	1 566	1 508
Change %	(1,3)	(4,2)	2,7		(0,4)	(3,8)	(1,1)		(0,83)	(0,4)	3,9	
Arnot	444	574	535	1 433	1 440	1 633	2 081	2 291	309	352	257	626
Char plant	124	160	84	65	127	91	43	142	979	1 754	1 960	456
Durnacol	47	52	69	122	-	-	-	-	-	-	-	-
Grootegeeluk	28 833	24 769	22 724	20 025	18 838	17 813	17 517	18 231	1 531	1 391	1 297	1 098
Hlobane	37	38	35	46	-	-	-	-	-	-	-	-
Inyanda	2 831	3 282	4 544	5 386	1 633	1 992	1 845	1 918	1 734	1 648	2 463	2 809
Leeuwpán	16 292	14 773	16 560	16 601	2 4434	2 240	2 601	3 239	6 666	6 594	6 366	5 125
Matla	2 942	2 313	1 891	1 750	9 513	10 133	10 948	10 150	309	228	173	172
New Clydesdale	3	507	655	2 229	-	419	717	628	-	1 210	914	3 551
North Block	4 867	7 317	9 394	8 793	2 602	2 668	2 717	2 346	1 870	2 764	3 457	3 748
Tshikondeni	1 058	4 451	4 289	2 726	154	343	339	299	6 875	12 968	12 645	9 106



Diesel is the most significant energy source in our coal operations, consuming 2 103 148GJ of energy, slightly ahead of 2 039 476GJ of energy from electricity consumed in 2014. The electricity and diesel intensity in 2014 per total tonnes mined (TTM) was respectively 4,2MWh/kt and 412ℓ/kt.

By focusing on diesel efficiency, we reduced our coal operations' diesel consumption by over 3,3 million litres or 5,4% in 2014 from 2012, despite a 26,9% rise in diesel consumption at Grootegeluk, our largest diesel consumer. Increases at Grootegeluk are a direct result of expansions that include broader pit operations and more processing plants (eg GMEP).

Notably, although Grootegeluk was not able to maintain its diesel consumption intensity (up from 1 391 litres of diesel per kilotonne (ℓ/kt) of production in 2013 to 1 547ℓ/kt in 2014), diesel-intensity improvements at other business units again compensated for this. For example, at North Block Complex, diesel consumption intensity improved from 3 457ℓ/kt in 2012 to 1 870ℓ/kt in 2014, up 42% primarily due to mining optimisation initiatives.



Energy consumption

	Electricity (MWh)				Production (kt)				Electricity intensity (MWh/kt)			
	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Coal	566 521	534 363	527 125	534 232	37 203	37 332	38 808	39 244	15,95	14,3	13,6	13,6
Change %	6,0	1,4	(1,3)		(0,4)	(3,8)	(1,1)		11,5	5,2	0,0	
Arnot	52 377	51 037	51 791	49 425	1 440	1 633	2 081	2 291	36,4	31,2	24,9	21,6
Char plant	-	-	-	-	127	91	43	142	-	-	-	-
Durnacol	153	170	98	97	-	-	-	-	-	-	-	-
Grootegeeluk	328 614	280 064	264 163	268 444	18 838	17 813	17 517	18 231	17,4	15,7	15,1	14,7
Hlobane	33	24	4		-	-	-	-	-	-	-	-
Inyanda	7 591	7 888	7 708	7 333	1 633	1 992	1 845	1 918	4,7	4,0	4,2	3,8
Leeuwpan	25 031	23 771	24 703	25 272	2 4434	2 240	2 601	3 239	10,2	10,6	9,5	7,8
Matla	124 859	120 711	127 584	124 365	9 513	10 133	10 948	10 150	13,1	11,9	11,7	12,3
New Clydesdale	4 576	17 524	16 556	15 530	-	419	717	628	-	41,8	23,1	24,7
North Block	7 526	7 463	6 247	5 498	2 602	2 668	2 717	2 346	2,9	2,8	2,3	2,3
Tshikondeni	15 761	25 711	28 271	31 988	154	343	339	299	102,5	74,9	83,4	106,9



In line with our operational focus on energy efficiency, business units were assigned electricity intensity reduction targets against historical performance from 2013 (based on the prior two years' performance). These targets were incorporated into the remuneration-linked performance contracts of relevant managers for 2014.

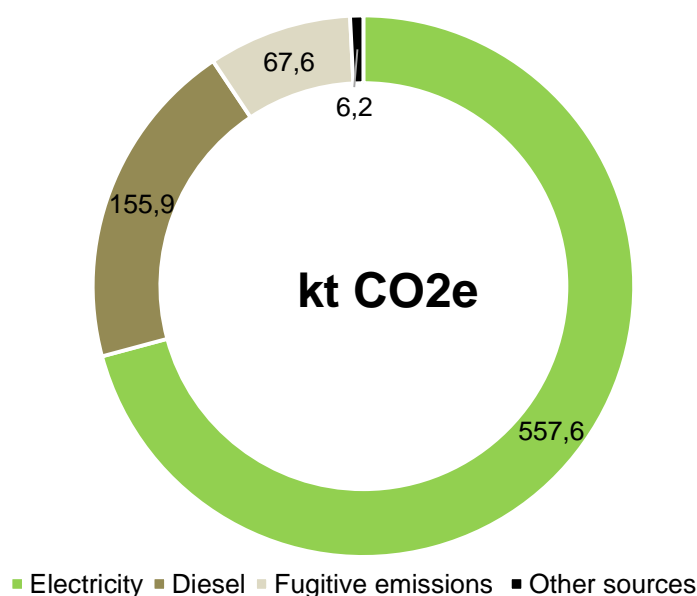
Slightly lower production levels across coal operations were not mirrored by a decrease in overall electricity use. Exxaro coal operations' electricity use in 2014 rose by 32 158MWh or 6% reported from 534 363MWh in 2013. This was primarily the result of expansions that include broader pit operations and more processing plants (GMEP) at Grootegeluk mine.

As expected, we realised further benefits from specific electricity-management projects initiated in the prior period. For example, material handling consumes a considerable proportion of the total power supply in Exxaro. In 2014 we improved the energy efficiency and intensity of conveyor belt systems at equipment and operation levels. Improved efficiency on conveyor belts was achieved mainly by introducing highly efficient equipment and variable speed drives.

Realised savings at Grootegeluk from these significant electricity-consuming systems are 20-25% in absolute electricity use and 25-40% in operational intensity. This approach is being reviewed for implementation at other business units.

Carbon emissions

Greenhouse gas emissions by source



Carbon emissions by source

(kt CO ₂ e)	2014	2013	2012	2011
Electricity	557,6	525,3	518,9	516,0
Year-on-year change	6,1%	1,2%	0,6%	
Source proportion	70,7%	68,8%	68,9%	68,5%
Diesel	155,9	157,8	164,8	160,4
Year-on-year change	(1,2%)	(4,2%)	2,7%	
Source proportion	20,0%	20,8%	21,6%	21,3%
Fugitive emissions	67,6	71,8	77,9	75,0
Year-on-year change	(5,8%)	(7,8%)	3,9%	
Source proportion	8,6%	9,4%	10,2%	9,9%
Other sources	6,2	5,8	2,4	2,1
Year-on-year change	6,9%	147,3%	11,5%	
Source proportion	0,8%	0,8%	0,3%	0,3%



Greenhouse gas emissions by business unit by source

(kt CO ₂ e)	Purchased electricity				Diesel				Fugitive emissions				Other sources*				Total emissions#			
Business unit	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Coal	532,5	502,3	495,5	502,2	155,8	157,8	164,7	160,4	67,6	71,8	77,9	75,0	3,1	3,0	1,2	0,6	758,9	735,0	739,3	738,1
Year-on-year change (%)	11,0	1,4	(1,3)		(1,3)	(4,2)	2,7		(5,9)	(7,8)	3,9		3,3	150	100		3,3	(0,6)	0,2	
Arnot	49,2	48,0	48,7	46,5	1,2	1,6	1,5	3,9	0,4	0,4	0,5	0,6	0,1	0,1	0,2	0,2	50,8	50,1	50,9	51,2
Char plant	-	-	-	5,9	0,3	0,4	0,2	0,2	-	-	-	-	-	-	-	-	0,4	0,4	0,2	6,1
Durnacol	1,4	0,2	0,1	0,1	0,1	0,1	0,2	0,3	-	-	-	-	-	-	-	-	0,3	0,3	0,3	0,4
Grootegeluk	308,9	263,3	248,3	252,3	78,1	67,1	61,6	54,3	15,5	14,7	14,2	15,2	2,2	1,8	0,5	0,2	404,8	347,0	324,6	322,0
Hlobane	-	-	-	-	0,1	0,1	0,1	0,1	-	-			-	-	-	-	0,1	0,1	0,1	0,1
Inyanda	7,1	7,4	7,2	6,9	7,7	8,9	12,3	14,6	0,9	1,0	0,9	1,0	-	-	-	-	15,7	17,3	20,5	22,5
Leeuwpan	23,5	22,3	23,2	23,7	44,2	40,0	44,9	45,0	2,7	2,3	2,5	3,0	0,4	0,3	-	-	70,8	65,0	70,6	71,7
Matla	117,4	113,5	119,9	116,9	8,0	6,3	5,1	4,7	44,9	43,8	47,4	43,9	0,2	0,2	0,2	0,2	170,4	163,8	172,6	165,7
New Clydesdale	4,3	16,5	15,6	14,6	0,01	1,4	1,8	6,0	-	4,2	7,1	6,1	-	-	-	-	4,3	22,1	24,5	26,8
North Block Complex	7,1	7,0	5,9	5,2	14,1	19,8	13,2	23,8	1,5	1,5	1,4	1,3	-	-	-	-	21,7	28,3	32,7	30,2
Tshikondeni	14,8	24,2	26,6	30,1	2,9	12,1	2,9	7,4	1,8	3,8	3,9	3,9	0,2	0,5	0,3	-	19,7	40,5	42,4	41,3
Corporate	25,1	23,0	23,4	13,9	0,2	0,01	0,08	0,06	-	-	-	-	3,16	2,80	1,14	1,51	28,4	25,8	24,6	15,4
Year-on-year change (%)	9,1	(1,8)	68,8	-	1 900	(88)	35,0	-	-	-	-	-	12,9	145	(24)	-	10,1	4,7	59,6	-
AlloyStream	14,1	9,3	10,0	0,9	0,01	-	0,03	-	-	-	-	-	2,9	2,56	0,89	-	17,1	11,9	10,9	0,9
FerroAlloys	5,1	5,1	5,6	4,7	0,04	0,01	0,02	-	-	-	-	-	0,06	0,06	0,06	-	5,2	5,2	5,7	4,7
Head office	4,4	7,1	6,5	6,4	-	-	0,01	0,04	-	-	-	-	0,17	0,17	0,19	1,51	4,6	7,3	6,7	7,9
R&D	1,4	1,4	1,4	1,9	0,03	-	0,02	0,02	-	-	-	-	-	-	0,01	-	1,5	1,4	1,4	1,9
Total#	557,6	525,3	518,9	516,0	155,9	157,8	164,8	160,4	67,6	71,8	77,9	75,0	6,2	5,8	2,4	2,1	787,4	760,8	763,9	753,6
Year-on-year change (%)	6,2	1,2	0,6		(1,2)	(4,2)	2,7		(5,9)	(7,8)	3,9		6,9	147	11,5		3,5	(0,4)	1,4	

* Other sources include explosives, petrol, paraffin, Sasol gas, LP gas and limestone.

Total scope 1 and scope 2 emissions.



Exxaro remains focused on reducing its carbon footprint in line with its commitment to reduce energy consumption and improve energy efficiency. For 2014, based on targets to improve energy efficiency across the group, we expected a reduction of scope 1 and scope 2 emissions (defined at the start of this section) of around 5%. In absolute terms, however, our total emissions rose by 3,5% in 2014 due to expanding operations.

2014 total GHG emissions by scope (t CO₂e)

Business Unit	Scope 1	Scope 2	Scope 3	Total
	229 762	557 624	74 768 143	75 555 529
Arnot	1 608	49 234	2 620 379	2 671 221
Durnacol	137	144	16	297
Grootegeeluk	95 865	308 897	35 932 880	36 337 642
Hlobane	103	31	4	138
Inyanda	8 559	7 136	821 464	837 159
Leeuwpans	47 257	23 529	6 998 796	7 069 583
Mafube	0	0	4 038 565	4 038 565
Matla	52 997	117 367	18 843 997	19 014 362
New Clydesdale	9	4 301	490	4 800
North Block Complex	14 667	7 074	4 598 487	4 620 229
Reductants	357	0	287 490	287 847
Tshikondeni	4 863	14 815	622 718	642 397
AlloyStream	3 032	14 084	1 603	18 719
Corporate centre	172	4 449	506	5 127
Ferroalloys	100	5 119	583	5 802
R&D	36	1 442	164	1 642



Water management

Water is a strategic natural resource for South Africa. It is also key to our business and must be managed as such. Initiatives to conserve water are considered at all sites to ensure water use is optimised.

Under a holistic strategy, we are managing water-related risks, minimising impacts, and operating efficiently through reduction, reuse and recycling. Most of our operations have drafted 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 of the same or better quality than the original. Central to this are the three water treatment plants planned for our Mpumalanga region as part of our long-term water management strategy. These plants will have total capacity to treat 17,5 mega litres per day. The plant at Matla has been commissioned and performance tests are under way. The plant at North Block Complex's Glisa will be commissioned once the water-use licence is approved and is expected to be fully operational by early 2016. The Arnot plant is at feasibility stage.

