



POWERING POSSIBILITY



LARGEST BEE

STRATEGY

REINVENTION

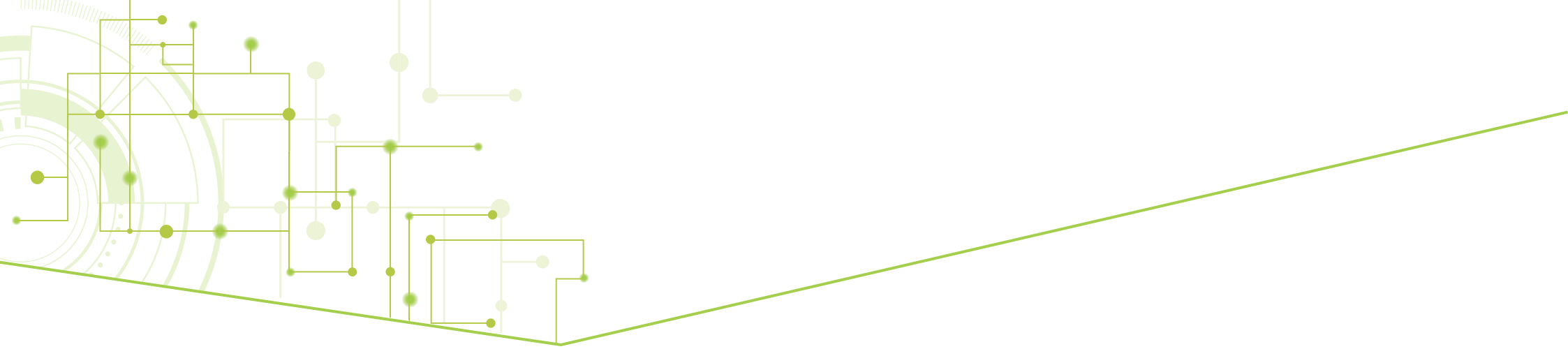
FUTURE

PERFORMANCE

SUSTAINABILITY

TOMORROW

Exxaro Resources Limited  
Supplementary report 2018



## About this report

This supplementary report expands on information in the integrated report 2018 and mineral resources and ore reserves report. It also contains the GRI Standards index. The 2018 suite of reports is published on the Exxaro Resources website ([www.exxaro.com](http://www.exxaro.com)).

The summarised group annual financial statements for the year ended 31 December 2018 and notice of annual general meeting were sent to shareholders, and are available online.

As with the integrated report, content is guided by:

- Our strategic objectives
- Legislative and regulatory requirements, including the Companies Act 71 of 2008, as amended (Companies Act), JSE Limited Listings Requirements (Listings Requirements) and the broad-based socio-economic empowerment charter for the mining and minerals industry 2018 (mining charter III)
- Global best-practice standards, specifically the International Integrated Reporting Council's framework for integrated reporting, United Nations Global Compact, the latest GRI guidelines (Standards) and the King Report on Governance for South Africa 2016 (King IV).

This report includes limited information on operations where we do not have management control but hold a significant equity interest or joint control, namely Cennergi (energy) and Sishen Iron Ore Company (a subsidiary of Kumba Iron Ore Limited). We are incrementally disposing of our interest in Tronox Limited (titanium dioxide).

## 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, advisers 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.

## CONTENTS

1	<b>ABOUT THIS REPORT</b>
2	<b>STRATEGIC PERFORMANCE DASHBOARD</b>
7	<b>MATERIAL ISSUES FOR 2018</b>
8	<b>EXXARO TIMELINE</b>
10	<b>REMUNERATION REPORT</b>
34	<b>INVESTING IN RESEARCH</b>
38	<b>SAFETY AND HEALTH</b>
42	<b>PEOPLE</b>
49	<b>COMMUNITIES</b>
53	<b>OUR ENVIRONMENT</b>
74	<b>GRI REFERENCE TABLE</b>
86	<b>ADDITIONAL INFORMATION</b>

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



## FEEDBACK

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

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# STRATEGIC PERFORMANCE DASHBOARD

Our strategy is detailed in our integrated report. Exxaro's strategic dashboard measures our key performance indicators (KPIs) across the sustainability capitals, from governance and compliance to best practice. The board and executive committee monitor the dashboard quarterly to ensure all sustainability-related risks and key metrics remain within our risk appetite.

For Exxaro, an integrated approach to sustainability and value creation for stakeholders lies in distilling every facet of our business (strategy, risk management, compliance KPIs, licence to operate, audits, assurance and performance measurement) into a coherent whole – focused on our stated goals.

In recent years, we have refined the way we do business to ensure the way we manage our strategy is both integrated and holistic. Key steps included:

- Implementing an integrated risk management framework, ensuring everyone clearly understands what is material to the company and why
- Establishing a sustainability framework

- Identifying KPIs aligned with material issues, risks and our sustainability framework, each measured against a tolerance level or appetite set by our board
- Linking the combined assurance plan with risks, material issues and KPIs.

The result of this process is an integrated strategic performance dashboard that gives the board and executive committee the most critical information required to measure and manage Exxaro's strategy and performance. It also provides a transparent and consolidated view for stakeholders on our drivers for creating value and ensuring sustainability.

## Example of KPI measure

One of our strategic objectives is to improve our portfolio; a related KPI is core operating margin. Anything outside of worst tolerable or target will mean that we underperformed or overperformed and appropriate action will be taken.

### KPI current performance

KPI	Current performance	Legend (indicator)
Core operating margin	25%	

### KPI threshold

KPI	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%
Legend					








































The tool we use to determine whether we are on track to achieve our objectives is the Exxaro strategic performance dashboard. This dashboard has built-in risk appetite thresholds to ensure decisions in pursuing Exxaro's strategic objectives are in line with the risk threshold which, as a whole, makes up the risk appetite of the group.



## How to interpret the dashboard

The dashboard lists all KPIs linked to a strategic priority/sustainability capital and material issue. Current performance and the status of the indicator (shown as a bulb) reflect whether the KPI is within our risk appetite thresholds. We aim to be within the target threshold: anything outside worst tolerable and target means we act outside our defined risk appetite in pursuing our strategic objectives. This will require additional controls or improving existing controls.

 **HUMAN CAPITAL**











































KPI

KPI	2018		2017		Trend
	Actual	Indicator	Actual	Indicator	
Number of fatalities	0		1		
Lost-time injury frequency rate (LTIFR)	0.12		0.12		
Lost-time injuries (LTIs)	23		21		
Occupational health incident frequency rate (OHIFR) – reported ● Chronic obstructive airways disease (COAD) ● Noise-induced hearing loss (NIHL) ● Pneumoconiosis ● Silicosis ● Occupational TB	0.33		0.33		
Occupational health (accepted cases include COAD, pneumoconiosis, NIHL, silicosis and TB)	12		22		
Non-occupational diseases (chronic diseases, eg diabetes, high blood pressure, etc)	117		17		
People who received HIV/Aids awareness training (% of group)	100		90		
% of employees who received awareness training and voluntarily tested for HIV/Aids	77		100		
HIV/Aids prevalence rate (%) compared to country prevalence rate	9		4.2		
Skills provision (% of internal appointments for critical skills)	52.4		56.1		
Retention of scarce skills (% turnover)	5.01		5		
Fraud and corruption/asset destruction (annual % of PPE, inventory, debtors and cash)	0		0		
Successful civil and criminal liability claims against Exxaro or other non-compliance penalties (% of revenue)	0		0		

 Negative  Positive  Unchanged  New KPI this period
























































# STRATEGIC PERFORMANCE DASHBOARD (CONTINUED)



## NATURAL CAPITAL

KPI	2018		2017		Trend
	Actual	Indicator	Actual	Indicator	
Reportable environmental incidents	7		1		
Stoppage directives (including section 54 under MHPA, section 93 under MPRDA and directives under NWA and NEMA)	0		0		
Valid mining rights (in place/not) Current operations (MWP and SLP) (%)	100		100		
Projects (MWP and SLP) (%)	100		100		
Valid authorisations (EA, IWUL, AEL, EIA, ROD) Current operations	100		100		
Valid authorisations (EA, IWUL, AEL, EIA, ROD) Projects	100		100		
Compliance to valid licences/authorisations (%) Current operations	96		91		
Compliance to valid licences/authorisations (%) Projects	99		99.8		
Environmental liability provisions in place (%) (gap between immediate closure cost and rehabilitation funds available excluding guarantees) Commercial operations	25		24.2		
Environmental liability provisions in place (%) (gap between immediate closure cost and rehabilitation funds available excluding guarantees) Captive operations	15		8.7		
Carbon footprint (ktCO <sub>2</sub> e) Scope 1	315.4		324.9		
Scope 2	552		539		
Carbon intensity (ktCO <sub>2</sub> e/TTM)	5.3		5.4		
Water intensity (kl/ROM)	0.10		0.14		

 Negative 
  Positive 
  Unchanged 
  New KPI this period

 **SOCIAL CAPITAL**

KPI	2018		2017		Trend
	Actual	Indicator	Actual	Indicator	
Ownership at group level (%) – mining charter	30		34.8		
People living with disabilities – mining charter III	1.16		1.02		
HR development (% payroll excluding levies, including internal and external training) – mining charter	5.27		5.14		
Employment equity (%) on top management bands – five-year plan (2022)	66.67		5.14		
Employment equity (%) on senior management bands – five-year plan (2022)	46.74		–	–	
Employment equity (%) on middle management bands – five-year plan (2022)	65.43		–	–	
Employment equity (%) on junior management bands – five-year plan (2022)	73.64		–	–	
Black women (%) on top management bands – five-year plan (2022)	33.3		–	–	
Black women (%) on senior management band – five-year plan (2022)	7.6		–	–	
Black women (%) on middle management band – five-year plan (2022)	17.2		–	–	
Black women (%) on junior management band – five-year plan (2022)	17.4		–	–	
Inclusive procurement (%) Capital	74		69		
Services	81		78		
Goods	76		79		
BBBEE level	Level 4		Level 5		
Enterprise development (% of NPAT)	0.97		0.35		
Supplier development (% of NPAT)	1.47		0.80		
Socio-economic development (% of NPAT)			0.90		
Skills development: learning programmes for black people and people living with disabilities – target as % of payroll excluding mandatory sectoral training – BBBEE codes	3.4		2.34		
Project delivery measure – LED projects per SLP – mining charter (%) Time variance from plan	12		15		
Cost variance from plan	-8		-5		

 Negative  Positive  Unchanged  New KPI this period

# STRATEGIC PERFORMANCE DASHBOARD (CONTINUED)



## MANUFACTURED CAPITAL

KPI	2018		2017		Trend
	Actual	Indicator	Actual	Indicator	
Capital project delivery measure					
Time	0.1		0.7		
Cost	0		-1		
Country risk as per assessment criteria (key drivers physical security and security of tenure)	-		-		
Asset availability of enterprise resource planning systems	99.75		99.48		
Digitalisation programmes (cost overrun)	-12		-		
Digitalisation programmes (time overrun)	8		-		



## FINANCIAL CAPITAL

















KPI	2018		2017		Trend
	Actual	Indicator	Actual	Indicator	
Core operating margin (%)	22.36		25.49		
Return on capital employed (ROCE) (%)	22.38		24.95		
Return on equity based on core headline earnings (HEPS) (%)	17.49		16.57		
Core HEPS (cps, short-term target)	2 159.00		2 011		
Net debt to equity (times)	12.40		3.1		
Net debt to annualised EBITDA (times)	0.50		0.1		
EBITDA interest cover (times)	20.40		15		

Negative
 Positive
 Unchanged
 New KPI this period



# MATERIAL ISSUES FOR 2018

Each year, our material issues are distilled from a comprehensive process that includes internal and external stakeholder engagement combined with prudent risk management. We also show how each material issue relates to our high-level risks and affects our strategic objectives and capitals.

