



**exxaro**

**POWERING POSSIBILITY**

**Exxaro Resources Limited**  
United Nations Global Compact Communication on Progress 2019



## Communication on Progress

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## Statement

### CEO statement of support

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

In this Communication on Progress for 2019, we draw on Exxaro's Integrated and ESG reports for 2019 to describe how the 10 UNGC principles are incorporated into our business. The Integrated Report and ESG Report are both products of the company's strategic objectives, legislative and regulatory requirements, including the Companies Act of South Africa, 71 of 2008 as amended (Companies Act), the Mining Charter and the JSE Limited Listings Requirements, as well as global best practice standards as reflected in the International Integrated Reporting Council's framework for integrated reporting, the Global Reporting Initiative GRI, UN Global Compact principles, the King Report on Governance for South Africa 2009 (King IV™) and AccountAbility 1000SES.

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

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

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

Sincerely,

**Mxolisi Mgojo**

Chief Executive Officer

Exxaro Resources

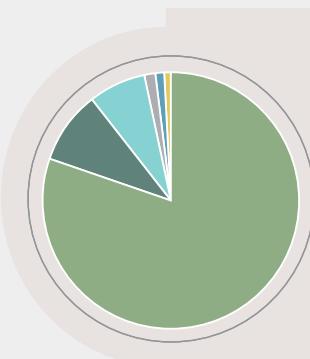
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# Human rights

Global compact principle	Policies and management systems	Summary of actions and results
<b>Human rights</b>	<p><b>1 Businesses should support and respect the protection of internationally proclaimed human rights.</b></p> <p>Exxaro has a <b>Labour and Human Rights Policy</b> (Policy) enforced in which the intent under <b>paragraph 4</b> is stated as follows:</p> <p><i>"The Company, as a responsible employer, will at all times comply with all labour legislation in South Africa, including the Constitution of the Republic of South Africa, the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Act, the Skills Development Act, the Unemployment Insurance Act, the Mine Health and Safety Act, and the Occupational Health and Safety Act.</i></p> <p><i>"The Company will also comply with all International Labour Organization Codes and guidelines as ratified by the Republic of South Africa."</i></p> <p>Under <b>paragraph 5.1 of the Policy</b> it states:</p> <p><i>"The Company unreservedly supports the Universal Declaration of Human Rights."</i></p> <p>Under <b>paragraph 5.2 of the Policy</b> it states:</p> <p><i>"The Company unreservedly supports the OECD Guidelines for Multinational Enterprises."</i></p>	<p>Exxaro has consistently complied with this policy during 2019 and no transgressions have been recorded at any operations, subsidiaries or suppliers of Exxaro both in South Africa and internationally.</p>
<b>2 Make sure that they are not complicit in human rights abuses.</b>	<p>As reported under UNGC Principle 1, the Policy also covers human rights abuses.</p> <p>Under <b>paragraph 6 of the Policy</b> it states:</p> <p><i>"The Company will ensure that all employees are trained in the principles of Human Rights on an ongoing basis."</i></p> <p>Exxaro's Supplier Code of Conduct requires that every supplier or service provider adhere to Human Rights related declarations, labour laws, regulations and guidelines. These include, inter alia:</p> <ul style="list-style-type: none"> <li>• Universal Declaration of Human Rights (1948)</li> <li>• International Labour Organization (ILO) international labour standards</li> <li>• ILO codes of practice in safety and health</li> <li>• Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises</li> <li>• Constitution of the Republic of South Africa (Act 108 of 1996)</li> <li>• Basic Conditions of Employment Act (No 11 of 2002).</li> </ul>	<p>Induction programmes educate all employees and contractors on human rights. Refresher courses are available to all employees and contractors also cover human rights issues.</p> <p>Furthermore, policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.</p> <p>Exxaro's employees are aware of their human rights and to date Exxaro has not been complicit in the violation of any human rights.</p> <p>Suppliers and service providers are aware of their responsibilities towards their workers and the human rights that their employees must be afforded.</p>

# Labour

Global compact principle	Policies and management systems	Summary of actions and results														
<b>3 Businesses should uphold the right to freedom of association and the effective recognition of the right to collective bargaining.</b>	<p><b>Paragraph 4.3 of the Policy</b> states the following:  <i>"The Company supports an employee's right to Freedom of Association and to join a trade union of their choice."</i></p> <p><b>Paragraph 4.4 of the Policy</b> states the following:  <i>"The Company supports the principle of Collective Bargaining. In this regard the Company has entered into formal recognition agreements with various trade unions."</i></p>	<p>Constructive engagement remains the cornerstone of our approach to organised labour. All our trade union engagement structures are functioning well as a vital conduit for managing issues. In addition, our employee relations strategy provides an effective framework for maintaining a healthy workplace climate.</p> <p>Our policies and procedures are developed within the framework of relevant labour legislation, and employees are managed individually and collectively.</p> <p>In total, 5 087 of our employees are represented by affiliated unions recognised by Exxaro subsidiaries: primarily the National Union of Mineworkers (NUM), Solidarity, the Association of Mineworkers and Construction Union (AMCU), UASA (formerly the United Association of South Africa), the Food and Allied Workers Union (FAWU) and the National Union of Metalworkers of South Africa.</p> <p><b>Union members</b></p>  <table> <tr> <td>National Union of Mineworkers</td> <td><b>4 094</b></td> </tr> <tr> <td>Solidarity</td> <td><b>470</b></td> </tr> <tr> <td>AMCU</td> <td><b>362</b></td> </tr> <tr> <td>UASA</td> <td><b>69</b></td> </tr> <tr> <td>National Union of Metalworkers</td> <td><b>48</b></td> </tr> <tr> <td>Food and Allied Workers Union</td> <td><b>44</b></td> </tr> <tr> <td><b>Total</b></td> <td><b>5 087</b></td> </tr> </table>	National Union of Mineworkers	<b>4 094</b>	Solidarity	<b>470</b>	AMCU	<b>362</b>	UASA	<b>69</b>	National Union of Metalworkers	<b>48</b>	Food and Allied Workers Union	<b>44</b>	<b>Total</b>	<b>5 087</b>
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<b>4 The elimination of all forms of forced and compulsory labour.</b>	<p><b>Paragraph 4.2 of the Policy</b> states the following:  <i>"Subject to the provisions of the Constitution of South Africa, the Company will not cause, demand or impose forced labour on any other person."</i></p> <p>Exxaro's Supplier Code of Conduct requires that every supplier or service provider adhere to Human Rights related declarations, labour laws, regulations and guidelines. These include, inter alia:</p> <ul style="list-style-type: none"> <li>• Universal Declaration of Human Rights (1948)</li> <li>• ILO international labour standards</li> <li>• Constitution of the Republic of South Africa (Act 108 of 1996)</li> <li>• Basic Conditions of Employment Act (No 11 of 2002).</li> </ul>	<p>The Basic Conditions of Employment Act (Chapter Six) specifically prohibits the employment of children and forced labour.</p> <p>To date Exxaro has not been complicit in the violation of the Policy or the Basic Conditions of Employment Act.</p> <p>Exxaro performs annual audits on its suppliers and service providers, and during 2019 no violations of the Basic Conditions of Employment Act were recorded.</p>														