Our prime focus remains on optimising the use of recycled water. We have installed a filtration plant at Matla to treat water for reuse in underground workings. With a maximum capacity of 3 mega litres a day, this plant operated well during the year and reduced Matla's intake of fresh water slightly.

Innovative passive water treatment systems are being evaluated by our R&D department in collaboration with the University of the Free State, as a long-term solution to water management including post-closure. The pilot plant was commissioned at North Block Complex in the last quarter of 2014, and first results were very promising. This plant treats acid mine water chemically and biologically to create zero waste, provide fresh water and reduce Exxaro's water footprint.

We continue to collaborate with other mining houses through a local research institution on a project to develop appropriate technology to deal with waste from planned water treatment plants. This will enhance the efficiency of the waste treatment process and mitigate potential exposure linked to waste management.



Exxaro water management policy in context

The Exxaro water management policy 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 36 1998. In support of the act, the Department of Water Affairs 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.

In support of this policy, 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 and applies to the full lifecycle of a mine. This includes planning, construction, operational, 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.

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
- Stormwater management planning
- Water and salt balances
- Water monitoring systems
- Water reuse and reclamation
- Pollution control dams
- Environmental performance indicators.



Flowing from the policy and management standard is the water management programme. Water management is part of the environmental material issue for Exxaro and, in recent years, we have made considerable progress on our focus areas in the water management programme, notably:

- Our vision, strategy and policy for water management
- Data management that facilitates water accounting and reporting
- Regulatory compliance
- Improving skills and knowledge in water management
- Water and related technology solutions
- Water business opportunities
- Stakeholder engagement
- Communications.

This comprehensive programme is entrenching responsible and sustainable water management across Exxaro. The programme 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.

While 16 strategic initiatives have been identified to reach specific five-year goals, our strategy also articulates aspirational goals that include becoming self-sufficient in our operational water requirements and becoming a leader in water technology solutions.

Water use monitoring and measurement

Exxaro monitors and reports against JSE SRI reporting categories, in turn aligned to the definitions and environmental categories from the GRI's mining and metals sector guidelines. While the accuracy of water measurement, monitoring and reporting has improved significantly in recent years, on-site operational challenges remain.

In the past two years, we have made significant progress in improving metering and measurement of dewatering and rainwater catchment data specifically. With the roll-out and implementation of this robust approach across all business units, we can now disclose all water inflow categories. This aligns our reporting with the intent of our water management policy and correlates to the reporting format of the annual submission to the CPD-Water, where we remain among the leaders in disclosure.

To facilitate disclosure, we maintain a centralised database. This was developed from standard water accounting definitions, standard practice instructions, a water standard and Exxaro policy.



Our water accounting methodology includes measuring water volumes and water quality against efficiency and intensity targets, water-use permit conditions and internal benchmarks and trends. The accurate measuring and monitoring of water volumes and quality enables a wide range of reporting, particularly our voluntary disclosure against GRI and CDP-Water standards.

The water volume methodology is structured as water inflows, outflows, storage, recycling and reuse. Various aggregations and intensity figures can be derived from data. Inflows include abstraction from all sources, municipal and other sources of raw and potable water, process water and dewatering. Outflows include various water uses from dust suppression to potable water use, discharges and water lost in production. Water storage includes raw, clean, polluted and rainwater capture. Water reuse and recycling within operations is also measured and accounted for.

Water withdrawal measurement continues to be refined in our business units. This includes projects across our operations to install comprehensive fit-for-purpose metering of water flows using both analogue and telemetric meters, and automated meter readings.

The focus in 2014 was on maintaining progress at larger water-withdrawing operations while rolling out initiatives at other operations. To support this, water-withdrawal intensity targets across all types were introduced in 2013. Monitoring and reporting against these targets continued in 2014 and we intend to include these targets in the performance contracts of relevant managers in 2016.



Water withdrawal performance

		Water withdrawals (kℓ)			Production (kt)			Water withdrawal intensity (ℓ/t)		
Business unit	Water source	2014	2013	2012	2014	2013	2012	2014	2013	2012
Coal		6 912 951	8 024 612	7 589 992	37 611	37 332	38 808	184	215	196
Year-on-year change (%)		(14)	6	(28)						
Arnot	Potable water supplier	562 110	559 480	523 232	1 440	1 633	2 081	391	343	251
Char plant	Supplied by Grootegeluk	89 939	82 388	53 121	127	91	43	750	905	1 235
Durnacol	Water abstraction: river	24 787	26 808	33 768						
	Municipal supply: potable									
Grootegeluk	Water abstraction: borehole	3 871 449	4 512 003	4 160 771	18 838	17 813	17 517	192	253	238
	Water abstraction: dam									
	Potable water supplier									
Hlobane	Municipal supply: potable	819	1 820	937						
Inyanda	Water abstraction: borehole	337 361	298 448	99 543	1 632	1 992	1 845	207	150	54
	Water abstraction: Dam									
Leeuwpán	Water abstraction: borehole	114 907	174 044	5 963	2 444	2 240	2 601	47	78	2
Matla	Potable water supplier	1 305 935	1 324 667	1 401 538	10 374	10 133	10 948	126	131	128
New Clydesdale	Water abstraction: river	11 101	55 149	74 920		419	717		132	104
North Block Complex	Municipal supply: potable	26 648	28 637	17 596	2 602	2 668	2 717	10	11	6
Tshikondeni	Water abstraction: river	567 845	961 168	1 218 603	154	343	339	2 707	2 802	3 595
Mineral sands				3 972 597			794			5 003
Year-on-year change (%)			(100)							
KZN Sands	Municipal supply: potable			2 498 329			335			7 458
	Municipal supply: raw									



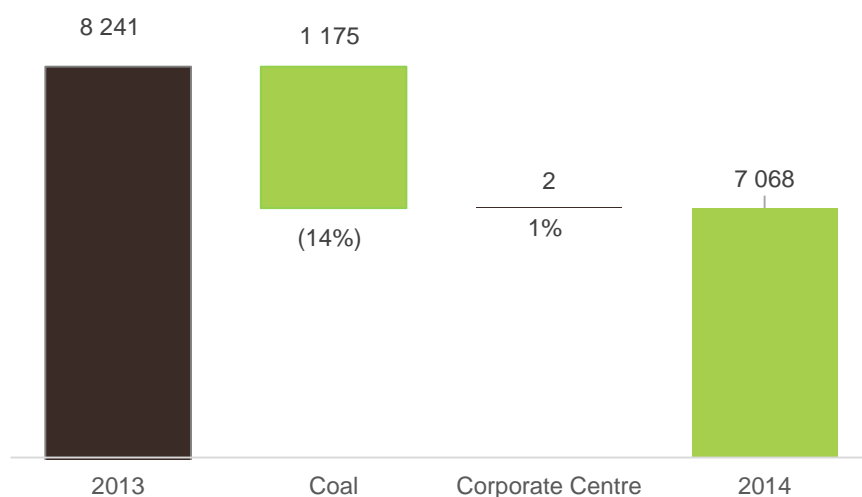
		Water withdrawals (kℓ)			Production (kt)			Water withdrawal intensity (ℓ/t)		
Business unit	Water source	2014	2013	2012	2014	2013	2012	2014	2013	2012
Namakwa Sands	Municipal supply: potable			1 474 268			459			3 212
	Water abstraction: canal									
Corporate office		156 006	154 089	112 975						
Year-on-year change (%)		1	36							
AlloyStream	Municipal: potable – invoiced	69 907	45 058	52 256						
FerroAlloys	Municipal: potable – invoiced	18 560	18 822	9 728						
Head office	Municipal: potable – invoiced	62 806	87 047	46 166						
R&D	Municipal: potable – invoiced	4 733	3 162	4 825						
Total		7 068 957	8 240 594	12 308 604						
Year-on-year change (%)		(14)	(33)							

Water management reporting from business units is not subject to audit review



Exxaro reduced water withdrawals by 15% in 2014, reflecting the ongoing operational focus in our coal businesses. This is much lower than the 33% reduction in 2013 as we have mines that are either in closure phase or have been sold.

Water withdrawal performance – 2013 vs 2014 (mega litres)

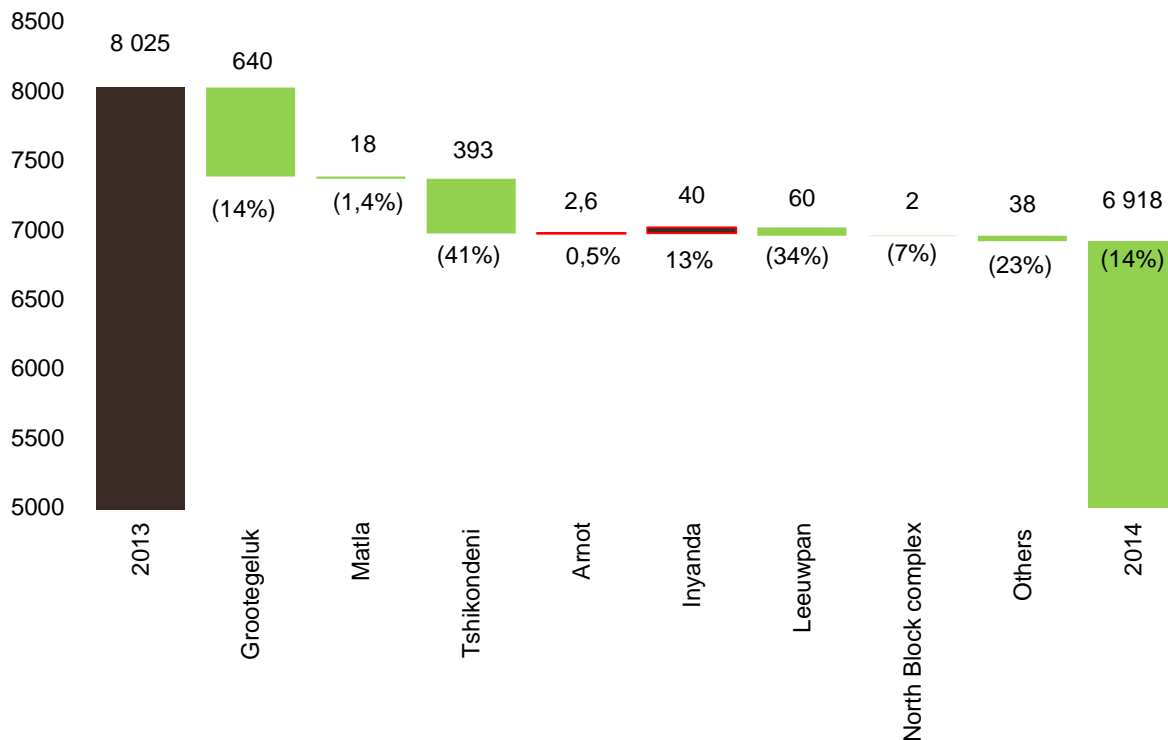


In 2014, coal operations accounted for 97% of Exxaro's water withdrawals. Overall withdrawals in coal operations decreased by 14%, as did the intensity of water withdrawals relative to production. This means that while output from our coal operations was similar to 2013 the amount of water required dropped by 14%. This was largely a result of lower withdrawals at Grooteegeluk, after establishing conservation measures, and Tshikondeni which is in closure phase. Given the relative scale of Grooteegeluk, this decreased water withdrawal intensity across our coal operations.

This downward trend in 2014, compared to a 6% increase in 2013, reflects improved management focus, technology and enhanced monitoring and measurement of water withdrawals across all our operations.



Water withdrawals at coal operations 2013 vs 2014 (mega litres)



Grootegeluk remained the largest water-withdrawing business in 2014, accounting for slightly over half of all water withdrawn by our coal operations. However, during the period, water withdrawals at this mine decreased by 14%, mainly due to improved management focus, enhanced monitoring and measurement as well as water conservation initiatives. Given its scale relative to other business units, this decrease was primarily responsible for the overall decrease in coal operation water withdrawals.

COAL OPERATIONS: WATER USAGE (2014)								
WATER WITHDRAWALS	GROOTEGLUK	MATLA	ARNOT	LEEUPPAN	NBC	INYANDA	TSHIKONDENI	CHAR PLANT
TOTAL = 6772MI	3871.5	1305.9	562.1	114.9	26.6	337.4	567.8	89.9
PRODUCTION	GROOTEGLUK	MATLA	ARNOT	LEEUPPAN	NBC	INYANDA	TSHIKONDENI	CHAR PLANT
TOTAL = 37.6Mtons	18.8	10.3	1.4	2.4	2.6	1.6	0.2	0.1
WATER INTENSITY	GROOTEGLUK	MATLA	ARNOT	LEEUPPAN	NBC	INYANDA	TSHIKONDENI	CHAR PLANT
TOTAL = 184l/ton	192.3	126.4	391.2	47.0	10.2	206.7	2707.3	750.3

Most other significant water-withdrawing business units reduced absolute withdrawals and improved intensity in 2014. For example, Matla, North Block Complex and Leeuwpán slightly reduced their



water withdrawal intensity in 2014 compared to the prior two years. Among the relatively smaller water-withdrawing operations Arnot and Inyanda recorded a slight increase in water withdrawal in 2014 compared to 2013.