Material issue	Elements	Top 10 risk	SDGs	Impacts/influences			
				Strategy	Business model	Capitals	Stakeholders
<b>Key customer dependency</b>	Domestic balance Exports balance	<ul style="list-style-type: none"> <li>Dependency on Eskom</li> </ul>		✓	✓	 Financial	 ✓ (customers)
<b>Our people</b>	Our employees Shared value	<ul style="list-style-type: none"> <li>Fraud and corruption</li> </ul>		✓	✓	 Social   Financial	 ✓
<b>Business resilience</b>	Business excellence Coal: operational efficiencies Portfolio optimisation Business of tomorrow Innovation and digitalisation	<ul style="list-style-type: none"> <li>Executing business of tomorrow</li> <li>Competition and product substitution</li> <li>Price and currency volatility</li> <li>Cost competitiveness of products</li> <li>Infrastructure access and capacity</li> </ul>		✓	✓ (new business)	 Financial	 ✓
<b>Capital allocation – project execution</b>	Returns to shareholders Sustaining capital (stay in business) Expansion capital (growth)	<ul style="list-style-type: none"> <li>Capital project execution</li> </ul>		✓ (focus on excellence)	✓ (new business, business of tomorrow, agility and returns)	 Manufactured	 ✓ (investors)
<b>Social licence to operate</b>	Community investment Compliance (operations, projects) BEE transaction	<ul style="list-style-type: none"> <li>Maintain a social licence to operate</li> <li>Community unrest</li> </ul>		✓ (strong CSI purpose)	✓	 Social	 ✓ (government, regulators)

# EVOLUTION OF A 21<sup>ST</sup> CENTURY GROUP

## Timeline

2006

- Lists on the JSE on 27 November 2006



2007

- Medupi contract signed
- Acquires Namakwa Sands
- Deal of the year award
- Best employers South Africa 2007

2009

- Exxaro's Evergreen awards instituted



2008

- Signatory to UN Global Compact
- Included in JSE SRI

2010

- Reduced HIV/Aids prevalence to 13%

2011

- Progress with energy and carbon management to measure across the business
- Top 10 of EY integrated reporting awards



**2013**

- **Frost and Sullivan Africa award for visionary innovation**
- Deloitte best company to work for (**BCTWF**) – second place for mining
- Dow Jones **Sustainability Index inclusion**
- **CDLI score of 97 points**
- **Best risk information system** implementation award by Institute of Risk Management South Africa
- **Top 10 of EY integrated reporting awards**

**2015**

- **Global bronze medal** in RobecoSAM **2015 sustainability reference guide** (for ESG performance)
- Best corporate governance award for Africa region (**Ethical Boardroom magazine 2015**)
- **Merit award EY** integrated reporting awards

**2017**

- Replacement **BEE transaction** implemented
- **Merit award** in the EY integrated reporting awards
- **Business of tomorrow team formed**



**2012**

- Zeeland water treatment receives **Blue Drop certification**
- **Top 10** in Financial Mail for **financial excellence**
- Carbon Disclosure Project Leadership Index (CDLI) top score of 100 points
- One of the **top 10** companies worldwide for delivering the **highest returns** to shareholders over **10 years** (Boston Consulting Group)
- **Cennergi** (JV with Tata Power) formed to realise renewable energy ambitions

**2014**

- **Top employer** in SA mining industry (**Top Employers Institute 2014**)
- **Best company to work for** (top SA employer certification 2014 in resources)
- Top 10 of **global leaders of CDLI**
- **Top 10 of EY integrated reporting awards**

**2016**

- **Merit award EY** integrated reporting awards
- Exxaro **10-year BEE** ownership structure unwinds
- **International Institute of Risk Management innovation award**
- **Cennergi wind farms** commissioned
- **Thabametsi project approved**

**2018**

- **Winner CSSA integrated reporting awards**
- **Belfast project breaks ground**

# REMUNERATION REPORT

## Section 1: Background statement

### Dear shareholder

I am pleased to present the remuneration report and accompanying implementation report for the year to 31 December 2018 (FY18) for the Exxaro group of companies.

The way Exxaro remunerated its people in the review period reflects the context in which the company operated and the dynamics of the market, as well as its remuneration philosophy.

This report provides an overview of the remuneration policy for all employees, including executive directors, prescribed officers and senior management, as well as non-executive directors.

No changes were made to the remuneration policy in the review period. The remuneration philosophy and policy are available on our website, [www.exxaro.com](http://www.exxaro.com). As its name suggests, the implementation report details how we effected that remuneration policy and related incentive policies.

### 2017 shareholder vote

The non-binding vote on the 2017 remuneration report was:

- Approval of remuneration policy: 82.9%
- Approval of the implementation of remuneration policy: 83.3%.

The contributions made by shareholders are appreciated as is the positive way in which these interactions are taking place. One written concern was received from a shareholder on performance conditions for our long-term incentives. I, as chairman of the committee and senior managers interacted

with this shareholder to understand the reason for the concern and explained Exxaro's position. The committee considered all feedback and has decided to retain current performance conditions which it believes provide an appropriate balance between stakeholder interests and operational focus.

### Key remuneration decisions in 2018

Notable matters and key areas of focus for the committee for the review period included:

- In the absence of the revised mining charter, a new equity share option plan (ESOP) for employees was not implemented
- The committee instead implemented an interim cash scheme, equivalent in value to a dividend payment of an ESOP. The base calculation used to determine the dividend payment is equal to 500 units (1 unit representing 1 share) or less (depending on the employees' length of service)
- The conclusion of two-year wage agreements in July 2018 for Exxaro FerroAlloys Proprietary Limited
- Share scheme offers to management for 2018
- Approving the mandate for the 2018 reward allocation
- Approving production-based incentives for tied and commercial mines
- Appointing new directors to the board, necessitated by the replacement black economic empowerment (BEE) transaction and filling vacancies after directors resigned from the board or reached the end of their term of office
- Approving adjustments to the long-term incentive plan (LTIP) and deferred bonus plan (DBP) awards and grants necessitated by the impact of the replacement BEE

transaction and the Tronox Limited disposal and subsequent special dividend. More detail is set out below.

The company assisted by Deloitte conducted an impact study on vesting of the 2015, 2016 and 2017 LTIP and DBP awards as well as the planned 2018 LTIP and DBP grants, taking into account two significant corporate transactions:

- The replacement BEE transaction (BEE transaction)
  - Tronox Limited disposal and subsequent special dividend (Tronox transaction).
- 1 The BEE transaction negatively impacted the measurement of performance conditions and recommended amendments to measuring headline earnings per share (HEPS). The measurement of HEPS was affected by the BEE facilitation charge and implementation cost of the BEE transactions being expensed through the income statement in FY17 as well as issuing shares to facilitate the transaction. The environment, social and governance (ESG) and total shareholder return (TSR) measurements were not affected by either the BEE transaction or Tronox distribution.

**The committee approved: all BEE transaction costs incurred by Exxaro, including interest paid by Eyesizwe (RF) Proprietary Limited (Eyesizwe), be reversed when calculating HEPS for vesting calculations.**

The accounting treatment of the BEE transaction states that shares held by Eyesizwe in Exxaro should be treated as treasury shares. This implies that Exxaro's issued share capital is reduced by 107 million shares in the HEPS calculation, which is not comparable to the number of shares in the base years.

**The committee approved the impact of treasury shares be added back in calculating HEPS for vesting of the 2015, 2016 and 2017 awards.**

- 2 The Tronox distribution could have a negative impact on the company's future share price, and scheme participants will lose out on the Tronox distribution of their unvested shares. Accordingly, an adjustment was approved for both the LTIP and DBP 2015 to 2017 awards.

The Tronox distribution resulted in a reduction in the share price. This negatively impacted LTIP and DBP participants' 2015 to 2017 value, as a portion of the company's assets had been permanently removed from its asset base. Participants should also be compensated for Tronox distributions on their unvested shares.

Although Tronox Limited's equity-accounted results had a negative impact on HEPS in prior years, which resulted in a lower base HEPS, it was anticipated that the equity-accounted results from Tronox Limited would return to positive territory. As the non-inclusion of Tronox Limited's equity-accounted results would not have a material negative impact on HEPS, it was recommended not to adjust for this in the HEPS vesting calculations.

**The committee approved: an additional grant of shares be made to LTIP and DBP participants to compensate for potential loss from the decrease in the Exxaro share price after the Tronox special dividend.**

Some 1.5 million additional shares at a cost of R213 million were granted to participants to compensate for offers made in 2015, 2016 and 2017.

The committee was satisfied that the approved adjustments would ensure the impact of the BEE and Tronox transactions did not affect LTIP and DBP participants negatively, while ensuring shareholders were not disadvantaged and permissible in terms of the scheme rules.

### Remuneration advice

Exxaro continues to obtain independent and professional advice on remuneration matters. In the review period, we obtained advice from consultants who, in the view of the committee, can be regarded as fully independent:

- Deloitte advised the committee on how the BEE transactions and Tronox distribution impacted the long-term incentive schemes
- Deloitte advised on the structure and content of this remuneration report
- Remuneration benchmark data was procured from various consultants:
  - PwC and Mercer for non-executive, executive and general staff remuneration benchmarks
  - PwC, Mercer, Khokhela, 21st Century and EY for non-executive and executive director benchmarks
  - PwC for remuneration trends in the mining industry
  - Korn Ferry Hay benchmarks on specific positions.