## Labour continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Labour</b> continued		
<b>5</b> <b>The effective abolition of child labour.</b>	<p>Paragraph 4.1 of the Policy states the following:</p> <p><i>"The Company will not employ child labour in contravention of the Basic Conditions of Employment Act and the Occupational Health and Safety Act."</i></p>	<p>The employee master file records for 2019 disclose that no employees younger than 18 years of age were in the employ of Exxaro.</p> <p>Below is the percentage distribution of employees by age:</p>
<b>6</b> <b>The elimination of discrimination in respect of employment and occupation.</b>	<p>Paragraph 4.5 of the Policy states the following:</p> <p><i>"The Company promotes the principles of Equal Opportunities and prohibits unfair discrimination, and has established policies – namely, the Employment Equity policy and policies prohibiting Racial Harassment, Sexual Harassment, and Unfair Discrimination – to promote these principles."</i></p>	<p>There is no discrimination between the salaries of men and women in the bargaining unit category as collective agreements determine specific guaranteed minimum salaries.</p> <p>In the management and specialist category, individual salaries are strictly based on contracted performance.</p>

# Environment

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment</b>	<p><b>7 Businesses should support a precautionary approach to environmental challenges.</b></p> <p>Exxaro adopts the precautionary principle, which is entrenched in the National Environmental Management Act (NEMA), when evaluating the environmental impacts of business opportunities. We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:</p> <ul style="list-style-type: none"> <li>• Ensuring all activities are properly authorised</li> <li>• Complying with all statutory environmental requirements as a minimum</li> <li>• Using energy and water as efficiently as possible</li> <li>• Conducting activities responsibly from the twin perspectives of compliance and natural resource use</li> <li>• Actively participating in voluntary benchmarks, such as the global carbon and water disclosure projects</li> <li>• Developing innovative policies and programmes to address environmental impacts and use of natural resources.</li> </ul> <p>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.</p> <p><b>Legal compliance</b></p> <p>South African mining companies are heavily regulated, with compliance centred on receiving, converting and retaining all mining rights. To ensure that 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.</p> <p>Running all our operations with approved EMPS is fundamental to our sustainability and legal compliance.</p>	<p>All of Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.</p> <p>All our South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and NEMA.</p> <p>These standards inform key measurable compliance indicators to ensure that Exxaro remains a legally authorised sustainable business.</p> <p>During 2019 environmental licensing applications for various new projects were at different stages of their respective regulatory assessment. We have continuously engaged with the relevant authorities, agencies and other stakeholders to expedite these licences.</p> <p>Exxaro received no environmental stoppage directives and no fines were issued during 2019.</p>
<b>8 Undertake initiatives to promote greater environmental responsibility.</b>	<p>Key continuous environmental risks at Exxaro's operations have been identified and are listed below:</p> <ul style="list-style-type: none"> <li>• Greenhouse gas emissions (GHG)</li> <li>• Air quality management</li> <li>• Water quality management, security of supply</li> <li>• Hazardous waste management</li> <li>• Biodiversity management</li> <li>• Ongoing rehabilitation</li> <li>• Cost of, and provision for, environmental liabilities</li> <li>• Improving compliance to granted environmental licences</li> <li>• Increasing statutory and non-statutory environmental requirements</li> <li>• Environmental incidents (Level 3).</li> </ul>	<p>These risks have been determined with the commensurate impacts and the mitigation actions required to minimise or avoid these risks.</p> <p>Exxaro performed an annual enterprise-wide risk assessment in 2019 and no environmental risks were listed in the top 10 of the enterprise risk register. The risk ranking is dictated by the residual risk score after all potential treatments and controls have been put in place. This excellent result is due to robust risk management continuously performed at the operations.</p>

# Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p><b>Carbon footprint</b></p> <p><b>Scope 1:</b> Direct greenhouse gas (GHG) emissions, measured in tons of carbon dioxide equivalent (tCO<sub>2</sub>e) from sources owned or controlled by Exxaro, eg emissions from diesel, petrol, gas and anthracite combusted in day-to-day mining operations.</p> <p><b>Scope 2:</b> GHG emissions from electricity generation by Eskom (South Africa's largest power utility), purchased by Exxaro.</p> <p><b>Scope 3:</b> Emissions outside our control but emanating from our products or activities, eg customer burning coal sold by Exxaro.</p> <p>The scope 1, 2 and 3 emission protocol provides a common measurement platform to compare firms, aggregate data to national level and compare countries. South Africa has set arguably the most aggressive carbon abatement targets of any developing country: to reduce emissions by 34% below business as usual by 2020, and 42% by 2025.</p> <p>Operational activities are guided by our climate change response strategy. A steering committee oversees related improvement projects and activities, and ensures that these are aligned with Exxaro's climate change position statement.</p> <p>This supports a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enables operations to focus on managing energy, emissions and other climate change-related issues.</p> <p><b>Carbon disclosure</b></p> <p>Exxaro participates in two programmes: CDP Climate Change (since 2008) and CDP Water. The CDP (formerly the Carbon Disclosure Project) is a UK-based global climate change reporting system. Our carbon performance is externally assured annually.</p> <p><b>Energy management</b></p> <p>Exxaro considers the consumption of electricity and diesel as a proxy for GHG emissions.</p> <p>As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption, including projects to specifically increase the efficiency of diesel and electricity use.</p>	<p>However, a risk related to the environment is Climate Change, and it was ranked as the second-highest risk after moving up from 11th place in the 2018 rankings.</p> <p>Refer to Exxaro's 2019 Integrated Report for more details (pages 61 – 68).</p>

# Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p>The head office technology department has initiated a project to reduce diesel consumption at all our operations. To facilitate energy-saving initiatives, energy-intensity targets are set annually based on the prior two-year performance for each operation, and are monitored monthly. These targets were reviewed at the end of 2017 and long-term (five years) targets have been proposed.</p> <p><b>Air quality</b></p> <p>As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other pollutants (eg PM10 and PM2.5) from opencast operations. Accordingly, we focus on:</p> <ul style="list-style-type: none"> <li>• Minimising impact on the receiving environment</li> <li>• Full legislative compliance</li> <li>• Air quality management planning</li> <li>• Risk management</li> <li>• Monitoring, measurement and reporting.</li> </ul> <p>Daily measures ensure that 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, and vegetating topsoil stockpiles and overburden material.</p> <p>All mining operations monitor daily dust fallout rates and results are assessed against national regulations. We track our compliance against the stringent residential limit (600mg/m<sup>2</sup>/day) instead of the non-residential limit (1 200mg/m<sup>2</sup>/day) to minimise the impact on residents. This will ensure that fallout dust is reduced to the residential limit.</p>	<p>This represented a nominal year-on-year increase of 4% (2018: 8%).</p> <p>The increase in diesel consumption during 2019 was primarily driven by higher levels of activity in concurrent rehabilitation across all the operations. Secondly, the increase in diesel consumption was also driven by higher production levels at Exxaro's flagship operation – Grootegeluk.</p> <p>Although the nominal electricity and diesel consumption figures increased in 2019, the trend for energy intensity, at a group level, moved in a positive direction. The electricity intensity (based on production tonnes) was 13.8MWh/kt (2018: 12.9MWh/kt).</p> <p>The corresponding group-level diesel intensity measure (based on production tonnes) was 2 183l/kt (2018: 1 762l/kt).</p> <p>At a group level, the electricity and diesel intensity measures thus increased by 6.6% and 23.9% respectively. Diesel consumption increased substantially due to longer-haul distances.</p> <p><b>Air quality</b></p> <p>Comparing Exxaro's dust-fallout rate against the regulated non-residential limit (1 200mg/m<sup>2</sup>/day), <b>two operations exceeded</b> the two allowable annual limits in 2019.  Refer to Exxaro's 2019 ESG Report for more details (page 27).</p>

# Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p><b>Water management</b></p> <p>Water is a strategic natural resource for South Africa. It is also key to our business. The Exxaro water management policy therefore defines our commitment to the sustainable use of water, with a strong focus on efficiency through reuse and recycling. This policy is aligned to the legislative environmental framework governed mainly by the National Water Act 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 wastewater management as:</p> <ul style="list-style-type: none"> <li>• Pollution prevention</li> <li>• Minimise environmental impacts</li> <li>• Maximise water reuse and reclamation</li> <li>• Responsible water discharge and disposal</li> <li>• Water treatment.</li> </ul> <p>Translating policy into action, our management standard on water for mining and industrial use articulates our commitment to develop and implement an effective integrated water and waste management plan across the lifecycle of a mine. This includes planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard reflects management's vision to:</p> <ul style="list-style-type: none"> <li>• Ensure a cost-effective, integrated approach to water management</li> <li>• Be environmentally responsible</li> <li>• Be ecologically sustainable.</li> </ul> <p>These management standards are enacted by adhering to the Department of Water and Sanitation's best practice guidelines on:</p> <ul style="list-style-type: none"> <li>• The integrated water and waste management plan</li> <li>• Stormwater management planning</li> <li>• Water and salt balances</li> <li>• Water-monitoring systems</li> <li>• Water reuse and reclamation</li> <li>• Pollution control dams</li> <li>• Environmental performance indicators.</li> </ul>	<p><b>Water management</b></p> <p>Water management is integral to our licence to operate. The 2019 group water strategy identified the following focus areas to excel in:</p> <ul style="list-style-type: none"> <li>• Compliance</li> <li>• Operational water efficiency</li> <li>• Policies, standards and processes</li> <li>• Water technologies</li> <li>• Stakeholder partnerships.</li> </ul> <p>A comprehensive programme is entrenching responsible and <b>sustainable water management</b> across Exxaro. It concentrates on relevant water-use and related risk issues – from security of supply to water efficiency and water-cost management – and manages these within current and anticipated regulatory compliance requirements. This is supported by continually enhancing our competence in water-management issues through company-wide research and skills development. We also reinforce awareness of water issues through ongoing communication and training.</p> <p>Our strategy also articulates aspirational goals that include <b>becoming self-sufficient</b> in our operational water requirements and <b>becoming a leader in water technology solutions</b>.</p> <p>We are managing water-related risks, minimising impacts and operating efficiently through reduction, reuse and recycling. Most of our operations have water conservation plans that support the national strategy to ensure <b>equitable distribution of water resources</b> that allows for business growth and protection (sustainable use).</p> <p>We are also committed to <b>protecting and improving water quality</b> by ensuring that the water we discharge is the same as, or better than, the original. Central to this are the two water treatment plants in our Mpumalanga region as part of our long-term water-management strategy. These plants have total capacity to treat <b>11.5 megalitres per day</b>. The plant at Matla has been operational for four years.</p>

## Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p><b>Hazardous waste management</b></p> <p>Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group-wide standard enforces use of the waste management hierarchy, which in turn promotes waste prevention or minimisation, reuse, recycling, recovering energy and ensuring safe disposal of waste in line with the National Environmental Management: Waste Act 59 2008 and supporting legislation.</p> <p>Exxaro is developing abatement plans for waste-tyre stockpiles as per requirements issued by the Department of Environmental Affairs.</p> <p><b>Responsible conservation of biodiversity</b></p> <p>Biodiversity means species diversity and species richness in an ecological environment. In Exxaro, our goal is to conserve biodiversity for future generations by sustainably using the resources of our mining operations and South Africa's natural resources.</p> <p>To reach this goal, we have developed biodiversity action plans for our business units. In addition, our comprehensive biodiversity management standard was approved in 2019. The guiding principles include the best-practice standard on wetland offsets (<i>Wetland Offsets: A Best Practical Guideline for South Africa</i>, 2014), as well as the <i>Mining and Biodiversity Guideline: Mainstreaming biodiversity into the mining sector</i>, jointly published by the Department of Environmental Affairs, the Department of Mineral Resources (DMR), the Chamber of Mines, the South African Mining and Biodiversity Forum and the South African National Biodiversity Institute, 2013.</p> <p>In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservation and re-establishing resilient ecosystems that underscore our commitment to duty-of-care principles.</p> <p><b>Risk-based external reviews</b></p> <p>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.</p>	<p><b>Hazardous waste</b></p> <p>The total weight of hazardous waste generated at our managed coal operations in 2019 unfortunately increased by 51% to 4 090 tonnes (2018: 2 695 tonnes).</p> <p><b>Biodiversity management</b></p> <p>During 2019 Exxaro's biodiversity investments focused on wetland rehabilitation, wetland offsets, delineation and wetland studies.</p> <p>The principles of these guidelines are already incorporated into our planning and execution phases. As an example, the principles of best-practice standard were used in several projects to avoid constructing infrastructure in sensitive wetland areas. The Belfast beneficiation plant is an example of where best-practice standards were applied in the design phase of the project. Impacts upon the environmentally sensitive wetlands were avoided by the relocation of the beneficiation plant.</p> <p>The annual risk analyses and external audits were done in 2019 and most of the findings have been successfully addressed.</p>

# Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p><b>Concurrent rehabilitation plan</b></p> <p>All business units have a five-year concurrent rehabilitation schedule and associated budget:</p> <ul style="list-style-type: none"> <li>The schedules set measurable targets for each mine</li> <li>Schedules prevent backlogs from building up, increasing liabilities</li> <li>Budgets enable managers to implement plans without cash flow constraints.</li> </ul> <p><b>Environmental liabilities and rehabilitation</b></p> <p>All business units review their financial provisions annually. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities in the concurrent and final-closure rehabilitation programme are reviewed and adjusted where necessary. Water-related liabilities are calculated as per the Exxaro excess water risks and liability management standard.</p> <p><b>The Exxaro Environmental Rehabilitation Fund (EERF)</b></p> <p>The Exxaro EERF trust fund provides for a portion of these liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions. Environmental rehabilitation liabilities are updated biannually for internal reporting at interim and financial year end, and submitted annually to the DMR.</p>	<p>At 31 December 2019, the total land disturbed was 10 325ha (2018: 9 559ha) and total land rehabilitated was 2 277ha (2018: 2 469ha). Thus, the ratio of previously disturbed land having been rehabilitated during 2019 is 22% (2018: 26%).</p> <p><b>Liabilities</b></p> <p>Refer to the Exxaro ESG Report for detailed figures on liabilities per operation.</p> <p><b>EERF</b></p> <p>During 2019 the trust funds earned R250 million (2018: R146 million), including cash contributions, interest earned on investments and fair-value adjustments.</p> <p>The fund has recorded a 15% growth (2018: 9%).</p> <p>Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.</p>