Water use licensing

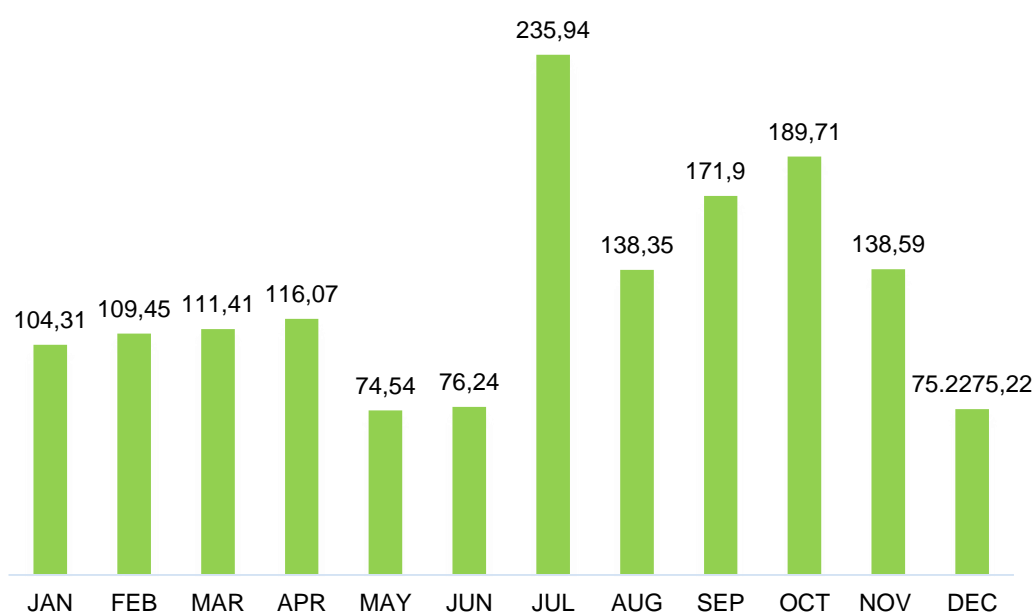
Water use for most Exxaro operations is authorised under the old Water Act. In recent years, after all operations submitted their integrated water use licences (or IWULs), we have steadily migrated these authorisations to the new (1998) National Water Act. By January 2015, 18 IWULs were approved and 12 still pending.

Hazardous waste management

Waste management is a core key performance indicator of compliance in terms of Exxaro's social licence to operate. Given that waste is a material risk to our business, Exxaro has developed a group-wide waste management standard for handling hazardous and non-hazardous waste. The intention of this standard is to promote and enforce initiatives such as waste prevention or minimisation, practising reuse, recycling, recovering energy and ensuring safe disposal of waste in accordance with the National Environmental Management: Waste Act 59 2008 and other relevant legislations.

The total weight of hazardous waste generated at our managed coal operations in 2014 was 1 541 tonnes (2013: 1 370 tonnes). The increase in volumes removed (11%) reflects a clean-up operation in one of our business units. Significant amounts of hazardous waste were removed and responsibly disposed of over July-November 2014.

Waste movement – tonnages in 2014



In 2014, Exxaro reviewed existing waste management contracts and awarded new contracts to service providers. The aim of this review was to promote and enforce initiatives such as reducing, reusing and recycling. This will facilitate the process of diverting all recyclable wastes currently being sent to landfill sites for potential and practical reuse options that make economic sense. The environmental costs associated with disposing of waste to landfill sites, particularly potentially recyclable wastes, include:

- Loss of land for housing development
- Potential loss of habitat for indigenous species when large tracts of land are used for landfill
- Social costs such as loss of available land for recreation facilities
- Increased illegal dumping and related clean-up costs.

Programmes are in place for training and awareness on responsible waste handling (generation, storage and disposal) aimed at continuous improvement and applying the cradle-to-grave principle.

Currently Exxaro is recycling all general waste such as papers, plastics and plastic bottles, cans, scrap metals, industrial waste and used oil and old batteries as hazardous waste. We are exploring opportunities with industrial partners and research institutions to use viable solutions in converting waste into renewable energy.

Exxaro participates in the Department of Environmental Affairs' industry waste management forum initiatives to address waste-related issues. These issues are also addressed through Business Unity SA and the Chamber of Mines.

Responsible conservation of biodiversity

Our vision is to conserve biodiversity for future generations through the sustainable co-existence of our mining operations and South Africa's natural resources. In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservancy and re-establishing resilient ecosystems that underscore our commitment to duty-of-care principles.

Two years ago, we developed the strategy and framework to reach our goals, and compiled baseline reports and biodiversity action plans for most business units. A draft wetland policy and management standard was compiled in 2013 but not finalised nor approved, given that Exxaro needed to align this with new guidelines. The best-practice standard (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)) will be taken into account in finalising Exxaro's wetland policy and management standard.

A draft biodiversity offset strategy is being compiled and will be aligned to best-practice guidelines. The approved biodiversity policy and management standard are also currently under review and will be updated in 2015 in line with latest best-practice guidelines to ensure continuous improvement.



The principles of these guidelines are already being incorporated into our planning. As example, the principles of the best-practice standard were used in revising the Belfast mine layout plan to avoid constructing the coal-washing plant in a sensitive hillslope wetland while the opencast life-of-mine plan was adjusted to exclude mining in a sensitive pan area. These standards were also applied for the proposed Leeuwpan block OI and OL authorisations.

Performance reviews against biodiversity action plans began in June 2014 and will continue in 2015. Our detailed management standard guides business units in implementing group policy, aiming to:

- Ensure a cost-effective integrated approach to biodiversity management
- Be environmentally responsible in protecting and managing biodiversity
- Be ecologically sustainable by ensuring biodiversity-rich areas are contained within mining right areas, to manage and monitor protected and threatened Red Data species, and control declared category 1, 2 and 3 invasive plants.

Wetland baseline assessments for all business units were updated in recent years. This data is used to consider biodiversity-sensitive areas as part of our business and mine-planning decisions.

Significant impact of activities

While Exxaro is not yet able to quantify its impact in protected sites or areas of high biodiversity value, new industry guidelines have been used to update areas of high biodiversity value for all business units. Please see tables later in this section.

Approximately R12 million was spent in 2014 on biodiversity management, including wetland offsets, wetland delineation and wetland studies and biomonitoring.

Environmental liabilities and rehabilitation

Internal annual updates

All business units annually review and update the quantum of financial provisions. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities contained in the concurrent and final closure rehabilitation programme are being reviewed and adjusted where necessary.

Water-related liabilities are calculated as per the Exxaro excess water risks and liability management standard.

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 detailed concurrent rehabilitation plan and supporting material (plan, schedule and budget). These are revised and updated as necessary, but at least annually. The mine manager or person in charge of a site reports on any deviation from the rehabilitation programme (reasons and how this affects future activities; financial provisions; corrective steps to rectify the deviation, especially to prevent financial shortfalls accumulating and closure liabilities rising).

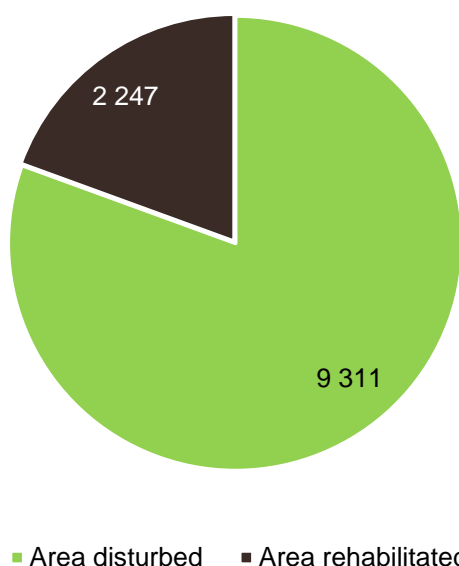
Liabilities

At 31 December 2014, total land disturbed was 9 311ha and total rehabilitated 2 247ha. The Exxaro Environmental Rehabilitation Fund (EERF) provides for most 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).

Exxaro contributed R24 million to the environmental trust fund in 2014 and had R753 million in its trust fund at year end for mine- closure activities (2013: R92 million and R673 million respectively).

In addition, the group had bank guarantees of R1 153 million in place by December 2014. Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

Area disturbed vs area rehabilitated (hectares)



External closure-cost reviews were completed at three operations during the year. Performance assessments against the objectives of EMP reports were completed for four operations and submitted to the DMR. In line with the growing government focus on rehabilitation, all our business units have reviewed their rehabilitation plans (with appropriate schedules and budgets).



At Arnot, wetland offsets and rehabilitation interventions were completed to ensure no net loss. At Belfast, onsite wetland rehabilitation interventions were included in project development plans. A wetland management forum will be established in 2015 as per conditions of the water use licence.

Mine closure

Mine closure is a process, not a discrete event: best practice requires that closure planning starts from mine feasibility stage. Exxaro, as a world-class minerals producer, acknowledges its moral and legal obligation to ensure responsible and sound mine-closure management, from cradle to grave.

We use an integrated planning approach to mine closure throughout the life cycle of our operations. As such, mine closure is risk-based, with emphasis on the sustainable implementation of final land use and socio-economic benefits and that Exxaro will adequately provide financially for the closure process of all its operations.

The closure-planning process and management actions are developed to:

- Ensure compliance with all relevant legislation and guidelines
- Minimise risks from possible changes to legislation and optimise opportunities that may be presented by such changes
- Minimise risks on grey areas of law including common law (damages)
- Correctly identify relevant risks by conducting a risk assessment every three years
- Identify the most significant liability risks early to enable the identification and implementation of preventative measures, wherever possible, to avoid or minimise those risks
- Ensure there is a consistent and defensible procedure for identifying and assessing mine-closure risks, reducing uncertainties in the assessment and determining the financial provisions required to address the risks
- Ensure that identified impacts or risks are prioritised for attention
- Ensure a quantitative environmental risk assessment is done five years prior to planned closure.

Social closure principles

While most closure planning relates to technical or engineering issues and the associated financial planning, social aspects are the most important part of mine closure. This includes aspects such as:

- Effective training of staff and their roles and responsibilities in implementing and managing the mine closure plan. This is key to the success or failure of the plan
- Communities will be affected by mine closure; while they may not be directly affected by environmental management strategies, health and safety issues and possible employment opportunities related to proposed strategies should be considered
- The closure plan must be in line with the requirements of that mine's social and labour plan, developed in terms of section 25 of the MPRDA.
- Effective implementation of the closure plan requires company and management commitment.



Durnacol land management

Durnacol is a small rural town in the northern part of KwaZulu-Natal, equidistant between Newcastle and Dundee. For almost a century, it produced coking coal for the shipping industries, and later for smelting iron.

The mine was closed in 2000 and is now being rehabilitated. Part of the mine closure included handing over the main offices and surrounding grounds to the community to create a skills development centre as part of a section 21 company.

The land around the mine was used to develop a cattle farm and, more recently, to produce maize for feed. A successful cattle-breeding programme has led to the farm reaching commercial status.

The Durnacol farm started in 1993 with 80 cows, and the first breeding bulls bought from a well-known Bonsmara stud in the Vrede area. Given the cost of buying bulls, Durnacol successfully initiated its own breeding programme using strict genetic selection criteria and now holds an annual production sale to satisfy demand for its healthy, fertile breeding stock.

Stringent financial processes and discipline have enabled the Durnacol cattle farm to retain profit, depending on annual weather conditions and meat prices.

Community involvement

As Durnacol surrounds a historic mine, relations and interaction with the community form a crucial part of the daily management of the operation.

Exxaro donated 300ha of land to the community for future farming activities. In addition we made another 300ha available for emerging cattle farmers in the community to use for grazing. Careful planning and management is critical for the initiative's sustainability and a joint Exxaro/emerging cattle farmers' committee was established to manage the process.

Through this committee, a mutually beneficial relationship has been developed and together we purchased fencing, hired a contractor to fence the area and divide it into camps. The next step will be to develop water points and cattle-handling facilities.

Community cattle will form part of Durnacol's health and dipping programme and some of our bulls will be made available for the community to use.

We are also establishing an agricultural academy at Durnacol and aim to use the successful cattle enterprise and the Durnacol skills innovation hub facilities to develop the local community and emerging farmers. Targeted at local community members, emerging farmers and interns from other educational institutions, the academy aims to:

- Develop learners' theoretical skills
- Ensure AgriSeta certification
- Provide practical and theoretical training.



Hlobane land management

The Hlobane operation, 30km west of Vryheid in KwaZulu-Natal, has been in closure for some time. Hlobane's main activities are now cattle farming and forestry plantations, while the land management operation is integrated with mine rehabilitation activities.

The main assets at Hlobane are some 300 cattle on 1 200ha of land and 1 000ha of forestry plantations. The remaining areas consist of townships, informal settlements and areas that are not accessible due to topography.

Exxaro's closure plan limited land use to forestry and cattle grazing, recognising that sustainable final land use is a crucial element of successful mine closure. Accordingly, after rehabilitation, we are implementing land use in a phased, coordinated and sensitive manner to ensure the sustainability of the chosen final land use, with proper monitoring against agreed standards.

To illustrate this phased approach, grazing is controlled and only in winter on rehabilitated discard dumps. Secondly, the density of trees on rehabilitated land is kept below that of a commercial forest for a number of rotations until the soil has recovered to an acceptable standard.

Forestry

The Hlobane forestry operations categorised as:

- Forestry on a 370ha area that was never mined and has no mining impact.
- Forestry on 156ha of opencast pits established as part of rehabilitating the pits. Most were planted with *Acacia meraensii* (black wattle). Subsequently, as part of the final land use plan, these trees were replaced by eucalyptus species to retain a negative water balance and break the soil compaction in the pits as eucalyptus tree roots are more aggressive than wattle.
- 97ha of forestry area that is not on opencast pits, but is undermined. There is regular subsidence in these plantations and most are planted on very steep slopes where it is unsafe to operate equipment. These areas are easy to integrate into grazing as they are next to current grazing areas. In these areas, the forestry will be eradicated totally and replaced with grassland.
- The remaining 386ha are not on opencast pits or undermined areas. They are also easily accessible and safe to operate on. The wattle on these areas is managed to optimise the potential yield.