### Looking ahead

With the promulgation of the revised mining charter and implementation guidelines, a replacement ESOP will be developed in 2019. Internal 'smart workforce' initiatives will assist employees in acquiring the relevant knowledge and skills for the new world of work and the impact of digitalisation on the future of work. Smart workforce programmes include programmes on digitalisation and innovation, Microsoft 365, design thinking, data science and data mining, culture and leadership behaviours aligned to Exxaro's workforce of the future journey, creating a bias for action and more critically, job-specific reskilling at operating units and corporate office. These programmes were started and rolled out in 2018 and will be revised as business needs change.

### 2019 focus areas

In addition to its normal workplan, the committee will specifically focus on the following areas for 2019

- Review metrics for annual incentives to ensure they drive value and are aligned with Exxaro's strategy

- Review incentive plans to confirm they are having the desired impact
- Review fee structure for non-executive directors
- Compliance with revised mining charter and measures to achieve targets
- Ensure human resource policies and relationships stakeholders are fair, consistent and sustainable.

In the view of the committee, Exxaro's remuneration strategy continues to deliver a sound value proposition to employees that drives value creation for stakeholders. Our vision for rewards is to provide simple, integrated, holistic solutions, common messages and a package differentiated from the market for Exxaro to attract, retain and energise talented, high-performing people. Remuneration has been fully integrated into other management processes such as performance management, talent management and human resources policies.

Exxaro understands that remuneration is critical in attracting and retaining high-performing individuals. As such, the committee firmly supports the principle that pay must be aimed at reinforcing, encouraging and promoting superior performance.

In 2018, Dr Con Fauconnier stepped down as non-executive director and chairman of this committee. We are deeply grateful for his guidance and wisdom over the years.

I thank my fellow committee members for their support and wise counsel in the review period. I also thank the executive head of human resources and her staff for their hard work and dedication in ensuring Exxaro remains competitive in the market and an employer of choice for all of its employees.



**EJ Myburgh**  
Chairman

Remuneration and nomination committee

24 April 2019

# REMUNERATION REPORT (CONTINUED)

## Section 2: Remuneration overview

### 2.1 Introduction

This report sets out Exxaro's remuneration policy for non-executive directors, executive directors, prescribed officers, senior management and all other employees.

The remuneration overview and accompanying implementation report are tabled in two separate resolutions every year for non-binding advisory votes by shareholders at the annual general meeting. Shareholders are required to express their views and vote on both the remuneration policy and its implementation.

The non-binding advisory vote provides an opportunity for shareholders to influence Exxaro's perspective on remuneration matters, specifically the structure of total remuneration in terms of policy (ie salary, benefits, short-term and long-term incentives) as well as implementation of the policy and how this translates to actual salaries, incentives and benefits.

The nature of the advisory vote is, therefore, feedback on the remuneration policy (forward-looking) and implementation of the policy (backward-looking).

If either this remuneration policy overview or accompanying implementation report are voted against by 25% or more of the voting rights exercised, the committee will again engage with significant shareholders to ascertain reasons for dissenting votes.

Legitimate objections and concerns are addressed. This can include amending the remuneration policy, as well as clarifying or adjusting remuneration governance and processes.

### 2.2 Remuneration philosophy, policy and framework

#### 2.2.1 Remuneration philosophy and policy

Operational excellence, continuous improvement and innovation are the cornerstone of Exxaro's philosophy and remuneration.

Exxaro's remuneration philosophy and attendant policies are widely shared with employees and the public. [www.exxaro.com/workplace](http://www.exxaro.com/workplace).

**We believe our people are one of our key competitive sources of value and that achieving corporate goals and business objectives must be supported by the way we reward people for their contribution. We primarily remunerate people for the value they add to Exxaro, making remuneration a vital part of the total employee offering.**

**Exxaro philosophy**

#### Remuneration policy

Exxaro's remuneration policy addresses the economics and ethics of remuneration, particularly fair and responsible remuneration for executive management in the context of overall remuneration. Cognisance has been taken of the gap between the general workforce and executive pay.

The policy provides for an annual assessment of the wage gap and consideration of any appropriate actions, such as differentiating annual adjustments. In addition, the principles of internal parity, reward for performance and market competitiveness apply (detailed in section 2.2.2). These principles facilitate fair and responsible remuneration.

Exxaro reward practices and outcomes are determined by:

Strategy and purpose	The way we work	Performance	Market
Supporting the business and people strategy	<p>Prohibiting discrimination as per the constitution (Republic of South Africa - Act 108 1996, as amended, and Employment Equity Act 55 1998, as amended)</p> <p>Encouraging employee engagement according to Exxaro's purpose through the total employee offering (financial and non-financial)</p> <p>Allowing maximum flexibility and choice in structuring individuals' rewards</p> <p>Seeking a balance between affordability and maximising employees' wellbeing</p>	<p>Inspiring superior performance (at organisational, team and individual level)</p> <p>Facilitating the enhancement of skills, knowledge and experience</p> <p>Differentiating rewards appropriately according to our reward practices</p>	<p>Exxaro makes extensive use of remuneration benchmarks against appropriate peer groups in chosen markets. The remuneration policy defines the market as country-specific companies, primarily in the mining industry, as well as functions attracting premium remuneration. We participate in a number of salary surveys to substantiate remuneration data. The ideal is for total remuneration to be on the 50th percentile of the market for full performance</p>

### 2.2.2 Fair and responsible remuneration principles

The guiding principles on remuneration arrangements for all employees, including executive management, are:

Internal parity	<ul style="list-style-type: none"> <li>Exxaro supports the principle of fair and equitable remuneration (equal pay for equal work as per section 6(4) of the Employment Equity Act and code of good practice)</li> <li>Employees are remunerated according to a job-evaluation process. Remuneration differences may occur due to individual performance or other justifying factors as per the code (differentiation is monitored and reported as necessary)</li> </ul>
Market competitiveness	<ul style="list-style-type: none"> <li>Exxaro manages remuneration to ensure market competitiveness in attracting and retaining individuals with the required knowledge, skills and experience. Remuneration is analysed by annual benchmarking against the appropriate market per job family and grade, applicable to the mining industry and business-related industries (the aim is to be at the 50th percentile for full performance)</li> <li>Where scarce skills are identified, individuals are paid in line with relevant specialist markets</li> </ul>
Remuneration ranges	<ul style="list-style-type: none"> <li>Role levels, job-evaluation results and market medians form the basis of remuneration range structures (pay scales). Broad-band remuneration ranges with minimum and maximum values allow for flexibility, based on market trends and performance</li> <li>Remuneration ranges are reviewed at least annually to ensure ongoing market competitiveness</li> </ul>
Remuneration packages and benefits	<ul style="list-style-type: none"> <li>Exxaro manages remuneration on the basis of individual guaranteed total cost to company to determine market competitiveness and guide the design of variable and circumstantial remuneration schemes</li> <li>All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances. Non-bargaining employees have flexibility in structuring their remuneration within certain company and legislative limitations</li> </ul>
Reward for performance	<ul style="list-style-type: none"> <li>Organisational and individual performance is the basis for all remuneration, supported by a robust performance management process</li> <li>Exxaro remunerates based on organisational and individual actual and expected performance</li> </ul>
Remuneration-setting process	<ul style="list-style-type: none"> <li>The human resources executive obtains remuneration mandates from the executive committee (exco) and this committee on behalf of line management. Mandates always consider the ethics of remuneration</li> </ul>
Economics and ethics of remuneration	<ul style="list-style-type: none"> <li>Exxaro acknowledges the importance of monitoring and managing the remuneration range between the workforce and executive pay</li> </ul>
Company performance and affordability	<ul style="list-style-type: none"> <li>Exco and this committee assess the performance of the organisation with a key focus on sustainability and the consequent affordability of mandates as well as the impact of the total labour bill on the cost profile</li> <li>The committee, at its sole discretion, may overrule any of these principles, if necessary, for the sustainability of the organisation</li> </ul>
Communicating remuneration issues	<ul style="list-style-type: none"> <li>Remuneration and performance expectations are communicated clearly and frequently to employees and broader stakeholder groups to establish clear reward expectations</li> </ul>

# REMUNERATION REPORT (CONTINUED)

## 2.2.3 Remuneration framework

The framework below depicts the type of remuneration and rewards for applicable employee categories.

Remuneration							
Employee category*	Guaranteed remuneration		Variable pay				
	Notional cost of employment (NCOE)	Salary and benefits	Short-term incentive schemes (STI)		Long-term incentives (LTI)		
			STI	Special performance award (SPR)	LTIP	DBP	ESOP
Executive management	x		x	x	x	x	
Senior management	x		x	x	x	x	
Middle management	x		x	x	x		
Junior management	x		x				
Bargaining-unit employees		x	x				x

\*Applicable employee categories (Paterson job gradings):

Executive management	Senior management	Middle management	Junior management	Bargaining-unit employees
F band	E band	DU and DM band	CU and DL band	A-CM band
Management and specialist				Other employees

## 2.3 Remuneration

### 2.3.1 Guaranteed remuneration

Exxaro's guaranteed remuneration refers to the notional cost of employment (NCOE, including basic salary and benefits) for

management and specialist employees, as well as basic salary for bargaining-unit employees.

The average increase in 2018 was 7.25%. Since Exxaro was formed in 2006, bargaining-unit employees have generally

received increases of 0.5 to 1.5% per annum higher than management and specialist-category employees to reduce the wage gap.



### Notional cost of employment

NCOE is the guaranteed-remuneration portion of total pay and includes basic salary, benefits and retirement funding.

#### NCOE

Management and specialist employees

#### Increase granted to NCOE: 7%

Differentiated increases were given to employees based on performance and contribution.

#### Annual adjustments based on:

- Performance
- External parity
- Internal parity
- Affordability

### Basic salary

All bargaining-unit employees receive a market-related basic salary as well as benefits (see full list of benefits below). Bargaining-unit employees have received increases of between 0.5% and 1.5% per annum higher than management and specialist-category employees over the years to reduce the wage gap.

#### Basic salary

Bargaining-unit employees

#### Increase granted to BS: 7.5%

#### Coastal Coal:

July 2017 - June 2019: two-year wage agreement

#### FerroAlloys:

July 2018 - June 2020: two-year wage agreement

#### Exxaro Coal, Exxaro Coal Mpumalanga and Ferroland Grondtrust:

2017 - 2020: three-year wage agreement

#### Annual adjustments based on:

- Wage negotiations
- Mandate on affordability
- Industry benchmarking

### Benefits

All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances. Management and specialist employees have flexibility in structuring their remuneration within certain company and legislative limitations.