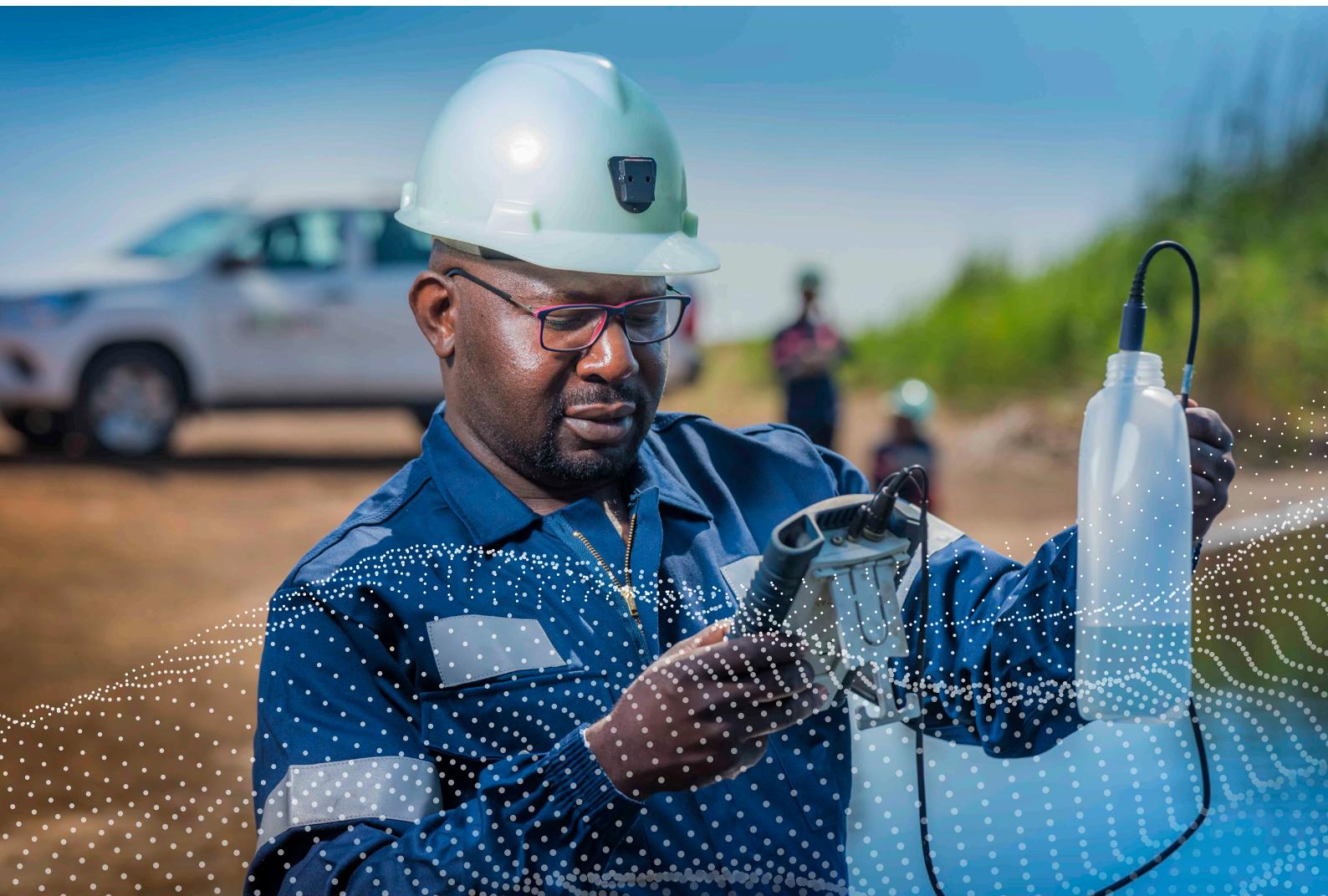


# Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>8 Undertake initiatives to promote greater environmental responsibility.</b> continued	<p><b>Mine closure</b></p> <p>All closure activities are executed against risk-based principles. As several Exxaro mines are nearing their end of life, mine-closure planning is already in place to ensure that the closure process complies with the latest legislative requirements.</p> <p>Understanding that operational closure, concurrent rehabilitation and land management activities directly link employees, community, environment, government and infrastructure, we are committed to:</p> <ul style="list-style-type: none"> <li>• Ensuring that the operational closure process is conducted inclusively and within the legal framework</li> <li>• Proactively managing environmental impacts to minimise residual liabilities</li> <li>• Leaving behind a positive legacy for our employees and local communities</li> <li>• Allocating required financial resources to ensure that this process is concluded</li> <li>• Managing Exxaro land according to an agreed strategy.</li> </ul> <p><b>Environmental incidents</b></p> <p>Exxaro places all the necessary mitigation and preventive mechanisms in place to avoid the occurrence of Level 3 environmental incidents. An environmental incident is considered as a Level 3 when the consequences cost more than R500 000 to rehabilitate.</p>	<p><b>Mine closure</b></p> <p>Exxaro had six operations in active closure in 2019: Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte.</p> <p><b>Case study: Tshikondeni Mine Closure</b></p> <p>The Tshikondeni mine stopped operating in late 2014 when the coal resources were exhausted.</p> <p>Exxaro undertook to minimise the impacts of the mine closure at Tshikondeni on the local communities. The Tshikondeni Legacy Project was launched, and it is a partnership between Exxaro and the local Makuya Tribe. The Makuya Tshikondeni Development Foundation (MTDF) was established as a non-profit company to hold the assets and receive proceeds on behalf of the local Makuya Tribe.</p> <p>During 2019 Exxaro Resources donated the Tshikondeni mine village and related infrastructure to the MTDF.</p> <p>Furthermore, funding was approved to establish an eco-village as a core business activity of the MTDF. The Tshikondeni area is located alongside a national game reserve.</p> <p>In 2019 Exxaro handed over 56 homes to the local community as part of the closure plans. The homes handed over directly benefited 56 families and 448 community members.</p> <p>Exxaro had no Level 3 environmental incidents during the review period.</p>