The main aim of land management on Hlobane is to provide work opportunities for local people and entrepreneurs in the forestry industry. Our strategic planning therefore focuses on the long-term sustainability of these enterprises by assuring a cycle of ten-year rotation in the wattle plantations and eight-year rotation in the eucalyptus plantations.

This enables the operation to harvest 100ha of plantations per year. It also ensures that a further 300ha is managed at different stages of silviculture (the practice of controlling the establishment, growth, composition, health and quality of forests to meet diverse needs and values).



The forestry operation delivers several marketable products:

- Wattle bark for the tanning industry
- Pulp timber is transported to Richards Bay where it is chipped and shipped to global customers that manufacture paper or chipboard
- Charcoal or firewood timber.
- Eucalyptus trees that comply with requirements are sold to the treated poles market.

Hlobane's forestry operation performs lower financially than the industry norm, given that part of the plantation is on opencast pits with weaker soil fertility. Despite this, the operation makes a profit every year and provides employment for 70 people.

Cattle

The cattle farming operation at Hlobane was established to support two objectives:

- Enhance vegetation aspects of the rehabilitation programme
- Use grazing areas on Hlobane mountain.

All culled cattle from the Durnacol operation are brought to Hlobane just before winter. They are kept there until December when they are marketed.

Community involvement

All harvesting and silviculture activities are performed by contractors from surrounding communities. Relations with these communities are good. We believe community support is essential for sustainable mine closure – by incorporating the community into our land management operations, residents understand the sensitivities and requirements of managing rehabilitated land sustainably. We also create work in an area where unemployment is as high as 90% – entrepreneurial opportunities include making charcoal with timber offcuts and eradicating alien weeds in river courses.



Managing land responsibly

The Manketti Game Reserve was established in 1976 after Iscor acquired 16 farms next to its Grootegeluk mine outside the Limpopo town of Ellisras, now Lephalale. These farms covered 16 000ha and were initially devoted to cattle ranching. The intention was that the undeveloped land should form a buffer between the mine and local communities around the town.

In 2002, this land use changed to game farming which had proved the best sustainable land management practice for the area.

Manketti is an important element of Exxaro's biodiversity management strategy and broader sustainability objectives. It is also regarded as an important conservation area in the expanding Waterberg coal complex.

Manketti forms part of an ongoing monitoring programme conducted by Exxaro's Grootegeluk mine to assess the impact of mine operations on surrounding areas twice a year. Elements considered include noise, air and water quality impacts, with recent assessments confirming no significant environmental impact. Additional vegetation surveys and other ecological monitoring activities are performed by the research division at Manketti.

Manketti is managed on three pillars:

- The income-generating tourism element consists of the 16-room Manketti Lodge, conference facilities, tented camp and environmental education initiatives with local schools. This includes game drives and the owl box project, which give children from previously disadvantaged communities hands-on experience and unique insight into the need for, and importance of, biodiversity conservation. The local community participates in these activities through event performances and the sale of arts and crafts.
- Game hunts and live game sales generate revenue for the reserve.
- Research incorporates factors such as linear development impacts, game population dynamics and an ecological management plan.

Manketti donates firewood to local schools for feeding scheme initiatives while community members are considered first for permanent and seasonal jobs.

The game reserve is populated with game sourced from over South Africa to ensure a diverse gene pool. Species include white rhino, black rhino, cheetah and 40 other large mammal species, including rarities such as sable antelope and tsessebe. There are 181 recorded bird species, six snake species, reptiles and 12 other amphibian species to be found in the reserve. Surplus animals are sold to the South African game farming community.

Exxaro is considering the acquisition of five farms along the western edge of Manketti, which will add 6 000ha to the reserve.



Biodiversity across the Exxaro group 2014

- According to the latest national spatial biodiversity assessment report (2011) shape files of national protected areas, none of Exxaro's business units fall within these areas. Only Tshikondeni is next to a protected area (Kruger National Park)
- However, Exxaro has evaluated and identified all protected vegetation units with important conservation targets and listed as protected by the national spatial biodiversity assessment report (2011) – shown overleaf
- Exxaro also references the mining and biodiversity guideline, Mpumalanga biodiversity sector plan (2014), and national freshwater ecosystem priority areas (2011) guidelines during proposed expansion and new projects. Information from these guidelines is considered during desktop ecological and wetland studies and included in detailed site-specific assessments to confirm the accuracy of the guidelines. As guideline information is based on historical data, aerial photographs, land-use maps and various layers of information, it is important to conduct site-specific assessments to confirm conditions.



Geographic location	Business unit	Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units (national spatial biodiversity assessment report – 2011)	Type of operation	Land owned/ leased/managed by Exxaro	Position relative to protected/ high-diversity area	Size of operational site (ha) – dominant vegetation surface areas per type in brackets*	Biodiversity value (nature of area, listing of protected status)
Mpumalanga	Arnot	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Mostly underground with limited opencast	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/ farmers. Mining activities take place only on land belonging to Exxaro/Eskom	Not close to any Ramsar or protected areas/nature reserves under Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	18 668ha (8 116ha grassland, 931ha wetland, 435ha secondary/ transformed grassland consisting of abandoned croplands/rehabilitated areas, 497ha plantations, woodstocks, shelterbelts, 6 909ha cultivated lands, 902ha mine tailings and mining-related infrastructures, 518ha open water, 33ha grassland scrub and 327ha buildings)	Endangered
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened
	NBC Glisa	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast and underground	Owned and managed by Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, however some plant communities listed as endangered by NSBAR 2004	1 014ha (247ha natural grassland, 33ha wetland grassland, 7ha grassland scrub, 3ha buildings, 10ha cultivated fields, 293ha mine tailings and associated infrastructure, 49ha open water, 291ha plantations and 82ha secondary/transformed grassland)	Endangered
			Grassland eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened
			Grassland Lydenburg montane grassland (GM18)	Vulnerable with conservation target of 27%					Vulnerable
	NBC Strathrae	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Historical – opencast and underground – no further mining taking place	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/ farmers	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	6 166ha (3 206ha natural primary grassland, 358ha wetland grassland, 211ha secondary/transformed grassland consisting of abandoned cropland and rehabilitated areas, 1 811ha cultivated fields, 296ha mine tailings, borrow pits etc, 240ha open	Least threatened



Geographic location	Business unit	Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units (national spatial biodiversity assessment report – 2011)	Type of operation	Land owned/ leased/managed by Exxaro	Position relative to protected/ high-diversity area	Size of operational site (ha) – dominant vegetation surface areas per type in brackets*	Biodiversity value (nature of area, listing of protected status)
			Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%				water, 43ha plantations, woodlocks, shelterbelts)	Endangered
	NBC Belfast (proposed new mine)	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Proposed new opencast mine	Combination of owned (phase 1 of LOM owned by Exxaro), leased and managed by Exxaro – some farms in mining right area (phase II) belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004. S49 submitted by MTPA to DMR	5 800ha (1 556ha disturbed/secondary grassland, 3 078ha cultivated fields, 444 wooded area comprising alien invaders such as wattles and bluegum trees, 33ha human settlements and 689 other (including wetlands and aquatic ecosystems/pans)	Endangered
			Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened
	NBC (Eerstelingsfontein (proposed new mine)	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Proposed new opencast mine	Owned and managed by Exxaro	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004. S49 submitted by MTPA to DMR	315ha (206ha pastures, 32ha rocky outcrops with open grassland, 41ha moist grassland, 5ha wetlands/pans and 32ha other land uses)	Endangered
			Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened



Geographic location	Business unit	Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units (national spatial biodiversity assessment report – 2011)	Type of operation	Land owned/ leased/managed by Exxaro	Position relative to protected/ high-diversity area	Size of operational site (ha) – dominant vegetation surface areas per type in brackets*	Biodiversity value (nature of area, listing of protected status)
	Inyanda	Grassland	Rand highveld grassland (GM11)	Endangered with conservation target of 24%	Opencast	Land owned by Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	1 747ha (1 372ha natural grassland, 18ha grassland scrub, 248ha cultivated fields – rest consist of open water, mine tailings, secondary grassland etc)	Endangered
	Leeuwpan	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/ farmers	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	2 073ha (111ha grassland, 225ha wetland grassland, 1 061ha cultivated lands – balance mine tailings, mining-related infrastructures, secondary grassland and open water)	Endangered
			Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened
			Soweto highveld grassland (GM8)	Endangered with conservation target of 24%					Endangered
	Matla	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Underground	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/ farmers. Mining only takes place on land	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	26 162ha (7 329ha grassland, 3 446ha wetland grassland, 115ha stream vegetation (bushveld), 11 708ha cultivated fields, 1 654ha secondary grassland)	Endangered
			Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%					Least threatened



Geographic location	Business unit	Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units (national spatial biodiversity assessment report – 2011)	Type of operation	Land owned/ leased/managed by Exxaro	Position relative to protected/ high-diversity area	Size of operational site (ha) – dominant vegetation surface areas per type in brackets*	Biodiversity value (nature of area, listing of protected status)
						belonging to Exxaro/Eskom			
KwaZulu-Natal	Durnacol	Grassland	Income sandy grassland (Gs7)	Vulnerable with conservation target of 23%	Historically underground	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves under Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	20 102ha (11 113ha natural grassland vegetation, 4 041ha wetland grassland, 154ha stream vegetation (bushveld), 2 263ha secondary/transformed grassland consisting of abandoned croplands and rehabilitated areas, 113ha retracted plantations, 423ha plantations, 698ha cultivated fields, 322ha grassland scrub, 97ha open water, 295ha mine tailings and related infrastructure, 582ha buildings)	Vulnerable
	Hlobane	Grassland	Wakkerstroom montane grassland (GM14)	Least threatened with conservation target of 27%	Historically underground	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves under Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	5 780ha (1 070ha grassland scrub, 152ha mountain bushveld, 16ha open bushveld, 1 729ha grassland, 1 033ha plantations, 229ha wetland grassland, 63ha stream vegetation (bushveld), 291ha buildings, 328ha mine tailings and associated infrastructure, 39ha open water, 436ha retracted plantations, 33ha rocky outcrops, 305ha secondary/transformed grassland)	Least threatened
Limpopo	Tshikondeni	Forest – azonal	Lowveld riverine forest (FOa1)	Critically endangered with conservation target of 100%	Largely underground with three small mini-pits	Surface rights belong to the state	Adjacent to Kruger National Park	22 386ha (5 710ha mopane bushveld, 3 921ha mountain bushveld, 663ha open bushveld, 473ha riparian forest, 4 469ha thicket and encroached bushveld, 103ha woodland, 40ha wetland grassland, 412ha stream vegetation, 235ha inland forests and the rest consists of buildings (72ha),	Critically endangered
		Forest – zonal and intrazonal	Ironwood dry forest (FOz9)	Conservation target of 100%					-



Geographic location	Business unit	Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units (national spatial biodiversity assessment report – 2011)	Type of operation	Land owned/ leased/managed by Exxaro	Position relative to protected/ high-diversity area	Size of operational site (ha) – dominant vegetation surface areas per type in brackets*	Biodiversity value (nature of area, listing of protected status)
		Savanna	Musina mopane bushveld (SVmp1)	Least threatened with conservation target of 19%				cultivated fields (709ha), floodplain bushveld (27ha) etc)	Least threatened
		Savanna – lowveld	Makuluke sandy bushveld (SV11)	Vulnerable with conservation target of 19%					Vulnerable
	Grootegeluk	Savanna – central bushveld	Limpopo sweet bushveld (SVcb19)	Least threatened with conservation target of 19%	Opencast	Exxaro	Not close to any Ramsar or protected areas/nature reserves under Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	18 391ha (11 493ha bushveld vegetation, 2 016ha open bushveld, 960ha thicket and encroached bushveld, 36ha pans, 805ha woodlands, 0,4ha cultivated fields, 187ha floodplain bushveld, 11ha floodplain grassland, 2 257ha mine tailings and associated infrastructure, 178ha buildings, 431ha transformed/degraded bushveld and 17ha open water) (excluding properties purchased as part of proposed Thabametsi mine)	Least threatened



Business unit	Biome	Name of vegetation unit (Mucina & Rutherford, 2006)	Conservation status (NSBAR)*
Glisa, Strathrae and Leeuwpán	Grassland	Eastern highveld grassland	Endangered with conservation target of 24%
Glisa, Strathrae, Leeuwpán, Glen Douglas and Zincor	Grassland	Eastern temperate freshwater wetlands	Conservation target of 24%
Glisa	Grassland	Lydenburg montane grassland	Vulnerable with conservation target of 27%
Inyanda	Grassland	Rand highveld grassland	Endangered with conservation target of 24%
Leeuwpán, Glen Douglas, Zincor and FerroAlloys	Grassland	Soweto highveld grassland	Endangered with conservation target of 24%
Hlobane	Grassland	Wakkerstroom montane grassland	Least threatened with conservation target of 27%
Tshikondeni	Savanna	Musina mopane bushveld	Least threatened with conservation target of 19%
Grootegeluk	Savanna – central bushveld	Limpopo sweet bushveld	Least threatened with conservation target of 19%
Tshikondeni	Savanna – lowveld	Makuluke sandy bushveld	Vulnerable with conservation target of 19%



Mineral resources and reserves

Please refer to Exxaro's comprehensive mineral resources and reserves report on this website.