#### Benefits

Executive management, senior management, middle management, junior management, bargaining-unit employees

#### Retirement funds\*

All employees are members of one of Exxaro's accredited retirement funds. Retirement fund contributions are determined by specific conditions of employment and fund rules for the different levels and categories of employees.

#### Medical health schemes\*\*

Employees may annually elect to belong to any of the accredited medical schemes, as they apply to the relevant employees. Contributions are made by both employer and employee.

Exxaro does not provide any post-retirement medical benefits.

#### Group personal accident cover

Employees are covered by a policy that provides additional cover for death, disability and dread disease.

#### Other benefits

Exxaro provides a range of other market-related conditions-of-service benefits.

#### The committee annually evaluates benefits to:

- Ensure all benefits are justified and correctly valued
- Obtain assurance on the performance of retirement funds
- Oversee significant changes in employee benefit structures throughout the group
- Determine the benefits of executive directors.

\*Retirement fund options

Exxaro-accredited retirement funds are defined-contribution funds.

Fund description	Employee contribution range	Employer contribution range	Total contribution range
Sentinel Funds	7.5 - 13.2%	12.5 - 20.52%	20 - 28.02%
Exxaro Pension and Provident Funds	7 - 8%	10 - 15%	17 - 23%
Iscor Employees Umbrella Provident Fund	7 - 8%	10 - 15%	17 - 23%
Mine Workers Provident Fund	8 - 10.7%	12.5 - 15%	20.5 - 24.65%

\*\*Medical health scheme options

Employer	Exxaro Coal and Exxaro Coal Mpumalanga	Exxaro Resources Limited (including management and specialist employees in subsidiary companies)	Exxaro (other non-management and specialist employees)
Fund names	Bonitas Discovery Sizwe Umvuzo	Bonitas Discovery Sizwe Umvuzo	Bonitas Sizwe Umvuzo
Employer contributions	Main member: 60% Dependants: 50%		60% capped at R value
Employee contributions	Main member: 40% Dependants: 50%	Included in NCOE package	40%

# REMUNERATION REPORT (CONTINUED)

Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements recognises a past practice (in Eyesizwe Proprietary Limited) that was discontinued with the creation of Exxaro in November 2006.

Circumstantial remuneration may be awarded in the following instances: job-specific, skills scarcity and severance payments.

## 2.3.2 Variable pay Short-term incentives

Exxaro's short-term incentive schemes are based on individual, business unit, commodity and group-level performance. Exxaro has two short-term incentive schemes: the special performance reward (SPR) and the two-tier short-term incentive (STI).

### Special performance reward (SPR)

Executive management, senior management and middle management.

Yearly SPR objectives are set.

At the end of the year, a five-point rating scale is used to evaluate achievement of objectives.

### Scoring

Rating of 2 or below	Does not qualify for SPR
Rating of 3	Qualifies for 90% of base payment according to Paterson grade
Rating of 4 and above	Qualifies for 100% of base payment according to Paterson grade

### Payment factors per job grade:

Paterson grade	Individual SPR factor (% of total remuneration)
F upper	37%
F middle	32%
F lower	32%
E upper	25%
E middle	20%
E lower, D upper	15%
D middle	10%

Rewards are paid to those who qualify at the end of March of the following year.

### Two-tier incentive scheme (STI)

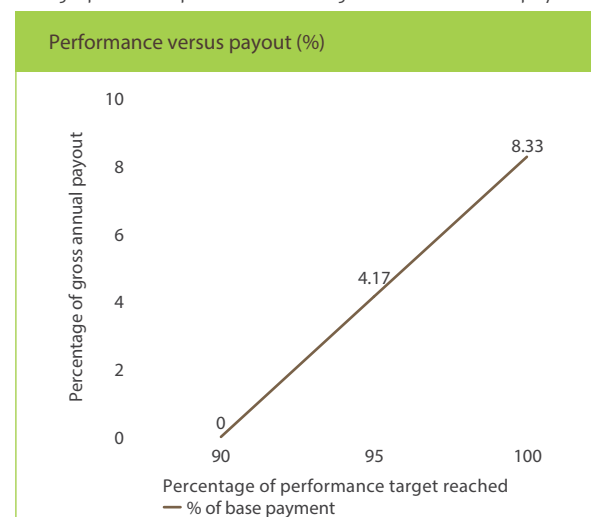
Executive management, senior management, middle management, junior management and bargaining-unit employees.

The two-tier incentive scheme is based on business performance.

### Tier one

The potential value, provided all budgeted operational targets have been achieved for the year, is a maximum of **8.33% of gross annual remuneration**.

The graph shows performance target reached versus payout percentage of gross annual remuneration:



### Tier two

The second tier is based on exceeding a combination of budgeted consolidated net operating profit and production targets by an improvement percentage at commodity business unit and group level.

The potential value, provided all targets have been achieved for the year, is 10% of gross annual remuneration.

## Long-term incentives

Exxaro makes general share offers to participants once a year under the LTIP and DBP.

Long-term incentive plan (LTIP)	Deferred bonus plan (DBP)
Executive management Senior management Middle management	Executive management Senior management
Remco can make a conditional award to qualifying employees. Awards vest after three years, subject to fulfilling the following performance conditions: <ul style="list-style-type: none"> <li>● Headline earnings per share (HEPS) 33.33%</li> <li>● Total shareholder return (TSR) 33.33%</li> <li>● Environmental, social and governance (ESG) targets as per risk dashboard 33.34%</li> </ul>	Remco can select participants based on seniority and performance. The after-tax portion of the STI and SPR payments are used to acquire pledged shares. The pledged shares are held in escrow until the vesting date after three years. At the end of the three-year period, these are matched with an award to the participant of shares equal to the market value of pledged shares on the vesting date.

An employee share option scheme, known as Exxaro Mpower 2012\* (ESOP), wound up on 31 May 2017; a replacement scheme will be developed in 2019.

\*Exxaro Mpower 2012

- The Mpower 2012 scheme was wound up on 31 May 2017. An interim cash scheme, equivalent in value to a dividend payment was introduced. The base calculation used to determine the dividend payment is equal to 500 units (1 unit representing 1 share) or less (depending on the employees' length of service). There is no other benefit except a value equal to dividend payment.

In 2018, participants who received payments equal to the three dividends paid to shareholders received a total payment of R10 925.

We anticipate that a new ESOP will be introduced in 2019.

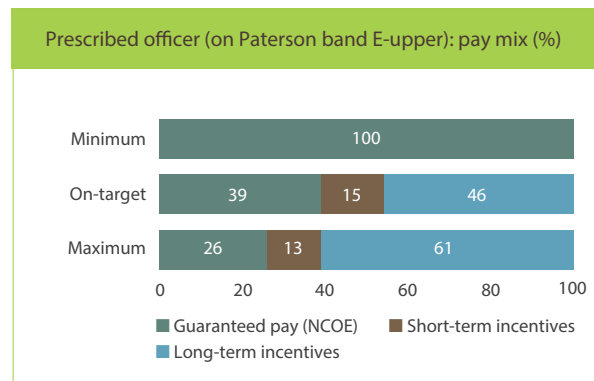
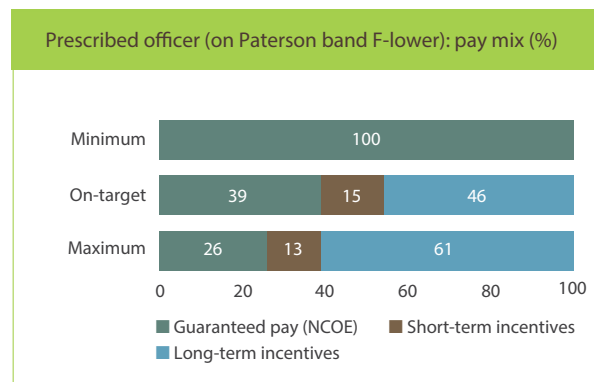
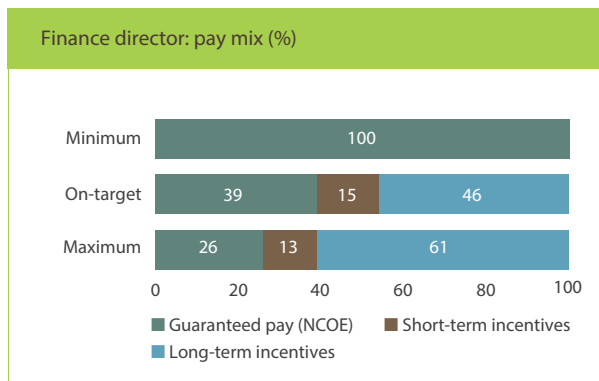
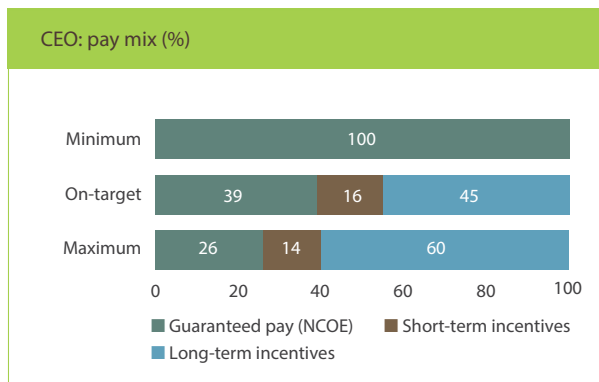
### Costs of payments made to all participants in 2018

	Active participants	Number of units	Payment before tax	Payment
Special cash dividend (13 February 2018) of 1 255 cents per share	6 004	2 982 560	R37 431 128	R29 944 902
Final cash dividend (6 March 2018) of 400 cents per share	6 019	2 984 320	R11 937 280	R9 549 824
Interim cash dividend (14 August 2018) of 530 cents per share	6 037	2 952 900	R15 650 370	R12 520 296

# REMUNERATION REPORT (CONTINUED)

## 2.4 Remuneration mix

Below we show the total remuneration pay mix for executive management, applying the remuneration policy under minimum, on-target and maximum performance outcomes:



## 2.5 Employment contracts

### Executive long-term incentives

Executive employment contracts for management are generally valid for an indefinite period, with a notice period of three to six months or payment in lieu.

The current executive employment contracts do not have a restraint-of-trade clause, but include confidentiality undertakings.

Employment contracts provide for the following payments on termination:

- Any amounts due in terms of participating in the LTIP and DBP
- Termination benefits are payable whenever employment is terminated before the normal retirement date by Exxaro, or when the employee accepts voluntary redundancy.

Note that there are no special agreements in place on severance packages for executive employees.

### Non-executive directors' remuneration

Fees for non-executive directors are reviewed annually, and independent data is used for benchmarking.