## Environment continued

Global compact principle	Policies and management systems	Summary of actions and results
<b>Environment continued</b>		
<b>9 Encourage the development and diffusion of environmentally friendly technologies.</b>	<p>Exxaro sponsors academic chair positions at universities to broaden the body of knowledge on sustainable development initiatives.</p> <p>The three university chairs that Exxaro sponsors are:</p> <ul style="list-style-type: none"><li>• The Exxaro chair in global change and sustainability (Wits)</li><li>• The Exxaro chair in business and climate change (Unisa)</li><li>• The Exxaro chair in energy, water and food (Pretoria)</li></ul>	<p>The chairs each had notable successes and have delivered productive outputs.</p> <p>Refer to the 2019 Exxaro ESG Report for more details on the case studies of the university chairs.</p>



# Anti-corruption

Global compact principle	Policies and management systems	Summary of actions and results
<b>Anti-corruption</b>		
<b>10 Businesses should work against all forms of corruption, including extortion and bribery.</b>	<p>The social and ethics committee of the board approved a comprehensive anti-fraud and anti-bribery programme that runs continuously and involves, among others:</p> <ul style="list-style-type: none"> <li>• Awareness training and assessment for employees as well as part of new employee induction</li> <li>• Data analytics on the employee and vendor database to proactively detect potential declared or undeclared conflicts of interest</li> <li>• Anti-bribery and corruption due diligence checks on high-risk suppliers and third-party intermediaries</li> <li>• Anti-bribery and corruption checks on any potential equity investment, joint venture or similar association</li> <li>• Independent assessment of the robustness of all anti-fraud and anti-bribery initiatives in terms of ISO 370001 as well as an internal assessment of compliance with all relevant local and global legislation and regulations including, but not limited to, the South African Companies Act, King IV™, the OECD guidelines, the South African Prevention and Combating of Corrupt Activities Act, the Foreign Corrupt Practices Act of the USA, the UK Bribery Act, and the UNGC.</li> </ul>	<p>An anonymous reporting line has been in place for over a decade in terms whereof reported cases of alleged irregularities are investigated by an in-house dedicated forensic team.</p> <p>For the 2019 financial year, the outcome of forensic investigations translated into the following:</p> <ul style="list-style-type: none"> <li>• 410 investigations</li> <li>• 245 disciplinary cases</li> <li>• 124 criminal cases registered</li> <li>• 86 arrests</li> <li>• 57 cases of copper cable theft.</li> </ul> <p>The total monetary amount of all investigations and incidents (including copper cable theft) was R5.9 million, of which R0.6 million was recovered.</p> <p>The number of forensic investigations increased by 17% from 2018, and the average value destruction per case in 2019 was R5 500.</p>



# Sustainable development goals

## Exxaro's alignment to the SDGs

Exxaro is committed to contributing positively to the achievement of the United Nations Sustainable Development Goals (SDGs).

To this end, in South Africa, we participate in the National Business Initiative to align the 17 SDGs with the country's National Development Plan. Exxaro is committed, through its strategy, to supporting the country in the implementation of the National Development Plan and the most material SDGs.

We employ leading practices in upholding the most material SDGs for our business to leave a lasting net positive impact.

As a mining company, and in line with its purpose to power possibilities, Exxaro will intentionally focus on the following SDGs:

				
Ensure healthy lives	Provide quality education and lifelong learning	Empower girls and women to achieve gender equality	Generate and secure sustainable, clean energy	Create jobs, sustainable livelihoods and equitable growth
				
Make our local communities inclusive, safe, resilient and sustainable	Manage natural resource assets sustainably	Combat climate change and mitigate its impacts	Protect our environment and minimise biodiversity loss	Ensure good governance, effective institutions, and stable and peaceful societies

UN SDG	Exxaro's response or contribution	Related measurable outcomes
<b>1 End poverty in all its forms everywhere.</b> 	South Africa's national strategy is to address poverty, unemployment and inequality because of the legacy of Apartheid. In response to this, Exxaro has a comprehensive enterprise and supplier development (ESD) programme that seeks to foster job creation in those local communities in which we have a footprint. The ESD programme supports the establishment of entrepreneurs and small businesses through grants and loans, investment and training.	During 2019 Exxaro funded 31 entrepreneurship beneficiaries by means of grants and low-interest loans totalling R171 million. These funds were used by the beneficiaries to financially strengthen their enterprises. Exxaro has also provided non-financial support to further ensure the economic sustainability and growth of the small enterprises. An additional 61 small, medium and micro enterprises (SMMEs) were supported through our social and labour plans. In total, R20 million in funding was released for this purpose.
<b>2 End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.</b> 	Our strategy is to seek opportunities in the agricultural sector. This forms part of Exxaro's food-energy-water nexus strategy. Our focus for the future is specifically on fostering agricultural and land management opportunities to supply food and enable small enterprises to produce and sell agricultural produce. Furthermore, our future focus is on renewable energy projects. For our water projects, refer to SDG 6.	Exxaro has also entered into a partnership to produce insect-based protein as animal feed. Exxaro has entered into a partnership to introduce innovative water leakage technology to the market. The technology allows water pipe leaks to be sealed without the need for excavation. The direct benefit of the approach is to reduce water losses from the municipal supply side right up to the consumer.