Governance

Application of King III

Exxaro is committed to applying the principles and practices in the King report on governance for South Africa 2009 (King III). In 2014 we continued to apply the principles (externally and independently assessed as AAA (highest application) early in the year) and improved those few areas indicated in the 2013 report as requiring attention:

- Principle 4.2 (board determining risk tolerance) – refer 4.2 in table that follows for detail on how this principle has been fully integrated into our risk management process, material issues, key performance indicators and application of the capitals model
- Principle 5.2 (aligning information management strategy with the performance and sustainability objectives of the company)
- Principle 5.6 (effective management of information management assets).

These are now fully applied. Full application of King III and compliance with the Listings Requirements is a strategic key performance indicator on our strategic dashboard (refer to integrated report and the first section in this report).



An extract of certain aspects is contained in the integrated report, with full detail on how the King III principles have been internalised and applied in Exxaro detailed below:

Principle		Indicator	Comment
Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation		Refer principle 2.3 under boards and directors
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen		Refer principle 2.4 under boards and directors
1.3	The board should ensure the company's ethics are managed effectively		Refer principle 2.5 under boards and directors
Boards and directors			
2.1	The board should act as the focal point for and custodian of corporate governance		<p>The board operates in accordance with a detailed charter, based on King III. This charter deals, inter alia, specifically with the roles, responsibilities and accountabilities of the board. It meets at least four times a year and corporate governance best practice, trends and developments are standing items on the agenda. In addition, the board is informed of governance matters through ongoing development interventions and sessions – refer principle 2.20 for further details.</p> <p>A detailed annual plan ensures the board executes all its responsibilities and complies with its charter.</p> <p>The board, as custodian of corporate governance, has made the office of the group company secretary responsible for implementing and monitoring compliance to associated best practices across the group. Our group company secretary, Carina Wessels, is a member of the executive committee (Exco); she reports directly to the CEO and has direct access to the chairman. She works closely with internal audit, the compliance and risk management functions, chief audit executive and our outsourced legal advisers to promote a culture of good governance and compliance in the group.</p>



Principle		Indicator	Comment
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable		<p>The board charter specifically emphasises the fact that the board acknowledges that strategy, risk, performance and sustainability are inseparable. The board gives effect to this philosophy by:</p> <ul style="list-style-type: none"> • Contributing to and approving the strategy annually, at which point past performance, key risks and sustainability matters are also debated • Testing the strategy against the company's long-term vision, values, business principles, ie the capitals framework and stakeholder expectations • Satisfying itself that strategy and business plans do not result in risks that have not been thoroughly assessed and addressed by management and captured through the comprehensive enterprise risk management process • Identifying key performance and risk areas • Ensuring the strategy will produce sustainable outcomes • Considering sustainability as a business opportunity that guides strategy formulation. <p>The discussion of our strategic objectives remains a method to further highlight the integration and importance of strategy, risk, performance and sustainability to stakeholders.</p> <p>The board and the sustainability, risk and compliance (SRC) committee also monitor key performance indicators (KPIs), which have been scaled to acceptable and tolerable risk appetite measures for all material issues against all capitals within the broader sustainability framework.</p>
2.3	The board should provide effective leadership based on an ethical foundation		<p>We are driven by our desire to always operate as a responsible corporate citizen and recognise that an ethical culture underpins corporate governance and contributes to our licence to operate. Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices, guided by our values. Our values are captured in our ethics and related policies, which are approved by the social and ethics (SE) committee on behalf of the board.</p>
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen		<p>The board and management subscribe to the philosophy that corporate governance – built on an ethical and values-based foundation that considers the expectations of all stakeholders – permeates all business activities and enables us to achieve our short- and medium-term strategic objectives, while contributing to reaching Exxaro's vision.</p> <p>The board provides strategic guidance to Exxaro and ensures all decisions consider the immediate and long-term impact these have on the environment, the communities in which we operate, internal and external stakeholders and business sustainability in general.</p>



Principle		Indicator	Comment
			<p>Individual directors are very aware of their duties and adherence to these, as well as to the principles of responsibility, accountability, fairness and transparency, which are tested through the annual board evaluation process – refer principle 2.22 under boards and directors for more information.</p> <p>The board supports the group's brand and communications strategy which strives to effectively communicate its corporate citizenship.</p> <p>During the reporting period, R88 million (2013: R57 million) was spent through the chairman's fund and foundation on social and labour plans, uplifting and supporting the communities in which we operate, as well as charitable projects and initiatives. As detailed earlier in this report a social return on investment assessment was completed to measure the real impact and sustainability of projects we implement, confirming that it is not just about being compliant, but about truly making a difference: the sustainable development of communities.</p> <p>Refer principle 2.11 for more information on stakeholder engagement.</p> <p>During the year, the group again received several awards, some recognising our standing as a good and responsible corporate citizen, detailed in the 2014 integrated report.</p> <p>Exxaro has a board-approved political donations policy, which acknowledges that the primary purpose of these donations is to strengthen and consolidate democracy by ensuring political parties are able to function effectively. Sustaining a number of political parties that reflect diverse political views and opinions is necessary to consolidate democratic transformation in South Africa. The company believes the principle of multiparty democracy, as contained in the founding provisions of the Constitution of the Republic of South Africa 1996, deserves support by corporate South Africa.</p> <p>In support of the 2014 elections, Exxaro's political donations were disclosed in the 2013 integrated report.</p>
2.5	The board should ensure the company's ethics are managed effectively		<p>Exxaro remains committed to the highest standards of honesty, integrity and fairness.</p> <p>Ethics processes and policies are managed either by the general manager: governance, risk and compliance or the group company secretary.</p>



Principle		Indicator	Comment
			<p>Established policies, on which employees are regularly trained and which are frequently reviewed, include:</p> <ul style="list-style-type: none"> • Code of ethics • Whistleblowing • Conflicts of interest • Fraud investigation • Fraud prevention • Fraud response • Gifts and benefits from suppliers. <p>In 2014, a bespoke anti-bribery and corruption policy was implemented to ensure full compliance with principle 10 of the United Nations Global compact on anti-corruption, OECD recommendations on corruption, and international legislation and best practice.</p> <p>Refer to the SE committee report for more information, especially on anti-bribery and corruption training and computer-based ethics training.</p>
2.6	<p>The board should ensure the company has an effective and independent audit committee</p> <p>Section 3.84(d) of the Listings Requirements</p>		<p>Shareholders elect members of the audit committee, which consists only of independent non-executive directors, annually.</p> <p>The committee operates under detailed terms of reference, reviewed and approved by the board annually.</p> <p>The committee meets at least four times a year and meets with internal and external auditors independently of management at the first and third meetings of the year, to align with the annual and interim financial statements review cycle.</p> <p>Refer the audit committee report and chapter 3 on audit committees for more information.</p>
2.7	The board should be responsible for the governance of risk		<p>Although the board has delegated responsibility for the enterprise risk management framework and executing risk management initiatives and interventions to the SRC committee and management respectively, it retains accountability for risk governance, as expressly indicated in the board charter.</p>



Principle		Indicator	Comment
			<p>The enterprise risk management framework, which considers the interrelationship between strategy, risk, performance and sustainability, guides the approach and was initially approved by the board in November 2011 and an improved version in November 2014.</p> <p>Refer the risk management section for more information on the framework and operational process.</p> <p>Detailed risk reporting is presented to the SRC committee at least biannually and the committee reports verbally and via committee minutes to the board at each meeting. Risks are also discussed in detail during the annual board strategy session. Based on this information, as well as the annual internal audit review of the effectiveness of the risk management process, the board is comfortable with the efficacy of the enterprise risk management system and process.</p> <p>Refer chapter 4 on the governance of risk for more information.</p>
2.8	The board should be responsible for information technology (IT) governance		<p>An information management steering committee was established as a subcommittee of the audit committee in the latter part of 2013 to assist the audit committee in discharging its responsibilities on the effective and efficient management of IT resources and the integrity of information to achieve corporate objectives.</p> <p>The board- approved information and communications technology governance framework remains in force and reporting to the committee, inter alia, occurs against this framework.</p> <p>The independent external auditors, as part of their annual audit, provide assurance on the effectiveness of IT internal controls.</p> <p>Refer chapter 5 on the governance of IT for more information.</p>
2.9	The board should ensure the company complies with all applicable laws and considers adherence to non-binding rules, codes and standards		<p>The board has adopted a compliance policy that sets out our compliance framework, which is in line with the standards of the Compliance Institute of South Africa. The compliance process is fully integrated in the enterprise risk management process. This ensures compliance risks are addressed with the same rigour as other categories of risk.</p> <p>The SRC committee is charged, under its terms of reference, to review the compliance framework, process and all compliance risks as part of the enterprise risk management process.</p>



Principle	Indicator	Comment
		<p>The risk impact matrix, adopted by the board, specifically refers to compliance impacts that would prevent Exxaro from achieving its strategic objectives. To ensure the best overall risk coverage, standardisation and discharging the accountability of risk owners, the implementation of all mitigation techniques is coordinated centrally.</p> <p>Our combined assurance process is risk-based and, in 2014, specific emphasis was placed on assurance activities covering our most important compliance controls relating to 'licence to operate'.</p> <p>The following compliance assurance activities have been concluded and findings reported:</p> <ul style="list-style-type: none"> • Compliance to mining charter, issued in terms of the Mineral and Petroleum Resources Development Act 28 2002 (MPRDA) • Validity and enforceability of the mining rights. <p>The compliance KPIs now form part of the company's strategic performance dashboard. Specific tolerance levels have been set as part of Exxaro's overall risk appetite. Compliance KPIs, and the overall efficacy of the process, are reported to the SRC committee which, in turn, reports to the board verbally and by submitting minutes at each of its meetings.</p> <p>In addition to management training, the board receives legislative and best-practice updates at each meeting, and during the biannual governance session – refer principle 2.20 under boards and directors for more information.</p> <p>Compliance is not only a legal imperative, but a moral and ethical imperative. Therefore we have specifically decided to implement many of the best practices (based on legislation and non-binding rules, codes and standards) applicable in South Africa to our project in the Republic of the Congo, where such legislation does not necessarily exist and where we do not have a legal obligation to do so.</p> <p>The company received no material fines or penalties for non-compliance in 2014. Refer chapter 6 on compliance with laws, rules, codes and standards for more information.</p>
2.10	The board should ensure there is an effective risk-based internal audit	<p>The internal audit function is outsourced to Ernst & Young (EY). Its responsibilities are set out in an internal audit charter approved by the audit committee and reviewed annually. The charter, inter alia, entrenches the risk-based audit approach, reporting lines to the chief audit executive,</p>



Principle		Indicator	Comment
			<p>unrestricted access to the information and resources of the company, chairmen of the audit committee and board, as well as adherence to the standards for the professional practice of internal auditing and the code of ethics of the Institute of Internal Auditors.</p> <p>EY liaises regularly with the general manager: risk, compliance and assurance, who is also the chief audit executive, and discusses the risk profile of the group and those of its business units to ensure a link between internal audit activities and risk profiles.</p> <p>Refer chapter 7 on internal audit for more information.</p>
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation		<p>The board keenly understands the link between stakeholder perceptions and Exxaro's reputation. Stakeholder engagement is therefore a critical part of our business as it influences both stakeholder perceptions and our reputation. Stakeholder relations can be affected by several of Exxaro's identified top risks.</p> <p>We have adopted the AccountAbility AA1000SES stakeholder engagement standard to guide the development of related capabilities and activities in Exxaro. This standard is a basis for a generally applicable, open-source framework for designing, implementing, assessing and communicating the quality of stakeholder engagement.</p> <p>The guiding principles of AA1000SES and the principles of the following documents shape our stakeholder engagement activities:</p> <ul style="list-style-type: none"> • King III • Global Reporting Initiative guidelines • Companies Act 71 2008, amended • IIRC reporting framework. <p>Refer the section on stakeholders and chapter 8 on governing stakeholder relationships for more information.</p>
2.12	The board should ensure the integrity of the company's integrated report		<p>Functional owners are accountable to ensure the integrity of data and general information in the integrated report under the guidance and coordination of an editorial committee.</p> <p>PricewaterhouseCoopers Incorporated (PwC) assures key performance indicators and audits the summarised financial information.</p>



Principle		Indicator	Comment
			<p>The board reviews and finally approves the content of the integrated report prior to publication and circulation.</p> <p>Refer chapter 9 on integrated reporting and disclosure for more information.</p>
2.13	The board should report on the effectiveness of the company's system of internal controls		<p>The internal auditors specifically emphasised that there had been a further notable improvement in the overall control environment and confirmed that the system of internal controls was satisfactory.</p> <p>On this basis, the audit committee confirmed and the board has reported its satisfaction with the effectiveness of the company's system of internal controls.</p>
2.14	The board and its directors should act in the best interests of the company		<p>The board strictly adheres to its fiduciary duties and duty of care and skill codified in the Companies Act. These are mirrored in the conflicts of interest policy, which also applies to directors. Directors are authorised to obtain independent advice in connection with their duties and liabilities through the group company secretary.</p> <p>Conflicts are declared at each board meeting and conservatively interpreted: all conflicts (even those broader than the definition of personal financial interests) are treated in line with section 75 of the Companies Act.</p> <p>The securities dealing and information policy, which includes the process required for dealing in securities by directors, was again updated in 2014.</p>
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act		<p>The audit committee reviews financial information in detail and recommends specific action to the board if required. The committee regularly reviews the solvency and liquidity of the group, as well as the going-concern statement.</p> <p>In addition, when considering and reviewing the provision of financial assistance to related and inter-related parties, as well as dividends payable, the board considers the solvency and liquidity of the group. During the year, the company met the solvency and liquidity test each time it was performed.</p>
2.16	The board should elect a chairman who is an independent non- executive director. The CEO should not also fulfil the role of chairman of the board		<p>The roles of the CEO and chairman are separate: Dr Len Konar is an independent non-executive director and the CEO is Sipho Nkosi.</p> <p>Based on an evaluation of his performance and ability to add value, the chairman is re-elected by the board annually.</p>