Fees are paid as a combination of retainer and fee per meeting in line with emerging market practice and company culture.

## Section 3: Implementation report

### 3.1 Introduction

This implementation report discloses remuneration outcomes for non-executive directors, executive directors and prescribed officers. This includes a single, total figure of remuneration received and receivable for the review period and all constituent remuneration elements at fair value.

In addition, details of all awards made under the Exxaro variable compensation schemes are disclosed under sections for short-term and long-term incentives. This includes reference to awards in current and prior years that have not yet vested, vesting and expiry dates where applicable, the fair value at the end of the review year, as well as the cash value of awards settled. The performance measures used and their weighting is disclosed.

In the review period, implementation complied fully with the remuneration policy.

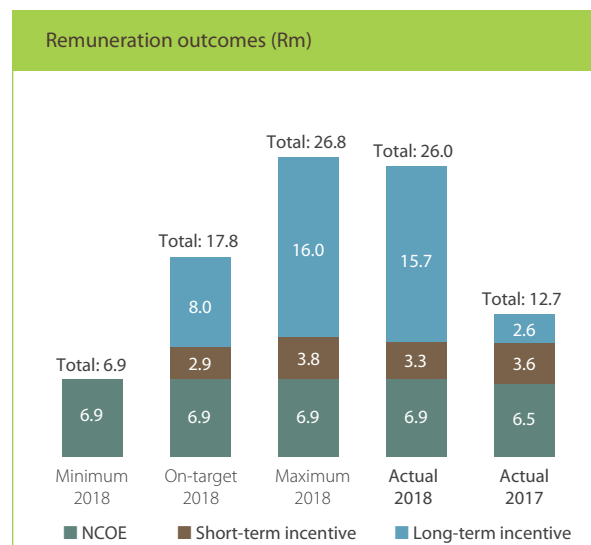
### 3.2 Remuneration of executive management

Total remuneration is summarised below by name and role for FY18 and FY17. We disclose the performance rating for each executive director and prescribed officer supporting the SPR, as well as tier-one and tier-two factors achieved under the STI scheme. We also disclose the outcome of the 2015 and 2016 conditional LTIP awards that vested in 2018. Vesting in that period was subject to the following performance metrics:

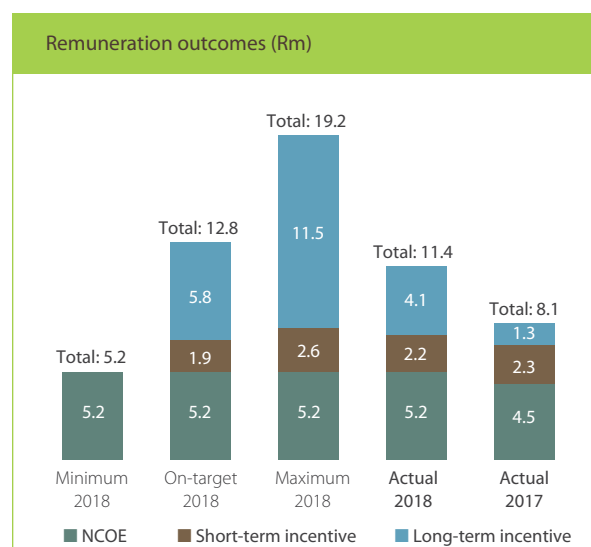
- Retention: 50%
- HEPS: 50%

In FY18, 100% of conditional awards made to participants vested because the HEPS target was achieved. No further performance conditions apply to the DBP scheme, other than continued employment at the time of vesting.

#### MDM Mgojo: Chief executive officer



#### PA Koppeschaar: Finance executive

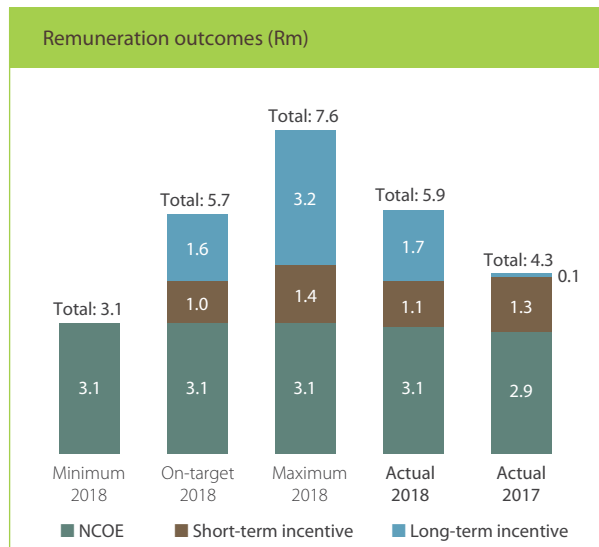


SPR objectives	Rating
Implement ESD strategy as per plan	4
Signed agreement for Arnot BEE transaction	4
Implement business excellence initiatives and adopt lean practices	4
<b>Overall rating</b>	<b>4</b>
<b>STI tier-one factor (max 8.33%)</b>	<b>8.33%</b>
<b>STI tier-two factor (max 10%)</b>	<b>2.58%</b>
LTIP As above, awards vested in 2018	

SPR objectives	Rating
Oversee project on improved disclosure to the market and revise a more investor-friendly dividend policy	4
Ensure a plan is in place to monetise remaining Tronox shareholding	4
Implement business excellence initiatives and adopt lean practices	4
<b>Overall rating</b>	<b>4</b>
<b>STI tier-one factor (max 8.33%)</b>	<b>8.33%</b>
<b>STI tier-two factor (max 10%)</b>	<b>2.58%</b>
LTIP As above, awards vested in 2018	

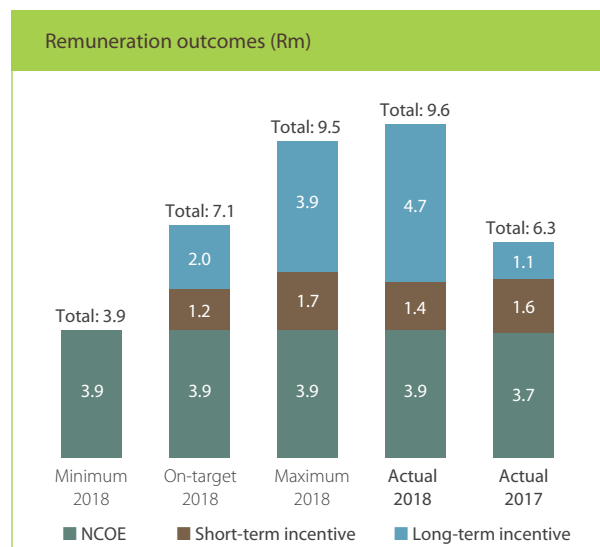
# REMUNERATION REPORT (CONTINUED)

## V Balgobind: Executive head of human resources



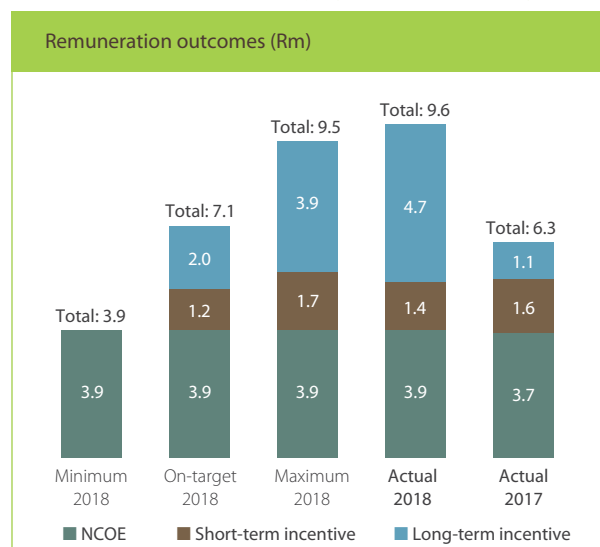
SPR objectives	Rating
Implement culture initiative	4
Strategy finalised and implement workforce of the future	4
Implement business excellence initiatives and adopt lean practices	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

**AW Diedericks: Executive head of business development**



SPR objectives	Rating
Implement business excellence initiatives and adopt lean practices	4
Value-chain analyses completed for top 3 materials	4
Divest from Arnot according to plan	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

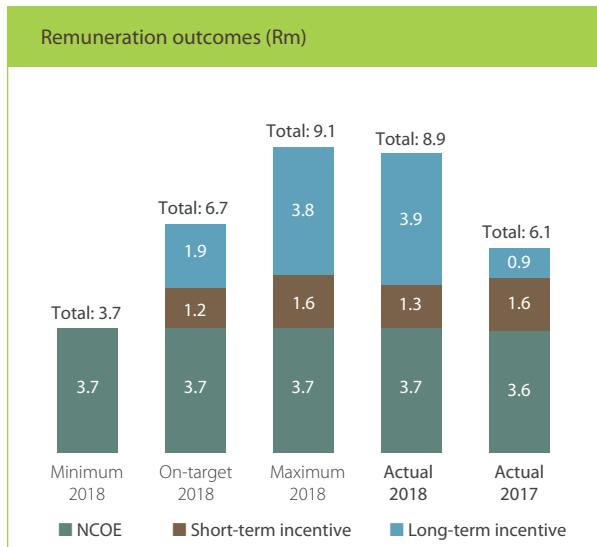
**JG Meyer: Executive head of projects and technology**



SPR objectives	Rating
Implement business excellence initiatives and adopt lean practices	4
Large and mega project dashboard - digitalised and real-time	4
Exxaro lakeside development project and change management (incl Belfast)	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

# REMUNERATION REPORT (CONTINUED)

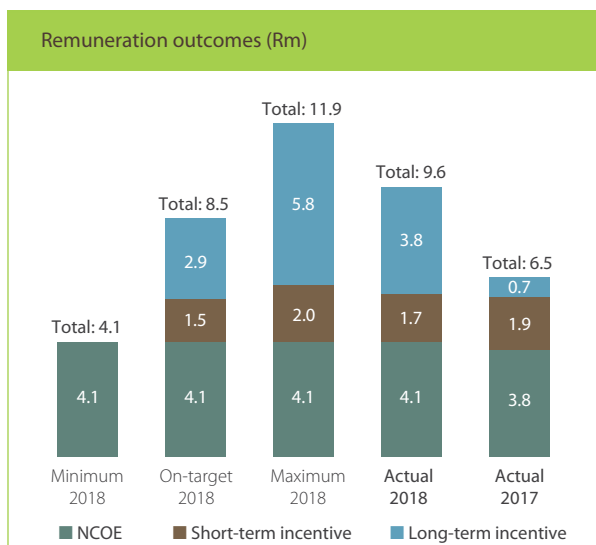
## MI Mthenjane: Executive head of stakeholder affairs