## Sustainable development goals continued

UN SDG	Exxaro's response or contribution	Related measurable outcomes
<b>3 Ensure healthy lives and promote wellbeing for all, at all ages.</b>	<p>Our health and hygiene strategy aims to reduce all forms of occupational and lifestyle diseases. Furthermore, we have a comprehensive safety improvement programme in place to reduce occupation-related injuries and fatalities. We measure the number of injuries and fatalities per 200 000 man-hours worked.</p> <p>We measure the health and hygiene of our employees by identifying and monitoring the occurrence of:</p> <ul style="list-style-type: none"> <li>• Noise-induced hearing loss (NIHL)</li> <li>• Pneumoconiosis</li> <li>• Silicosis</li> <li>• Chronic obstructive airways disease (COAD)</li> <li>• Occupational tuberculosis (TB)</li> </ul> <p>We have started monitoring the lifestyle diseases in the company and have identified three major causes of death:</p> <ul style="list-style-type: none"> <li>• Diabetes</li> <li>• Hypertension</li> <li>• Heart disease</li> </ul> <p>We actively run HIV/Aids awareness campaigns and supply anti-retroviral drugs to sustain and improve the health of our HIV-positive employees.</p>	<p>Lost-time injury frequency rate of 0.12</p> <p>51 cases reported (2018: 65)</p> <p>Occupational health injury frequency rate of 0.24 (2018: 0.33)</p> <p>Patient confidentiality limits accuracy.</p>
<b>4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</b>	<p>This entails focusing on education initiatives through the Exxaro People Development Initiative (EPDI) trust. The trust's primary education strategy prioritises early childhood development, primary school education and school infrastructure as part of efforts to ensure that a decent education will provide social mobility, employment opportunities and reduce poverty.</p> <p>We actively provide bursaries to the youth so they can further their tertiary studies.</p>	<p>Exxaro has, on average, invested 45% (2018: 37%) of its annual community budget on education-related initiatives.</p> <p>39 bursars (2018: 59)</p> <p>R3.7 million per annum (2018: R4.5 million)</p> <p>82% black South Africans (2018: 75%)</p> <p>28% women (2018: 25%)</p>
<b>5 Achieve gender equality and empower all women and girls.</b>	<p>Our human resources policies that deal with employment equity, women in mining and diversity support this goal. In addition, we host an annual 'bring a girl to work' day to support opportunities for women in the workplace.</p>	<p>22% of Exxaro's workforce is made up of women.</p> <p>35% of our interns are women (2018: 36%).</p> <p>43% of our professionals-in-training are women (2018: 40%).</p>

## Sustainable development goals continued

UN SDG	Exxaro's response or contribution	Related measurable outcomes										
6 Ensure the availability and sustainable management of water and sanitation for all.	<p>Going forward, our focus is on supporting water initiatives in communities, especially with regard to preserving water, given that it is a scarce commodity in South Africa. As part of our comprehensive water strategy, our policy is to reduce, reuse and recycle water. We measure our water intensity usage in kilotonnes per total tons mined (kl/TTM).</p> <p>Our water treatment plant at Matla is producing potable water, and the innovative processes used are reducing the energy required to achieve this.</p>	For 2019 the water intensity was 0.10kl/TTM (2018: 0.11kl/TTM).										
7 Ensure access to affordable, reliable, sustainable and modern energy for all.	<p>Exxaro owns 50% of a clean-energy company (with two operational wind farms producing electricity) and is investigating opportunities to become an independent power producer.</p> <p>The local communities benefit from the wind farms through employment opportunities and, in some cases, local power supply.</p>	<p>Amakhala Emoyeni and the Tsitsikamma Community wind farms have produced clean wind energy since 2016.</p> <p><b>Wind energy</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Wind energy (MWh)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>309 780</td> </tr> <tr> <td>2017</td> <td>746 941</td> </tr> <tr> <td>2018</td> <td>721 076</td> </tr> <tr> <td>2019</td> <td>761 000</td> </tr> </tbody> </table>	Year	Wind energy (MWh)	2016	309 780	2017	746 941	2018	721 076	2019	761 000
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8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	<p>Exxaro's focus on enterprise and supplier development will create small businesses and foster entrepreneurship and employability. The company's ultimate goal is to make the poor, underprivileged and host community members more employable.</p> <p>We have constituted the necessary governance and concomitant processes to identify those beneficiaries who require funding, upskilling and development.</p>	Our target is to spend 3% of our annual EBIT (earnings before interest and tax) on this development programme.										

## Sustainable development goals continued

UN SDG	Exxaro's response or contribution	Related measurable outcomes
<b>9</b> <b>Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.</b> 	<p>Efficient capital allocation for sustaining and expanding operations will ensure that our infrastructure remains resilient and environment-friendly.</p> <p>We have established an innovation department dedicated solely to exploring all opportunities arising from the fourth industrial revolution.</p>	<p>Sustaining capital spend for 2019: R2.2 billion (2018: R2.8 billion)</p> <p>Expansion capital spend for 2019: R3.6 billion (2018: R2.9 billion)</p>
<b>10</b> <b>Reduce inequality within and among countries.</b> 	<p>Exxaro operates primarily in South Africa. Our focus on transformation is reflected in a representative workforce, and we have prioritised reducing income inequality.</p>	<p>In terms of remuneration, each employee on every level is treated equally and rewarded in line with their performance. The principle is that of equality of treatment, with a differential in outcomes.</p> <p> Refer to Exxaro's 2019 ESG Report for more details (page 100).</p>
<b>11</b> <b>Make cities and human settlements inclusive, safe, resilient and sustainable.</b> 	<p>Exxaro's socio-economic development, community development, and enterprise and supplier development are contributing to employment and poverty reduction, while improving quality of life.</p> <p>Our social and labour plans focus on building infrastructure to support our host municipalities and communities.</p>	<p>During 2019 infrastructure development comprised more than 19% (2018: 70%) of social labour spend. The funding was allocated to the construction of community housing, community centres and roads.</p>
<b>12</b> <b>Ensure sustainable consumption and production patterns.</b> 	<p>Exxaro measures intensity ratios (particularly energy and water use, as well as emissions) to minimise our impact on the environment while improving productivity.</p> <p>Increased energy consumption is caused by longer-haul distances between pit and plant, higher production volumes and increased concurrent rehabilitation.</p>	<p>For the Exxaro coal operations the average electricity intensity (MWh/kt) rose by 6.6% (2018: 6%).</p> <p>Similarly, the average diesel intensity (l/kt) for the coal operations rose by 6% (2018: 6% increase). The increase in diesel intensity is reflective of non-production-related activities that require diesel usage and do not directly raise production volumes. Greater haulage distances also had an impact at both the Grootegeluk and Leeuwpan operations.</p>