Principle		Indicator	Comment
			The role and responsibilities of the chairman are articulated in the board charter and further entrenched in the division of responsibilities policy.
2.17	The board should appoint the chief executive officer and establish a framework for delegation of authority		<p>The board appointed Sipho Nkosi as CEO on 1 September 2007. His role and responsibilities are articulated in the board charter and further entrenched in the division of responsibilities policy.</p> <p>A detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management.</p> <p>The remuneration committee (Remco) provides input on senior management succession planning.</p>
2.18	<p>The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent</p> <p>Sections 3.84(b), (f) and (g) of Listings Requirements</p>		<p>The company has a unitary board structure, comprising executive, non-executive and independent non-executive directors (classified in accordance with the Listings Requirements and King III requirements):</p> <ul style="list-style-type: none"> • Seven independent non-executive directors • Three non-executive directors • Two executive directors. <p>To support Remco in its nomination process, the group company secretary maintains a board matrix to ensure breadth and depth of skills and experience that support and enable the company's vision and strategy: new board nominations are assessed against gaps identified in the matrix. Refer the 2014 integrated report for a visual representation of their skills and experience.</p> <p>One third of non-executive directors retire by rotation annually.</p> <p>The memorandum of incorporation does not restrict the board's ability to remove a director without shareholder approval.</p>
2.19	<p>Directors should be appointed through a formal process.</p> <p>Sections 3.84(a) and (e) of Listings Requirements</p>		In line with the board charter, Remco is responsible for vetting shareholder nominee directors and identifying suitable candidates to be proposed to the board for consideration and, on its support, to shareholders for election. In line with the memorandum of incorporation (MoI), one third of non-executive directors retire by rotation annually and their suitability for re-election is assessed by the board as a whole. Summarised résumés of directors standing for election and re-election are included in the integrated report 2014.



Principle		Indicator	Comment
			New directors receive a detailed letter of appointment and undergo induction as discussed in principle 2.20.
2.20	The induction and ongoing training and development of directors should be conducted through formal processes		<p>The formal board induction programme is managed by the group company secretary: new directors are informed of their duties and responsibilities, they meet with fellow board members and key executive and senior management, and information on the company is provided through extensive induction material, discussions and visits to material business units. All have continued access to key management members for information on Exxaro's operations.</p> <p>The formal ongoing directors' development programme involves two full-day sessions during the year, visits to key business units, and the opportunity to attend outsourced training interventions as required.</p> <p>Topics for the 2014 full-day sessions included:</p> <ul style="list-style-type: none"> • Disclosure of price sensitive information, legislation and JSE listings requirements • Mining industry research and trends • Risk appetite and application in Exxaro • Offshore subsidiary overview and tax legislation • Mineral and Petroleum Resources Development bill • Major trends and new uncertainties in South Africa • International and South African anti-bribery and corruption legislation and requirements • Business risks facing mining and metals companies in 2014/5. <p>In addition to formal sessions, directors receive group and industry news articles daily, as well as regular analyst reports. During the year, R581 429 (2014: R780 000) was spent on director development and support activities, information sharing and corporate governance initiatives.</p>
2.21	<p>The board should be assisted by a competent, suitably qualified and experienced company secretary</p> <p>Sections 3.84(i) and (j) of Listings Requirements</p>		The board selects and appoints the group company secretary and recognises this person's pivotal role in entrenching good corporate governance. All directors have access to the advice and services of the group company secretary. The board has an established procedure for directors to obtain independent professional advice at the group's cost. The group company secretary assists directors, board committees and their members in obtaining such professional advice.



Principle		Indicator	Comment
			<p>Carina Wessels was appointed group company secretary on 1 July 2011. As stipulated by the Listings Requirements, a detailed assessment was conducted by the board to consider and satisfy itself of her competence, qualifications and experience. This was performed by:</p> <ul style="list-style-type: none"> • A review of her qualifications and experience: Carina holds LLB and LLM degrees, a certificate in advanced labour law, is an admitted advocate of the High Court of South Africa, has completed a programme for management development and is a fellow and past president of Chartered Secretaries Southern Africa (CSSA). In 2014 she was president of the Corporate Secretaries International Association, a global federation of membership bodies representing 100 000 members worldwide, and remains on their executive committee after concluding her term as president on 31 December 2014. She is a member of the Computershare issuer forum board, as well as the JSE company secretary forum. During the year, she delivered presentations at a number of local and international corporate governance conferences, published articles and exceeded her continuing professional development requirements stipulated by CSSA. • Completing a performance assessment detailing all the legislative and King III requirements by each director: This indicated that directors agreed that all expectations had been regularly exceeded (average score of 4.4 out of 5). She does not serve as a director of the board and the assessment confirmed her independence and arm's-length relationship with the board based on displayed behaviours and her confirmation that she has not been restricted in any way or constrained in carrying out her obligations to act as the company's gatekeeper of good governance and that she has a direct channel of communication to the chairman and the other directors.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year		<p>Board and committee performance is evaluated annually. For the 2014 financial year, an internally facilitated evaluation was completed, which confirmed that all deficiencies identified in the 2013 evaluation had been effectively addressed, and noted a marked improvement in overall scores (out of four, thus rated as 'good/meeting best practice') with no item on any evaluation scoring below three (thus 'satisfactory'):</p> <ul style="list-style-type: none"> • Board: 3,88 (2013: 3,54) • Audit committee: 3,72 (2013: 3,57) • Remuneration and nomination committee: 3,69 (2013: 3,39) • Social and ethics committee: 3,59 (2013: 3,34) • Sustainability, risk and compliance committee: 3,47 (2013: 3,40).



Principle		Indicator	Comment
			<p>These evaluations form the basis of the board's assessment of directors' and committee members' suitability for election and re-election: summarised résumés for such directors and committee members are included in the integrated report 2014.</p> <p>Our external auditors have performed certain agreed procedures on our annual board evaluation process, and no concerns have been highlighted.</p> <p>An external assessment was planned for 2015, but due to cost-containment initiatives, has been postponed to 2016 at the earliest.</p>
2.23	<p>The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities</p> <p>Section 3.84(d) of Listings Requirements</p>		<p>Board committees assist the board in executing its duties, powers and authorities. The board delegates to each committee the required authority to enable it to fulfil its respective functions through formal board-approved terms of reference, which are reviewed annually.</p> <p>Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities.</p> <p>All committees comprise a majority of independent non-executive directors. The board has established the following committees:</p> <p>Audit committee</p> <p>Apart from the statutory duties of the audit committee set out in the Companies Act, the provisions of the Listings Requirements and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance and aspects of integrated reporting.</p> <p>The purpose of the committee is to:</p> <ul style="list-style-type: none"> • Examine and review the group's financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public • Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions • Oversee the external audit function and approve audit fees • Evaluate the qualification, appropriateness, eligibility and independence of the external auditor



Principle	Indicator	Comment
		<ul style="list-style-type: none"> • Approve the appointment of the internal auditors, internal audit plan, charter and fees • Evaluate the scope and effectiveness of the internal audit function • Ensure effective internal financial controls are in place • Review the integrity of financial risk control systems and policies • Evaluate the competency of the finance director and finance function • Appoint the chief audit executive • Oversee the effectiveness of the combined assurance plan and outcome. <p>More information appears in the audit committee report.</p> <p>Remuneration and nomination committee (Remco) The purpose of this committee is to:</p> <ul style="list-style-type: none"> • Make recommendations on remuneration policies and practices, including the company's employee share schemes, for executive directors, senior management and employees • Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the SRC committee. <p>Although this is a combined committee, a process is in place to ensure the following responsibilities for the nomination element are carried out:</p> <ul style="list-style-type: none"> • Provide recommendations on the composition of the board and board committees, and ensure the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing procedures for appointments to the board • Provide comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment. <p>The board chairman chairs the meeting when discussing nomination matters. More information appears in the remuneration committee report.</p> <p>Sustainability, risk and compliance (SRC) committee The purpose of the committee is to:</p> <ul style="list-style-type: none"> • Provide oversight on three important aspects influencing strategy and the long-term viability of the company, being sustainability, risk and compliance • Oversee and coordinate all risk and compliance activities (although the audit committee remains accountable for financial risk and compliance)



Principle	Indicator	Comment
		<ul style="list-style-type: none"> • Review significant SRC incidents, performance indicators and compliance • Ensure the company reports annually through an integrated report on relevant SRC issues. <p>More information appears in the SRC committee report.</p> <p>Social and ethics committee The purpose of the committee is to monitor the group's activities, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on:</p> <ul style="list-style-type: none"> • Social and economic development • Good corporate citizenship • The environment, health and public safety, including the impact of the group's activities and its products or services • Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws • Labour and employment • The effective management of the group's ethics processes. <p>More information appears in the social and ethics committee report.</p> <p>Apart from the SE committee, which meets biannually, all other board committees meet quarterly.</p> <p>The following key management committees support the board and chief executive officer (CEO) in the day-to-day management of the company.</p> <p>Executive committee (Exco) Exco is constituted to assist the CEO in managing the group. It assists the CEO in guiding and controlling the overall direction of the company and acts as a medium of communication and coordination between business units, corporate office, subsidiary companies and the board. All Exco members are prescribed officers in terms of the Companies Act.</p> <p>The committee formally meets around nine times each year and, informally, each week.</p> <p>Information management (IM) steering committee</p>



Principle		Indicator	Comment
			<p>The IM steering committee is constituted as a subcommittee of the audit committee to assist that committee in executing its responsibility for IT governance.</p> <p>The committee meets four times a year.</p> <p>Investment review committee This committee is constituted as a management committee to assist the CEO with the investment and capital expenditure management processes of the group.</p> <p>The committee meets around five times a year.</p> <p>Offshore review committee The offshore review committee is constituted as a management committee to assist the CEO and finance director in managing Exxaro's portfolio of offshore investments and interests.</p> <p>The committee meets at least twice a year.</p> <p>Portfolio review committee The portfolio review committee is constituted as a strategy management committee to assist the CEO with portfolio management.</p> <p>The committee meets around nine times a year.</p>
2.24	A governance framework should be agreed between the group and its subsidiary boards		All Exxaro subsidiaries adopt and comply with the detailed delegation of authority framework and policy, which stipulates the governance framework.
2.25	Companies should remunerate directors and executives fairly and responsibly		Refer the extensive remuneration committee report for full details.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives		Refer the extensive remuneration committee report for full details.
2.27	Shareholders should approve the company's remuneration policy		At the 2014 annual general meeting, 74,24% of shareholders voted in favour of the remuneration policy by means of a non-binding advisory vote. This resolution has again been incorporated into the notice for the 2015 annual general meeting.



Principle	Indicator	Comment
Audit committees		
3.1	The board should ensure the company has an effective and independent audit committee	Refer principle 2.6 under boards and directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	<p>All four members are independent non-executive directors and the chairman of the board is not a committee member.</p> <p>The committee meets the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. The chairman, Jeff van Rooyen, and Vuyisa Nkonyeni are chartered accountants.</p> <p>Changes in international financial reporting standards and related developments are submitted to the committee at each meeting.</p> <p>As with all directors, the committee is entitled to consult appropriate specialists as required.</p>
3.3	The audit committee should be chaired by an independent non-executive director	The chairman, Jeff van Rooyen, is an independent non-executive director and is elected by the board annually. He is always present at the annual general meeting of the company.
3.4	The audit committee should oversee integrated reporting	<p>The committee, as well as the SRC committee, reviews the report, including any summarised information, prior to submission to the board.</p> <p>The committee functions as a reporting oversight body in support of the SRC committee, which has a wider mandate to govern company performance on risk and sustainability in general.</p> <p>PwC provides assurance over key performance indicators disclosed in this report, and audits summarised financial information.</p> <p>The company issues reviewed interim financial statements.</p>
3.5	The audit committee should ensure a combined assurance model is applied to provide a coordinated approach to all assurance activities	<p>The combined assurance framework, with its underlying model, was approved in 2012.</p> <p>Significant progress was made in 2013 and 2014 to ensure better coordination of assurance activities, most notably to ensure the correct level of assurance of mitigation or controls implemented for strategic risks in the group.</p>