SPR objectives	Rating
Full implementation of project to diversify Exxaro shareholder base by geography and investment theme (mining versus non-mining)	3
Roll out ESD strategy using innovative solutions	4
Implement business excellence initiatives and adopt lean practices	4
Achieved 100% of Q2 maturity assessment target for business excellence - lean enablement	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

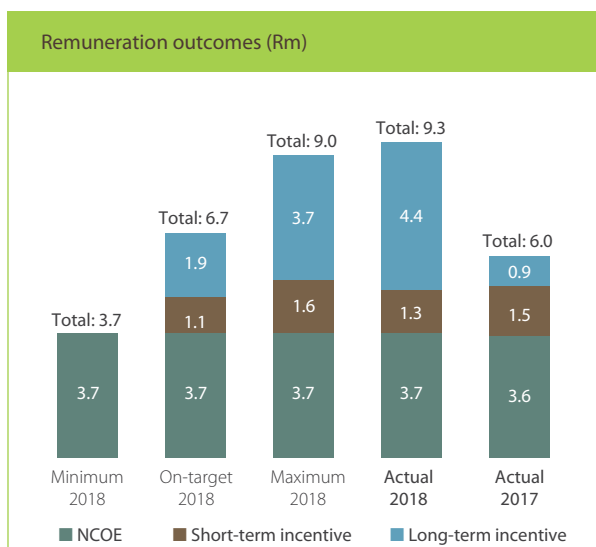


**N Tsengwa: Executive head of coal operations**



SPR objectives	Rating
Coal strategy implementation	4
Contractor optimisation	4
Visibility 'ops eye' at two business units	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

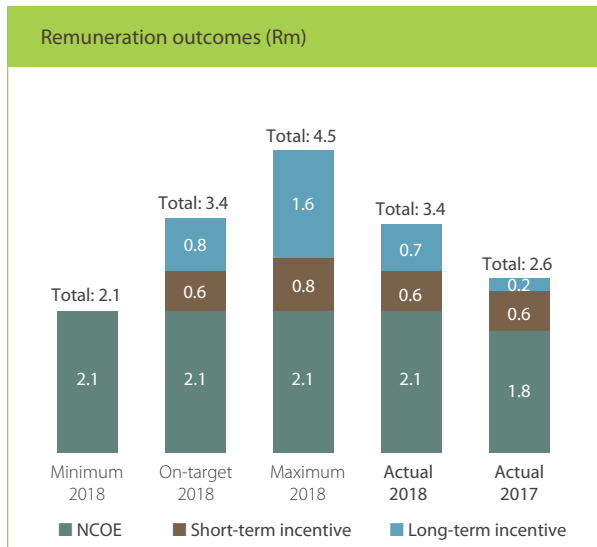
**M Vetzi: Executive head of sustainability**



SPR objectives	Rating
Resolve dispute for transfer/ relinquishment of 720 000Mt to Marubeni IPP in favour of Exxaro	4
Licence approved for NBC transaction condition precedent	4
Implement business excellence initiatives and adopt lean practices	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

# REMUNERATION REPORT (CONTINUED)

## SE van Loggerenberg: Company secretary



SPR objectives	Rating
Implement business excellence initiatives and adopt lean practices	4
Replacing BoardPad with Diligent	4
<b>Overall rating</b>	<b>4</b>
STI tier-one factor (max 8.33%)	8.33%
STI tier-two factor (max 10%)	2.58%
LTIP As above, awards vested in 2018	

The table alongside outlines the detailed remuneration of executives. Please note that:

- NCOE is the guaranteed remuneration portion and includes basic salary, benefits, allowances and retirement funding
- Short-term incentives include payments received from SPR and two-tier STI
- Long-term incentive gains consist of those from the Exxaro LTIP and DBP
- Total remuneration is the sum of NCOE, short-term incentives and long-term incentive gains
- Other payments include long-service awards, zero-fatality and LTIFR rewards, and leave encashment.

Executive	Year	NCOE	Short-term incentives	Long-term incentives	Total remuneration	Year-on-year increase	Other payments
<b>MDM Mgojo</b>	2018	6 933 519	3 321 854	15 701 939	25 957 312	104.6%	200 240
Chief executive officer	2017	6 503 463	3 598 366	2 585 196	12 687 025		2 530
<b>PA Koppeschaar</b>	2018	5 163 873	2 215 820	4 057 988	11 437 681	41.3%	10 760
Finance executive	2017	4 520 625	2 275 231	1 301 286	8 097 142		2 530
<b>V Balgobind</b>	2018	3 135 624	1 126 004	1 669 362	5 930 990	37.6%	6 956
Executive head: human resources	2017	2 908 065	1 260 065	143 678	4 311 808		32 730
<b>AW Diedericks</b>	2018	3 818 186	1 371 114	4 700 652	9 889 952	55.9%	5 260
Executive head: business development	2017	3 688 623	1 598 280	1 058 546	6 345 449		60 323
<b>JG Meyer</b>	2018	3 895 210	1 398 774	4 670 528	9 964 512	56.9%	5 260
Executive head: projects and technology	2017	3 688 623	1 598 280	1 063 570	6 350 473		60 330
<b>MI Mthenjane</b>	2018	3 747 913	1 345 878	3 874 158	8 967 949	47.8%	6 260
Executive head: stakeholder affairs	2017	3 612 482	1 565 289	889 223	6 066 994		2 530
<b>Dr N Tsengwa</b>	2018	4 070 181	1 746 518	3 770 366	9 587 065	47.1%	69 942
Executive head: coal operations	2017	3 842 326	1 933 844	741 789	6 517 959		2 530
<b>SE van Loggerenberg</b>	2018	2 092 998	646 948	698 287	3 438 233	34.5%	21 310
Company secretary	2017	1 791 590	615 239	149 382	2 556 211		7 030
<b>M Veti</b>	2018	3 696 666	1 327 476	4 364 615	9 388 757	55.7%	6 260
Executive head: sustainability	2017	3 571 190	1 547 397	910 083	6 028 670		2 530

# REMUNERATION REPORT (CONTINUED)

## 3.4 Awards under short-term incentive schemes

The following incentives were paid in 2018 under the SPR and STI. In the table below, we disclose the performance rating for each executive director and prescribed officer supporting the SPR as well as tier-one and tier-two factors achieved under the STI scheme. All payments were made as per policy, and there were no deviations.

Name	SPR				STI				Total short-term incentive R	Short-term incentive as % rating of NCOE
	NCOE R	Rating	SPR factor	Actual R	Tier one factor	Tier two factor	Total factor	Actual R		
MDM Mgojo	6 933 519	4	37.0%	2 565 402	8.33%	2.58%	10.9%	756 447	3 321 854	47.9%
PA Koppeschaar	5 163 873	4	32.0%	1 652 439	8.33%	2.58%	10.9%	563 379	2 215 820	42.9%
V Balgobind	3 135 624	4	25.0%	783 906	8.33%	2.58%	10.9%	342 097	1 126 004	35.9%
AW Diedericks	3 818 186	4	25.0%	954 547	8.33%	2.58%	10.9%	416 564	1 371 114	35.9%
JG Meyer	3 895 210	4	25.0%	973 803	8.33%	2.58%	10.9%	424 967	1 398 774	35.9%
MI Mthenjane	3 747 913	4	25.0%	936 978	8.33%	2.58%	10.9%	408 897	1 345 878	35.9%
Dr N Tsengwa	4 070 181	4	32.0%	1 302 458	8.33%	2.58%	10.9%	444 057	1 746 518	42.9%
SE van Loggerenberg	2 092 998	4	20.0%	418 600	8.33%	2.58%	10.9%	228 346	646 948	30.9%
M Vetri	3 696 666	4	25.0%	924 167	8.33%	2.58%	10.9%	403 306	1 327 476	35.9%
<b>Total</b>	<b>36 554 170</b>								<b>14 500 386</b>	

For the two-tier STI, the 2018 results of tier one and two are shown below, resulting in the performance bonuses noted above as well as at various business units.

A business unit will qualify for tier one and/or tier two on a sliding scale between a threshold of 90% and 100% performance against targets. Modifiers apply where stated.

**Tier one (max) 8.33%**

Commercial business units	Total FY18 achievement
Grootegeluk	8.33%
Leeuwpán	8.33%
NBC*	4.77%
Mafube	8.00%
Operating commodity businesses	8.33%
FerroAlloys	8.33%
Corporate and services	8.33%
Ferroland	7.47%
Belfast	8.33%
<b>Closure</b>	
Arnot	8.33%
Coastal Coal – Durnacol and Hlobane	8.13%
Coastal Coal – Tshikondeni	7.80%

\*NBC divestment effective 1 November 2018.

### Tier two (max)

Commercial business units	Total FY18 achievement
Grootegeluk	2.58%
Leeuwpán	2.58%
NBC*	1.48%
Mafube	2.48%
Operating commodity businesses	2.58%
FerroAlloys	2.58%
Corporate and services	2.58%
Ferroland	2.38%
Belfast	2.58%
<b>Closure</b>	
Arnot	2.58%
Coastal Coal – Durnacol and Hlobane	2.52%
Coastal Coal – Tshikondeni	2.42%

\*NBC divestment effective 1 November 2018.

### Exxaro Coal Central:

Employees do not participate in STI and SPR. A different incentive applies. On average, employees received incentives totalling 27.7% of annual remuneration.

### 3.5 Awards made under long-term incentive schemes

Below we detail our two long-term (share-based) incentive schemes:

#### LTIP

Conditional LTIP awards made between April 2015 and March 2016 vested in FY18. Vesting was subject to the following performance metrics:

- **Retention: 50%**  
Participants had to be employed by the company for the vesting period, which ended in April 2018, for 50% of their conditional awards to vest.

- **HEPS: 50%**

50% of the conditional awards granted to participants is based on a HEPS improvement calculated as the consumer price index (CPI) + 2% per annum, compared to HEPS of the base year of December 2014. A 30% to 100% sliding scale between minimum and maximum will apply when calculating the portion of shares to vest.

The minimum performance condition is that Exxaro's HEPS for FY17 is equal to HEPS for FY14. The table summarises HEPS performance:

	HEPS <sup>1</sup>
Base: December 2014 <sup>2</sup>	1 371
Target: December 2017 <sup>3</sup>	1 689
Actual: December 2017 <sup>4</sup>	1 881
Lower target met	Yes
Upper target met	Yes

<sup>1</sup>HEPS is measured in cents per share.

<sup>2</sup>Based on actual HEPS achieved for FY14.

<sup>3</sup>Based on a targeted performance for FY17 (base multiplied by a cumulative increase of 123.3%).