## Sustainable development goals continued

UN SDG	Exxaro's response or contribution	Related measurable outcomes
<b>13</b> Take urgent action to combat climate change and its effects.	<p>Exxaro fully supports climate change initiatives in South Africa while adhering to the global view of the situation. Our comprehensive climate change strategy measures our GHG emissions (scope 1, 2 and 3). Our focus in our operations is to reduce our carbon footprint through the twin-pronged approach of reducing energy consumption and increasing our overall energy efficiency.</p> <p>We submit our carbon performance to the Carbon Disclosure Project (CDP) on an annual basis. In addition, Exxaro is a signatory to the commitments undertaken at the United Nations Framework Convention on Climate Change and authorised by the convention's decision-making body, the Conference of the Parties.</p>	<p>GHG emissions during 2019:</p> <ul style="list-style-type: none"> <li>• Scope 1: – 412kt CO<sub>2</sub>e (2018: 315kt CO<sub>2</sub>e)</li> <li>• Scope 2: – 670kt CO<sub>2</sub>e (2018: 552kt CO<sub>2</sub>e)</li> <li>• Scope 3: – 70 947kt CO<sub>2</sub>e (2018: 72 928kt CO<sub>2</sub>e)</li> </ul> <p>Exxaro achieved a B score from the CDP for our climate change performance.</p>
<b>14</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	<p>Exxaro has a comprehensive water-management strategy but is not located near marine resources.</p>	<p>This is currently not a focus area.</p>
<b>15</b> Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.	<p>Exxaro aims to minimise our impact on biodiversity as well as on the environments in which we mine.</p> <p>We perform concurrent rehabilitation and execute final rehabilitation on all operational sites post mine closure.</p>	<p>For 2019 our rehabilitation status was:</p> <ul style="list-style-type: none"> <li>• Disturbed land: 10 325ha (2018: 9 559ha)</li> <li>• Rehabilitated land: 2 277ha (2018: 2 469ha)</li> </ul>

## Sustainable development goals continued

UN SDG	Exxaro's response or contribution	Related measurable outcomes
<b>16</b> <b>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</b>	<p>Our socio-economic and community development programmes support this goal. Exxaro focuses specifically on maintaining educational institutions in our communities and on maintaining infrastructure such as clinics, training facilities and roads.</p>	Diverse
		
<b>17</b> <b>Strengthen the means of implementation and revitalise the global partnership for sustainable development.</b>	<p>Exxaro supports this goal through South Africa's National Business Initiative (NBI) and the Minerals Council of South Africa (MCSA), as well as by engaging with mining regulatory bodies.</p>	Enhanced national reputation
		

# Administration

## Group company secretary and registered office

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## Company registration number

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ISIN code: ZAE000084992

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## United States ADR depositary

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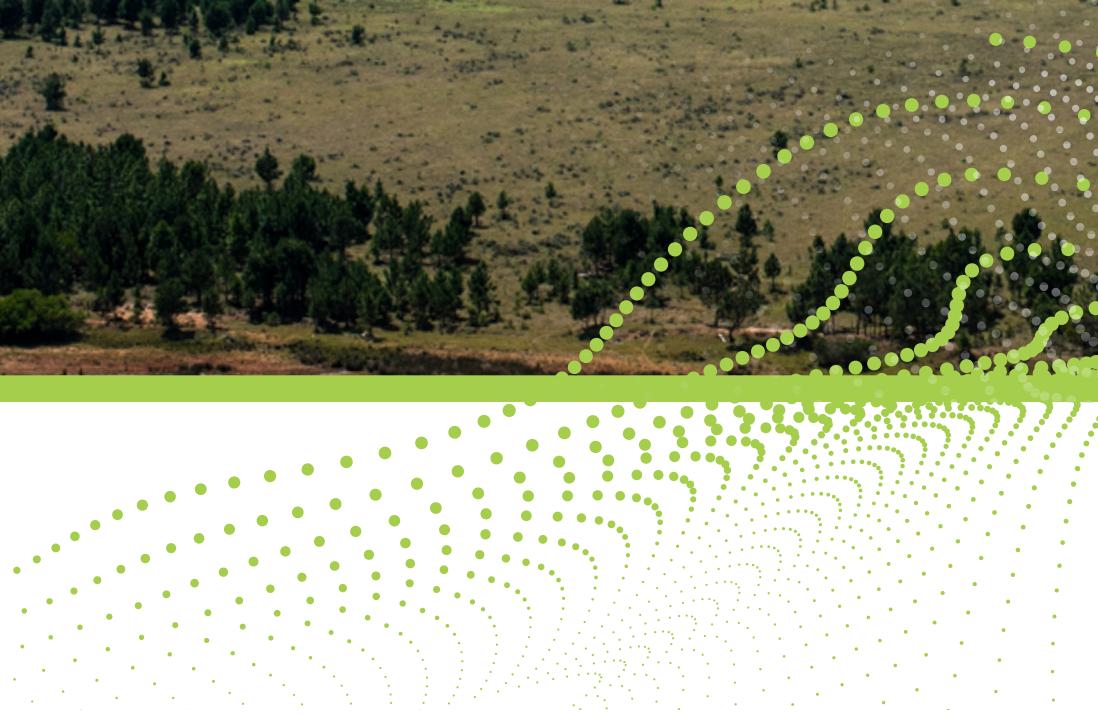
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With ongoing feedback from a range of stakeholders, we are able to contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

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