Principle		Indicator	Comment
			<p>The combined assurance forum is operating effectively and consists of the chief audit executive, acting as chairman, the general manager of SHEC, the finance manager of the coal business, relevant functional representatives, as well as invitees from the major assurance service providers in the group. The forum ensures that assurance activities are performed in executing a specific regulatory requirement or can be linked to a material risk exposure. A combined assurance map, linking assurance to risks, assists in this process.</p> <p>To ensure all findings are tracked, reported and closed out, Exxaro uses a single assurance tracking platform, called ITM. This allows management a single point of entry to manage assurance findings, regardless of which service provider conducted the audit or review.</p> <p>Refer the section on combined assurance for more information.</p>
3.6	<p>The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.</p> <p>Section 3.84(h) of the Listings Requirements</p>		<p>As required by the JSE Listings Requirements, the audit committee, through a formal process, has satisfied itself of the finance function's resources, experience and expertise and the appropriateness of the expertise and experience of the finance director.</p> <p>The group company secretary facilitated completion of a questionnaire in the finance department to enable the committee's review: the majority of responses were positive with respect to the function and the finance director and no serious concerns were raised.</p>
3.7	The audit committee should be responsible for overseeing internal audit		The audit committee is responsible for appointing the chief audit executive and he has unfettered access to its chairman and the chairman of the board. The audit committee approves the risk-based internal audit plan annually. The independent internal auditor submits detailed reports to each meeting, the chairman meets independently with internal audit and the committee meets with the internal and external auditors independently of management at the first and third meetings of the year, to align with the review of annual and interim financial statements.
3.8	The audit committee should be an integral component of the risk management process		Although the coordination of enterprise risk management has been delegated to the SRC committee, the audit committee remains involved to express a view on the system of internal control and risk management, the assurance provided on material risks, and specifically retains accountability for financial and information technology risk.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process		At the first committee meeting of each year, the committee assesses the suitability of the independent external auditor for reappointment, based on the criteria stipulated in the Companies Act and the Listings Requirements, and makes such recommendation to shareholders at the annual general meeting. The committee approves the terms of engagement and remuneration of the independent external auditor and also assesses the quality and effectiveness of the external



Principle		Indicator	Comment
			<p>audit process. The independent external auditor submits detailed reports to each meeting, including any reportable irregularities.</p> <p>As noted in the audit committee report, the company has an approved policy to regulate the use of non-audit services by the independent auditor. The policy differentiates between permitted and prohibited non-audit services and specifies a monetary threshold at which the committee considers approvals.</p> <p>The chairman meets independently with external audit and the committee meets with internal and external auditors independently of management at the first and third meetings of the year, to align with the review of annual and interim financial statements.</p>
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties		<p>As discussed under principle 2.23 under board and directors, all board committees report to the board through verbal feedback and submitting minutes at each board meeting.</p> <p>An audit committee report is included in the integrated report 2014 and the audit committee chairman is present at the annual general meeting to respond to any questions.</p>
The governance of risk			
4.1	The board should be responsible for the governance of risk.		Refer principle 2.7 under boards and directors.
4.2	The board should determine the levels of risk tolerance.		<p>At the April 2014 board governance session, a detailed discussion on risk tolerance took place and the board approved the appropriate tolerance levels for each of the strategic key performance indicators.</p> <p>These tolerance levels have been incorporated in the strategic focus areas to ensure that neither too little nor too much risk is taken in pursuing Exxaro's strategy.</p> <p>The company's impact scale has also been aligned to the tolerance levels. This ensures historical information can be reported and an assessment made whether the company has been acting in accordance with the predetermined risk appetite and whether the company will continue to act in accordance with the risk appetite, considering the risk information.</p>



Principle		Indicator	Comment
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities		The board has formally delegated the responsibility for risk management to the SRC committee, with assistance from the audit committee.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan		<p>Execution of risk management has been delegated to the governance, risk and compliance department.</p> <p>Refer principle 2.7 under boards and directors on the SRC process. The SRC committee consists of four independent non-executive directors. It meets four times per annum and its performance forms part of the annual board and committee evaluation.</p> <p>Risk champions at all business units and service functions oversee entrenchment of the process. This includes ensuring risk owners continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of their operating environment. In addition, risk champions coordinate risk management forums at business units and service functions which, in turn, escalate risks against defined parameters to similar forums at a consolidated commodity and group level.</p> <p>The risk and compliance manager is responsible for reporting to the SRC and audit committees on financial and information technology risks.</p> <p>Exxaro operates under a world-class information management system which ensures true transparency and accountability in managing risks and reporting on the effectiveness of mitigation techniques to ensure strategic objectives are achieved.</p>
4.5	The board should ensure risk assessments are performed on a continual basis		<p>Formal risk assessments are conducted at least quarterly at all business units and service functions, in line with the detailed enterprise risk management framework.</p> <p>Refer principle 4.4 and the risk and compliance section in the integrated report 2014.</p>
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks		<p>The enterprise risk management framework, as far as reasonably possible, includes processes to prompt the identification of unpredictable risks, including events with high impacts and low probability that would cause severe business disruptions.</p> <p>Exco and the board have access to risk reports compiled by thought leaders in the area of risk management and mining, and these are incorporated in the strategic risk register of the group. These risks are linked to specific strategic objectives and risk owners at executive level, coupled</p>



Principle		Indicator	Comment
			with relevant risk strategies to ensure flexibility of the strategy in the changing environment in which Exxaro operates.
4.7	The board should ensure management considers and implements appropriate risk responses		Although the board has delegated the responsibility for risk management, it reviews the top enterprise risks, including risk responses, annually, which would include a review of responses to exploit potential upside risk.
4.8	The board should ensure continual risk monitoring by management.		The risk profile of every business unit is discussed at its monthly meetings. Operational risks are reported quarterly to Exco for noting. Commodity and regional risk profiles are also compiled, taking into account the strategic objectives of the commodity and region.
4.9	The board should receive assurance on the effectiveness of the risk management process.		The risk and compliance manager, through reporting to the SRC committee, assures the board that risk management is being entrenched in Exxaro's operational activities. In addition, the independent internal auditor provides assurance to the board on the effectiveness of the risk management process annually.
4.10	The board should ensure there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders		Top enterprise risks are disclosed in the integrated report 2014. Significant issues are disclosed in media reports and on JSE Securities Exchange News Service (SENS) throughout the year, as deemed appropriate. Internal audit has reported to the audit committee on the effectiveness of the risk management process and the committee, in turn, expressed a view on the process on behalf of the board.
Governance of information technology			
5.1	The board should be responsible for information technology (IT) governance		Refer principle 2.8 under boards and directors.
5.2	IT should be aligned with the performance and sustainability objectives of the company		The IT strategy's overarching objective is to align and integrate all underlying systems to truly support the integration of strategy, governance, risk, compliance, performance and sustainability. Achievement of these aims is monitored by the IM steering committee. Significant effort was employed in 2014 and will continue in 2015 to ensure the IT strategy supports and enables the overall business strategy.
5.3	The board should delegate to management the responsibility for implementation of an IT governance framework		The implementation of the governance framework has been delegated to the information management department, with oversight by the IM steering committee.



Principle		Indicator	Comment
			Ian Brown is the chief information officer and reports to the audit committee on IT matters in line with annual plans or as specifically required.
5.4	The board should monitor and evaluate significant IT investments and expenditure		<p>Information and communication technology (ICT) acquisitions fall within the same capital approval parameters as other projects and would thus, based on value, be elevated to the board. The IM steering committee vets potential projects and initiatives prior to decisions being taken or these being recommended to the investment review committee and subsequent levels, ie the board, in line with the capital expenditure parameters.</p> <p>Expenditure approval parameters were reviewed during the year to ensure the IM steering committee debates and reviews all information technology capital and operational expenditure.</p> <p>A number of ICT projects are undertaken due to strategic fit and a quantifiable return on investment may not be clearly visible.</p>
5.5	IT should form an integral part of the company's risk management		<p>The enterprise risk management framework includes assessment and management of all ICT risks, and the risk impact matrix makes specific reference to IT-related impacts, which form part of any risk assessment.</p> <p>Exxaro operates under a world-class information management system which ensures true transparency and accountability in managing risks and reporting on the effectiveness of mitigation techniques to ensure strategic objectives are achieved.</p> <p>A disaster recovery policy and procedures are in place and tests are performed monthly: all tests in 2014 were successful.</p> <p>The IM steering committee is responsible for monitoring and ensuring compliance with ICT-related legislation and best practice. The approved ICT governance framework is based on COBIT.</p>
5.6	The board should ensure information assets are managed effectively		<p>All electronic information assets are managed effectively. Employee access to relevant information is strictly controlled through an effective authorisation process. All electronic information is backed-up daily in accordance with a backup policy and procedures and stored off-site.</p> <p>A detailed security framework, based on international best practice and aligned with the ICT framework, was implemented in 2014.</p>



Principle		Indicator	Comment
			The company is preparing for the impending commencement date of the Protection of Personal Information Act 4 2013 and the group company secretary has been appointed as the information officer in terms of this act.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities		<p>The audit committee, through reporting by the IM steering committee, considers ICT risks and mitigating actions, which are managed in line with the overall enterprise risk management framework.</p> <p>A number of IT systems are used to improve audit efficiency, inter alia, as discussed in principle 3.5 under audit committees, Exxaro uses a single assurance tracking platform, ITM. This allows management a single point of entry to manage assurance findings, regardless of the service provider that conducted the audit or review.</p>
Compliance with laws, rules, codes and standards			
6.1	The board should ensure the company complies with applicable laws and considers adherence to non-binding rules, codes and standards		Refer principle 2.9 under boards and directors.
6.2	The board and each director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business		Information on laws, rules, codes and standards are shared with directors regularly through documentation and governance sessions – refer principle 2.20 under boards and directors.
6.3	Compliance risk should delegate to management the implementation of an effective compliance framework and processes		Refer principle 2.9 under boards and directors and 6.4 under compliance with laws, rules, codes and standards.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes		<p>Implementation has been delegated to the governance, risk and compliance department. All management teams at business units have received training on the enterprise risk management process, which includes compliance risk management. Compliance risks form part of the risk registers of all operations, including those of regional management, Exco and the board.</p> <p>Combined assurance mapping has also been completed on all material compliance risks at every business unit and results form part of their management action plans, as well as the risk-based internal audit plan.</p>



Principle		Indicator	Comment
			<p>Compliance forms part of the ethics and related policies.</p> <p>Compliance key performance indicators are reported to the SRC committee quarterly.</p> <p>During the reporting period, there were no instances of material non-compliance by the company or its directors.</p> <p>The risk and compliance manager is Saret van Loggerenberg and her qualifications include a BLC, LLB and LLM (Eur). She is also a CSSA graduate. She is supported by a team of three members and reports to the general manager: risk, compliance and assurance who is a standing invitee on the Exco, SRC, audit and SE committees.</p>
Internal audit			
7.1	The board should ensure there is an effective risk-based internal audit		Refer principle 2.10 under boards and directors.
7.2	Internal audit should follow a risk-based approach to its plan		Refer principle 2.10 under boards and directors.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management		Refer principle 2.13 under boards and directors.
7.4	The audit committee should be responsible for overseeing internal audit		Refer principle 3.7 under audit committees.
7.5	Internal audit should be strategically positioned to achieve its objectives		Internal audit reports to the chief audit executive, who is a standing invitee to the Exco, audit, SRC and social and ethics committees.
Governing stakeholder relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation		Refer principle 2.11 under boards and directors.



Principle		Indicator	Comment
8.2	The board should delegate to management to proactively deal with stakeholder relationships		<p>The primary management of stakeholders has been delegated to the executive head: strategy and stakeholder engagement, with support from all executive committee members and management in general.</p> <p>To date the company has actively engaged with its range of stakeholders, and to bring best practice and consistency to this arena, in 2014 it adopted the AccountAbility 1000SES stakeholder engagement standard which serves as a benchmark for good quality engagement. The standard uses the principles of inclusivity, materiality and responsiveness and guides the process of mapping stakeholders, linking material issues to relevant stakeholders, among other items.</p> <p>A stakeholder engagement framework is in place and supporting engagement plans are being incrementally drafted for all areas of the company.</p> <p>The group strives to engage openly and proactively with stakeholders, and issues and requests from stakeholders are responded to as part of ongoing engagement programmes.</p> <p>Further information is contained in the integrated report 2014.</p>
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company		The group has identified its stakeholder groups and appropriate management from the various functions in the group are assigned to manage relationships with stakeholders. The intention is to promote two-way engagement so that the group and stakeholders understand one another, and a communication strategy provides support and offers opportunities in this regard.
8.4	Companies should ensure equitable treatment of shareholders		<p>Exxaro fully complies with the Listings Requirements on disclosing information to shareholders. A detailed securities-dealing and information policy sets out very strict rules around material price-sensitive information and its disclosure and was again updated in 2014 to reflect the latest requirements. Any material price-sensitive information and other relevant information is published on SENS in accordance with the Listings Requirements.</p> <p>All queries from shareholders are either handled by the group company secretary or investor relations and only information available in the public domain is disclosed.</p>
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence		The board supports the group's communications strategy, which is guided by principles that include being approachable, genuine and principled. The group strives for honest and clear communication and uses various communication channels such as media relations, advertising, integrated reporting and its website to reach stakeholders timeously and effectively.



Principle		Indicator	Comment
			<p>The following requests were received in terms of the Promotion of Access to Information Act 2000 and handled as follows:</p> <ul style="list-style-type: none"> • Various Mooifontein community requests for information on the impact of mining operations on infrastructure and water supply – detailed proprietary reports were not provided due to confidentiality, but full explanations were given that satisfied the fundamentals of the various requests. • Centre for Environmental Rights request on Grootegeeluk to Eskom – the request, as received, dealt with Eskom only and no specific further request was received for Exxaro information. • Lungisa Pumps Proprietary Limited on a forensic audit conducted for Exxaro Coal Mpumalanga – this request was refused due to confidentiality considerations.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible		<p>Dispute-resolution clauses are included in all Exxaro's general contract conditions and based on the principle of internal resolution between the parties as a first means of addressing disputes, after which arbitration would be used if the matter remains unresolved.</p> <p>The board considers serious disputes and considers the company's position and best legal recourse.</p>
Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the company's integrated report		Refer principle 2.12 under boards and directors.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting		<p>Although the process of integrated reporting is still maturing, the company has integrated its sustainability and financial reporting. Continuous efforts will be made to incorporate reporting best practice and improve the level of integration.</p> <p>The board has included commentary on the company's financial results and going-concern status in the annual financial statements.</p>
9.3	Sustainability reporting and disclosure should be independently assured		Refer principle 3.4 under audit committees.