<sup>4</sup>Based on actual HEPS achieved for FY17.

100% of conditional awards made to participants vested because the HEPS target was achieved.

#### DBP

No further performance conditions apply to this scheme other than continued employment at the time of vesting.

# REMUNERATION REPORT (CONTINUED)

## LTIP

The table below illustrates the rights held by each participant as well as options exercised and shares forfeited due to performance conditions not being met in the review period.

2018	Rights held at 31 December	Exercisable period	Pre-tax gain if exercisable at 31 December <sup>1</sup>	Modification during the year <sup>2</sup>	Options exercised during the year	Shares forfeited <sup>3</sup>	Sale price/market price	Pre-tax gain	Date exercised
MDM Mgojo		01/04/2018		6 105	74 925		106.43	7 974 268	03/04/2018
		01/05/2018		5 667	69 556		111.10	7 727 672	04/05/2018
	206 388	01/04/2019	28 454 714	16 816					
	139 908	01/04/2020	19 289 116	11 399					
	152 820	01/04/2021	21 069 293						
	499 116		68 813 123	39 987	144 481			15 701 940	
PA Koppeschaar		01/04/2018		2 940	36 077		106.43	3 839 675	03/04/2018
	51 770	01/04/2019	7 137 530	4 218					
	36 287	01/09/2019	5 002 889	2 957					
	60 728	01/04/2020	8 372 569	4 948					
	71 749	01/04/2021	9 892 035						
	220 534		30 405 023	15 063	36 077			3 839 675	
V Balgobind		01/04/2018		170	2 085	4 468	106.43	221 907	03/04/2018
		01/04/2018		1 063	13 045		106.43	1 388 379	03/04/2018
	41 655	01/04/2019	5 742 975	3 394					
	21 760	01/04/2019	3 000 051	1 773					
	27 336	01/04/2020	3 768 814	2 228					
	30 331	01/04/2021	4 181 735						
	121 082		16 693 575	8 628	15 130	4 468		1 610 286	
AW Diedericks		01/04/2018		3 051	37 438		106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	4 378					
	34 553	01/04/2020	4 763 822	2 816					
	36 500	01/04/2021	5 032 255						
	124 778		17 203 143	10 245	37 438			3 984 526	

2018	Rights held at 31 December	Exercisable period	Pre-tax gain if exercisable at 31 December <sup>1</sup>	Modification during the year <sup>2</sup>	Options exercised during the year	Sale price/market price	Pre-tax gain	Date exercised
JG Meyer		01/04/2018		3 051	37 438	106.43	3 984 526	03/04/2018
	53 725	01/04/2019	7 407 066	4 378				
	34 553	01/04/2020	4 763 822	2 816				
	37 475	01/04/2021	5 166 678					
	125 753		17 337 566	10 245	37 438		3 984 526	
MI Mthenjane		01/04/2018		2 966	36 401	106.43	3 874 158	03/04/2018
	52 237	01/04/2019	7 201 915	4 256				
	33 916	01/04/2020	4 675 999	2 764				
	35 828	01/04/2021	4 939 606					
	121 981		16 817 520	9 986	36 401		3 874 158	
Dr N Tsengwa		01/04/2018		2 566	31 488	106.43	3 351 268	03/04/2018
	45 187	01/04/2019	6 229 932	3 682				
	26 964	01/05/2019	3 717 527	2 197				
	51 117	01/04/2020	7 047 501	4 165				
	55 441	01/04/2021	7 643 651					
	178 709		24 638 611	12 610	31 488		3 351 268	
SE van Loggerenberg		01/04/2018		535	6 561	106.43	698 287	03/04/2018
	9 414	01/04/2019	1 297 908	767				
	6 191	01/04/2020	853 553	505				
	7 198	01/10/2020	992 388	587				
	15 272	01/04/2021	2 105 551					
	38 075		5 249 400	2 394	6 561		698 287	
M Vetu		01/04/2018		2 953	36 244	106.43	3 857 449	03/04/2018
	52 013	01/04/2019	7 171 032	4 238				
	33 452	01/04/2020	4 612 027	2 726				
	35 338	01/04/2021	4 872 050					
	120 803		16 655 109	9 917	36 244		3 857 449	

<sup>1</sup>Based on a share price of R137.87 on 31 December 2018.

<sup>2</sup>A modification made to the LTIP scheme in 2018 resulted in a top-up in the number of rights employees are entitled to. This was to provide for the Tronox disposal and subsequent special dividend (Tronox distribution) which would have a negative impact on the value of the company's future share price and scheme participants who would lose out on the Tronox distribution on their unvested shares.

<sup>3</sup>Shares forfeited due to performance conditions not being adequately met.

# REMUNERATION REPORT (CONTINUED)

## DBP

The table below illustrates the rights held by each participant as well as options exercised and shares forfeited as a result of resignations in the review period.

2018	Rights held at 31 December	Exercisable period	Pre-tax gain if exercisable at 31 December <sup>1</sup>	Modification during the year <sup>2</sup>	Options exercised during the year	Sale price/ market price	Pre-tax gain	Date exercised
MDM Mgojo	6 314	04/03/2019	870 511	515				
	11 444	31/03/2019	1 577 784	933				
	1 507	31/08/2019	207 770	123				
	1 140	31/08/2020	157 172	93				
	4 124	09/03/2021	568 576					
	10 509	31/03/2021	1 448 876					
	946	31/08/2021	130 425					
	35 984		4 961 114	1 664				
PA Koppeschaar		31/03/2018		119	1 456	149.94	218 313	09/05/2018
	690	31/08/2021	95 130					
	690		95 130	119	1 456		218 313	
V Balgobind		31/08/2018		33	394	149.94	59 076	11/09/2018
	1 836	04/03/2019	253 129	150				
	2 040	31/03/2019	281 255	167				
	386	31/08/2019	53 218	32				
	994	09/03/2020	137 043	81				
	1 784	31/03/2020	245 960	146				
	285	31/08/2020	39 293	24				
	1 027	09/03/2021	141 592					
	1 773	31/03/2021	244 444					
	238	31/08/2021	32 813					
	10 363		1 428 747	633	394		59 076	



2018	Rights held at 31 December	Exercisable period	Pre-tax gain if exercisable at 31 December <sup>1</sup>	Modification during the year <sup>2</sup>	Options exercised during the year	Sale price/ market price	Pre-tax gain	Date exercised
AW Diedericks		06/03/2018		58	707	125.15	88 481	14/03/2018
		31/03/2018		321	3 939	106.43	419 228	04/04/2018
		31/08/2018		114	1 390	149.94	208 417	05/09/2018
	3 650	04/03/2019	503 226	298				
	5 339	31/03/2019	736 088	435				
	869	31/08/2019	119 809	71				
	2 270	09/03/2020	312 965	185				
	4 121	31/03/2020	568 162	336				
	649	31/08/2020	89 478	53				
	2 343	09/03/2021	323 029					
	4 044	31/03/2021	557 546					
525	31/08/2021	72 382						
	23 810		3 282 685	1 871	6 036		716 126	
JG Meyer		06/03/2018		55	669	125.15	83 725	15/03/2018
		31/03/2018		307	3 757	106.43	399 858	04/04/2018
		31/08/2018		110	1 350	149.94	202 419	03/09/2018
	875	31/08/2019	120 636	72				
	2 276	09/03/2020	313 792	186				
	4 127	31/03/2020	568 989	337				
	649	31/08/2020	89 478	53				
	7 927		1 092 895	1 120	5 776		686 002	
MI Mthenjane	1 230	09/03/2020	169 580	101				
	632	31/08/2020	87 134	52				
	1 269	09/03/2021	174 957					
	2 199	31/03/2021	303 176					
	5 330		734 847	153				
Dr N Tsengwa		06/03/2018		80	976	125.15	122 146	16/03/2018
		31/03/2018		161	1 973	106.43	209 986	12/04/2018
		31/08/2018		48	580	149.94	86 965	10/09/2018
	2 596	31/03/2019	357 911	212				
	439	31/08/2019	60 525	36				
	1 234	09/03/2020	170 132	101				
	373	31/08/2020	51 426	31				
250	31/08/2021	34 468						
	4 892		674 462	669	3 529		419 097	

# REMUNERATION REPORT (CONTINUED)

2018	Rights held at 31 December	Exercisable period	Pre-tax gain if exercisable at 31 December <sup>1</sup>	Modification during the year <sup>2</sup>	Options exercised during the year	Sale price/market price	Pre-tax gain	Date exercised
M Vetri		06/03/2018		37	453	125.15	56 693	14/03/2018
		13/05/2018		229	2 810	118.05	331 721	23/05/2018
		31/08/2018		65	792	149.94	118 752	11/09/2018
	470	31/08/2019	64 799	39				
	1 199	09/03/2020	165 306	98				
	348	09/03/2020	47 979	29				
	1 251	31/08/2020	172 475					
	2 183	31/03/2021	300 970					
	284	31/08/2021	39 155					
	5 735		790 684	497	4 055		507 166	

<sup>1</sup> Based on a share price of R137.87 on 31 December 2018.

<sup>2</sup> A modification to the DBP scheme in 2018 resulted in a top-up in the number of rights employees are entitled to. This was to provide for the Tronox disposal and subsequent special dividend (Tronox distribution) which would have a negative impact on the value of the company's future share price and scheme participants who would lose out on the Tronox distribution on their unvested shares.

### 3.2 Non-executive director fees and basis for fee-setting

Details are provided by name and role for the review period and 2017, with explanations where necessary.

Non-executive directors	2018			2017		
	Fees for services R	Benefits and allowances <sup>6</sup> R	Total R	Fees for services R	Benefits and allowances <sup>6</sup> R	Total R
S Dakile-Hlongwane <sup>1</sup>	44 731		44 731	553 756	4 190	557 946
Dr CJ Fauconnier <sup>2</sup>	365 317	7 105	372 422	1 124 340	30 044	1 154 384
GJ Fraser-Moleketi <sup>3</sup>	452 448	6 164	458 612			
MW Hlahla <sup>4</sup>	430 791		430 791	387 528	3 931	391 459
Dr D Konar <sup>2</sup>	608 524		608 524	1 783 803		1 783 803
D Mashile-Nkosi <sup>5</sup>	351 335	1 100	352 435			
S Mayet <sup>2</sup>	168 215	1 100	169 315	372 034	1 100	373 134
L Mbatha <sup>5</sup>	454 453	9 641	464 094			
VZ Mntambo <sup>4</sup>	582 452		582 452	498 967		498 967
MJ Moffett <sup>3</sup>	429 745		429 745			
LI Mophatlane <sup>3</sup>	618 419	4 841	623 260			
EJ Myburgh	818 481	17 503	835 984	501 061	9 887	510 948
V Nkonyeni	767 230	18 275	785 505	532 156		532 156
MF Randerla <sup>1</sup>	80 534	3 159	83 693	486 834	10 764	497 598
J van Rooyen (chairman)	1 494 465		1 494 465	748 806		748 806
A Sing <sup>5</sup>	566 327	2 410	568 737			
PCCH Snyders	751 525	70 633	822 158	556 462	31 286	587 748
D Zihlangu <sup>1</sup>	91 633		91 633	482 848	10 963	493 811
<b>Total</b>	<b>9 076 625</b>	<b>141 931</b>	<b>9 218 556</b>	<b>8 028 595</b>	<b>102 165</b>	<b>8 130 760</b>

<sup>1</sup>Resigned 6 March 2018.