Glossary

Indicator	Definition
Safety and health	
Number of fatalities	A fatality includes all work-related incidents that resulted in a fatality
Number of lost-time injuries (LTI) – employees and contractors	LTI is a work-related injury resulting in the employee/contractor being unable to attend work or perform the full duties of regular work on the next calendar day. Restricted work cases are counted as LTIs
Lost-time injury frequency rate (LTIFR)	Rate per 200 000 hours of LTIs due to all causes for both employees and contractors
Total number of people participating in HIV/Aids voluntary counselling and testing (VCT)	Total number of employees who have received counselling and tested for HIV
Number of reported and accepted cases of pneumoconiosis	Number of reported and accepted cases of pneumoconiosis in the reporting period. An occurrence of pneumoconiosis which is reported to Medical Bureau for Occupational Disease and DMR
Number of reported and confirmed cases of occupational tuberculosis	Number of reported and accepted cases of occupational tuberculosis in the reporting period. An occurrence of occupational tuberculosis which is reported to Medical Bureau for Occupational Disease and DMR
Number of reported and accepted cases of noise-induced hearing loss (NIHL)	Number of reported and accepted cases of NIHL in the reporting period. An occurrence of NIHL which is reported to Rand Mutual Assurance and DMR
Environment	
Total diesel used (GJ)	Direct energy consumption by diesel used
Total electricity used (GJ)	Direct energy consumption by electricity used
Electricity efficiency (kWh/tonne)	Total electricity used, measured in kilowatt-hours (kWh), divided by total tonnes mined (TTM) measured in metric tonnes
Scope 1 emissions (CO ₂ tonnes)	Total scope 1 emissions include total litres of diesel oil used for primary production activities, fugitive emissions from mining activities and limestone emissions created through mining activities converted to tonnes CO ₂ e
Scope 2 emissions (CO ₂ tonnes)	Total electricity purchased converted to tonnes CO ₂ e
Scope 3 emissions (CO ₂ tonnes)	Total scope 3 emissions from use of sold products, upstream transportation and distribution, purchased goods and services, employee commuting, business travel and waste generated in operations
Number of integrated water use licence (IWUL) applications approved	An approved IWUL is a licence signed by the Department of Water and Sanitation director-general acting under authority delegated by the minister. An approved/signed licence authorises water uses applied for under section 21 of the National Water Act, 1998
Number of integrated water use licences (IWUL) pending	An integrated water use licence application lodged with the Department of Water and Sanitation for processing and awaiting decision by the department
Number of level 2 and 3 environmental incidents	<ul style="list-style-type: none"> Level 2 – reportable environmental incidents with reversible on-site and immediate surrounding impacts, will involve over 48hrs clean-up activities and a negative impact on shareholder value of R50 000-500 000 worth of damage has definitely occurred



Indicator	Definition
	<ul style="list-style-type: none"> Level 3 – reportable environmental incidents with irreversible on-site, immediate and remote areas impacts, will involve long-term clean-up activities and a negative impact on shareholder value of >R500 001 worth of damage has definitely occurred
Total potable water use	Total invoiced potable water (municipal and Eskom) and metered potable water (Grootegeeluk only) (m ³)
Hazardous waste to landfill	Hazardous waste disposed of to legal landfill during the reporting period
Mining charter	
Procurement spend from BEE entities (R value per capital goods, consumables and services)	The support of BEE (black economic empowerment) suppliers in line with the Exxaro preferential procurement policy and mining charter requirements for the review period
Employment equity	Demographic breakdown of workforce as per mining charter requirements for the review period
Training	
Number of bursaries awarded	Total number of bursaries awarded in the reporting period. A student who receives a bursary that covers university fees and expenses from Exxaro (bursar). This student is offered work experience in university holidays (working bursar) and, on the successful completion of a degree, is offered employment from Exxaro
Number of professionals in training	Total number of professionals in training (PIT) in the reporting period. A PIT is an employee holding a three-year contract to gain practical experience on the mines

Group cash value-added statements

(unaudited) for the year ended 31 December

The value-added statements show the wealth the group has created through mining, beneficiation, trading and investing operations. Exxaro generates and creates value as follows:

- Employees receive salaries/wages, share-based payments and bonuses (where certain performance conditions are met)
- The governments of countries where Exxaro has operations receive tax and royalty payments
- Suppliers and contractors are supported through procuring consumables, services and capital goods
- Shareholders receive a return on their investment through dividends and growth in the share price
- Exxaro has corporate social investment initiatives that benefit surrounding communities
- Continuous reinvestment into the group to ensure sustainability and expansion.



The statement below summarises the total cash wealth created and how it was disbursed among our stakeholders. The retained amount was reinvested to replace assets and further develop operations.

Group	2014	2013
	Rm	Rm
Direct economic value generated	13 072	10 026
Gross revenue from the sale of products and services and other income (including value-added tax (VAT))	20 516	15 280
Income from investments and interest received	3 787	3 245
Operating costs	(11 231)	(8 499)
Economic value distributed	7 625	6 359
Employee wages and benefits (excluding employees tax)	3 232	3 070
Employees' tax (PAYE) deducted from remuneration paid	803	706
Payments to government	1 140	877
Interest paid and loan cost	307	262
Cash dividend paid, excluding Mpower dividend to employees	2 032	1 371
Cash dividend paid to Mpower employee beneficiaries	23	16
Volunteerism	2	1
Community investments (including donations)	86	56
Net economic value retained in the group to maintain and develop operations	5 447	3 668
<i>Included above are:</i>		
Payments to government: taxation contribution	1 140	889
Direct taxes per country (excluding deferred tax)	120	158
Republic of South Africa	45	129
Europe	73	9
Australia	1	20
Other	1	
VAT	803	612
VAT levied on purchases of goods and services	(2 023)	(1 940)
VAT and other duties charged on turnover	2 826	2 552
Additional amounts collected by the group on behalf of government:		
Unemployment Insurance Fund	13	12
Levies paid to government	204	107
Rates and taxes paid to local authorities	6	4
Royalties paid to government	131	43



Group	2014	2013
	Rm	Rm
Workers' Compensation Fund	7	6
Unemployment Insurance Fund	26	24
Skills Development Levy	34	30
Interest capitalised on qualifying assets (Grootegeeluk Medupi expansion project (GMEP); Mayoko; Grootegeeluk backfill and Belfast projects)	307	262
Community investments per region	86	56
Gauteng and corporate projects	35	14
KwaZulu-Natal		3
Limpopo	31	12
Mpumalanga	20	25
Western Cape		2

Assurance

Independent assurance report to the directors of Exxaro Resources Limited

We have been engaged by the directors of Exxaro Resources Limited (Exxaro or the Company) to perform an assurance engagement in respect of Selected Sustainability Information reported in Exxaro's Integrated Report (supplementary report) for the year ended 31 December 2014 (the Report). This report is produced in accordance with the terms of our contract with the Company dated 19 September 2014.

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Scope and subject matter

The subject matter of our engagement and the related levels of assurance that we are required to provide are as follows:

Reasonable assurance

The following identified sustainable development information in the Report (page 162 – 164) as selected for an expression of reasonable assurance:



- Number of fatalities – Employees and Contractors
- Number of Lost-time Injuries (LTIs) – Employees and Contractors
- Lost-time Injury Frequency Rate (LTIFR) – Employees and Contractors
- Total diesel used (GJ)
- Total electricity used (GJ)
- Total electricity efficiency (kWh/tonne)
- Scope 2 emissions (CO₂ tonnes)
- Number of integrated water use licences (IWUL) applications approved
- Number of integrated water user licences (IWUL) applications pending
- Mining Charter: Procurement from BEE entities (R value and % spend of total procurement)
- Mining Charter: Employment Equity.

Limited assurance

The following identified sustainable development information in the Report (page 162 – 164) was selected for an expression of limited assurance:

- Total number of people participating in voluntary counselling and testing (VCT)
- Number of reported and accepted cases of Pneumoconiosis
- Number of reported and accepted cases of Occupational Tuberculosis
- Number of reported and accepted cases of Noise-induced Hearing Loss
- Scope 1 emissions (CO₂ tonnes)
- Scope 3 emissions (CO₂ tonnes)
- Total year-on-year change in Scope 1 and Scope 2 emissions (CO₂ tonnes) (from 2013 compared to 2014)
- Number of Level 2 and 3 environmental incidents
- Total potable water (cubic metre, m³)
- Total hazardous waste to legal landfill (tonnes)
- Total number of bursaries awarded
- Total number of Professionals in Training (PIT).

We refer to this information as the Selected Sustainability Information.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Sustainability Information.

Respective responsibilities of the directors and PricewaterhouseCoopers Inc.

The directors are responsible for selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out on page 154 of the Report, referred to as the Reporting Criteria. The directors are also responsible for designing, implementing and maintaining of



internal controls as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the Selected Sustainability Information for reasonable assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Sustainability Information for limited assurance has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2014, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Selected Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Sustainability Information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our work consisted of:

- Reviewing processes that Exxaro has in place for determining the Selected Sustainability Information included in the Report



- Obtaining an understanding of the systems used to generate, aggregate and report the Selected Sustainability Information
- Conducting interviews with management at the sampled operations and at head office
- Applying the assurance criteria in evaluating the data generation and reporting processes
- Performing control walkthroughs
- Testing the accuracy of data reported on a sample basis for limited and reasonable assurance
- Reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends
- Reviewing the consistency between the Selected Sustainability Information and related statements in Exxaro's Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.



Conversion factors used to derive energy used from fuel and electricity consumed are based upon information and factors derived by independent third parties. Our assurance work has not included an examination of the derivation of those factors and other third-party information.

Conclusions

Reasonable assurance

Based on the results of our procedures, in our opinion, the Selected Sustainability Information selected for reasonable assurance for the year ended 31 December 2014 has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our procedures, nothing has come to our attention that causes us to believe that the Selected Sustainability Information selected for limited assurance for the year ended 31 December 2014 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other matters

The maintenance and integrity of Exxaro's website is the responsibility of Exxaro's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on Exxaro's website.



PricewaterhouseCoopers Inc.

Director: Jayne Mammatt

Registered Auditor

Johannesburg

2 April 2015



KPIs assured by PwC

Key Performance Indicator	2014	Level of assurance	2013	2012	2011
Mining charter					
Procurement from BEE entities (R value and % of total procurement)		Reasonable			
Capital	1 545 247 148 57%		1 937 107 893 49%	7 944 881 112	4 861 010 000
Services	2 641 029 589 71%		2 620 387 614 58%		
Consumable goods	3 091 454 498 75%		2 654 651 605 62%		
Employment equity		Reasonable			
Top management	67%		60%	60%	–
Senior management	42%		53%	34%	–
Middle management	57%		55%	54%	–
Junior management	73%		65%	64%	–
Core and critical skills	98%				
Safety					
Fatalities	1	Reasonable	0	2	3
Lost-time injuries (LTIs) – employees and contractors	36	Reasonable	41	66	48
Lost-time injury frequency rate (LTIFR) – employees and contractors	0,19	Reasonable	0,19	0,29	0,20



Key Performance Indicator	2014	Level of assurance	2013	2012	2011
Occupational health					
Total people participating in HIV/Aids voluntary counselling and testing (VCT)	1 642	Limited	5 853	3 616	
Number of reported (and accepted) cases of pneumoconiosis	Reported = 12 Accepted = 2	Limited	37 3	24	2
Number of reported (and accepted) cases of occupational tuberculosis	Reported = 20 Accepted = 5	Limited	40 9	66	19
Number of reported (and accepted) cases of noise-induced hearing loss	Reported = 16 Accepted = 2	Limited	8 0	12	13
Energy					
Total diesel used (GJ)	2 103 148	Reasonable	2 128 665	2 520 233	2 830 978
Total electricity used (GJ)	2 135 581	Reasonable	2 011 719	4 279 399	7 133 903
Energy efficiency (kWh/total tonnes mined)	4,2	Reasonable	4,4		
Greenhouse gases (t CO₂ e)					
Direct CO ₂ emissions from own operations (scope 1)	229 762	Limited	235 506	345 781	443 126
Indirect CO ₂ emissions from electricity (scope 2)	557 624	Reasonable	525 282	1 117 409	2 041 095
Other indirect emissions (scope 3)	74 768 143	Limited	69 736 911	70 644 554	
Total year-on-year change in scope 1 and scope 2 emissions	26 597 (3,4%)	Limited			
Environmental compliance					
Number of integrated water use licences applications approved	18	Reasonable	16	21	14



Key Performance Indicator	2014	Level of assurance	2013	2012	2011
Number of integrated water use licences applications pending	12	Reasonable	10	3	8
Number of level 2 and 3 environmental incidents	Level 2 = 3 Level 3 = 0	Limited	7 0	11 0	28 0
Water					
Total potable water (municipal and Eskom) and metered potable water (Grootegeluk only) (m³)	2 304 686	Limited	2 504 390	12 209 689	29 292 490
Waste					
Hazardous waste to landfill (tonnes)	1 542	Limited	1 349	1 484	99 435
Skills					
Number of bursars	88	Limited			
Number of professionals-in-training	86	Limited			