<sup>2</sup>Retired 24 May 2018.

<sup>3</sup>Appointed 23 May 2018.

<sup>4</sup>Resigned and reappointed 6 March 2018.

<sup>5</sup>Appointed 6 March 2018.

<sup>6</sup>Includes travelling and subsistence allowance.

# INVESTING IN RESEARCH

Our sustainability is founded on creative, mutually constructive relationships and common values with our stakeholders, being responsible and accountable for our actions, and conducting our business activities in a way that creates success for all. Our aim is to create sustainable shared value for our stakeholders by striving for operational efficiency, growth and regulatory compliance within a framework of responsible corporate citizenship. Therefore, by virtue of our existence and prosperity, we strive to make our society a better place to live in.

Our approach and issues raised are detailed in the integrated report.

## External economic, environmental and social standards

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

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

## Broader industry participation

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

- The Minerals Council of South Africa (previously Chamber of Mines)

## Stakeholder engagement

### Our business philosophy

Exxaro operates within society, and therefore fulfils a number of societal functions:

Through our **coal-mining activities**, which contribute to

generating around **33%** of South Africa's electricity

Our continued **operation and investment in growth initiatives** of close

to **R20 billion** create secondary industries that expand societal benefits

- 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 under technical committee facilitated by National Business Initiative (NBI)
- NBI coordinated response to issues such as climate change and water, and related national priorities

As an employer of over **6 500 permanent employees**

and **15 500 contractors**

We also affect the **environmental, intellectual and financial** capitals of

society as we pursue our **sustainable development** objectives

- Industry energy policy influence workshops
- World Wildlife Fund (WWF) roundtable 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.

**Developing the body of knowledge**

In a rapidly changing world, thought leadership is often driven by business strategies to enhance shared value:

- Business is good at responding to shorter-term challenges, but global change presents longer-term complex problems
- Long-term business-led research and most fundamental discoveries occur inside specialised schools of excellence embedded in universities
- Therefore, through strategic investment, business and universities form partnerships that run longer, invest more, look further ahead and hone the competitiveness of companies, universities and regions. This relationship merges the discovery-driven culture of the university with the innovation-driven culture of companies.

Over the past decade, Exxaro has invested in enhancing this shared value. Importantly, our long-standing commitment to developing the body of knowledge at tertiary level is closely aligned to our strategy.

Exxaro chair in global change and sustainability (Wits)	Exxaro chair in business and climate change (Unisa)	Exxaro chair in energy, water and food (Pretoria)
<ul style="list-style-type: none"> <li>● Adaptation to, and mitigation of, climate change</li> </ul>	<ul style="list-style-type: none"> <li>● Climate governance and negotiations</li> </ul>	<ul style="list-style-type: none"> <li>● Energy efficiency and demand-side management</li> </ul>
<ul style="list-style-type: none"> <li>● Coupling ecosystem integrity and human wellbeing</li> <li>● People, practice and policies</li> <li>● Building resilience</li> </ul>	<ul style="list-style-type: none"> <li>● Sustainable development goal: – domestication and localisation</li> </ul>	<ul style="list-style-type: none"> <li>● Industrial energy system</li> </ul>
<ul style="list-style-type: none"> <li>● Minimise impact of extractive industries, and maximise post-extractive landscapes for sustainable communities</li> </ul>	<ul style="list-style-type: none"> <li>● Climate change mitigation and adaptation (including green building)</li> </ul>	<ul style="list-style-type: none"> <li>● Building energy systems</li> <li>● Energy-water nexus</li> <li>● Energy-water-food nexus</li> <li>● Micro-grid design and operation for remote applications</li> <li>● Greenhouse climate control for food productivity</li> </ul>



# INVESTING IN RESEARCH

## Co-sponsorships



**Unisa:** The South African National Energy Development Institute (SANEDI) and Exxaro, together with the university, are installing a biodigester at Earth Centre, an equine therapy NGO. A biodigester functions as a mechanical stomach, “fed” with organic waste from farm animals. In this case, waste comes from 20 horses. Once placed in the biodigester, an oxygen-free environment, it is decomposed by micro-organisms to produce biogas such as methane and carbon, which can be supplied to buildings as renewable energy. It also creates fertiliser as a by-product, which can be bagged and sold for additional income for the centre



**Pretoria:** Exxaro/Kumba chair in geology enhances undergraduate, honours and post-graduate training of geoscientists, as well as research activities



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



**The Mineral Education Trust Fund** was founded by the Minerals Council 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 concentrates on metallurgy, chemical mining engineering and geology. Exxaro contributes annually to the fund

# SAFETY AND HEALTH



## Highlights

Fatality-free year

## Lowlights

Missing the 0.11 LTIFR target

Five high-potential incidents reported

**Our business depends on the safety of our people, and we will not rest until we consistently achieve our vision of zero harm through collective responsibility, commitment and ongoing focus.**

As part of this focus, all operational business units have international health and safety accreditation (OHSAS 18001).

Our target remains zero injuries and fatalities. To reach this goal, we review our LTIFR target annually based on prior performance, and apply stringent management protocols, programmes and systems. Every LTI is investigated by the business unit management team, while all fatalities and high-potential incidents are investigated by a skilled committee, headed by an independent chairperson. Findings are reported to the executive committee and sustainability, risk and compliance committee and escalated to the board. Each business unit tracks its adherence to standards and legislation through a safety improvement plan of self-assessments and corporate audits.

In risk-specific terms, the leading causes of injury remain fall-of-ground, lifting, materials handling and vehicle safety. While key risks differ by operation, our major challenges are vehicle incidents, energy and machinery isolation, as well as risk awareness and discipline at all levels. We concentrate on training on the job to ensure sufficient trained people are in the right positions in our work areas.

Operations falling under the Mine Health and Safety Act (1996) (MHSA) have elected representatives on safety and health committees from management and operator level. Health topics included in formal agreements with trade unions cover HIV/Aids, occupational TB, NIHL and dust.

Our vision for health and hygiene is to create a workplace with no adverse effects on our employees and surrounding communities. We understand the health risks posed by our

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 objectives. Employees are able to access healthcare services through their medical aid schemes, occupational health services, HIV/Aids and TB programmes
- Workplace hazards that could affect the health of employees are identified, detected early, prioritised and prevention programmes implemented
- Our medical surveillance programmes are continually strengthened to ensure our employees remain healthy and productive.

## Safety performance

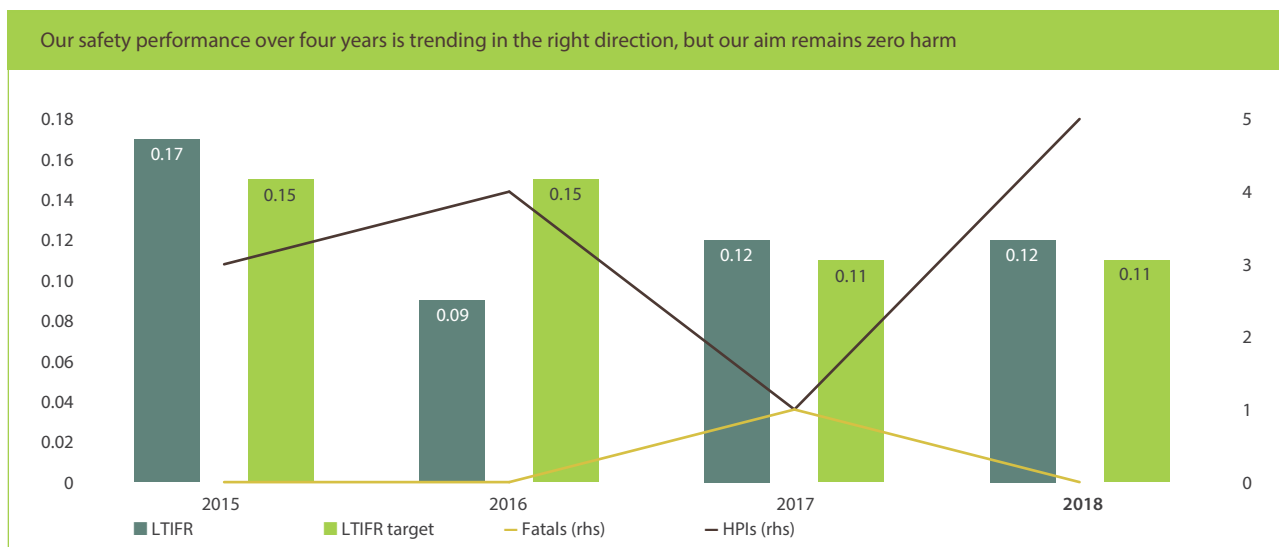
Our target was zero fatalities and an LTIFR (lost-time injury-frequency rate per 200 000 hours worked) of 0.12 for 2018. Importantly, Exxaro had no fatalities in 2018 but the actual LTIFR of 0.11 is 8% above target.

The group safety strategy was revised, with several focus areas identified by leadership:

- Following the Global Minerals Industry Risk Management (GMIRM) course for top and senior management two years ago, we have implemented associated safety improvement plans
- Using visible felt leadership (VFL) as a tool to increase management's presence in the workplace has improved communication with employees
- Safety communication, especially safety indabas at business units
- Managing high-risk and non-routine tasks, as well as work over weekends and holidays
- Using innovation and technology to improve safety.

In 2018, the group was served with five section 54 notices, all amicably resolved with the authorities.





### Health and hygiene strategy

Historically, health management has been curative in nature where we treat people who have become ill.

Our current approach is increasingly proactive to ensure our employees are fit for work through specific interventions including:

- Early detection and treatment of ailments
- Health awareness and promotions
- Health education
- Disease management
- Effective case management

Our goal is to ensure that our employees are not merely fit for work, but fit for life by creating a culture where they take responsibility for their own health and feel empowered to initiate medical assessments, health education and testing.

### Occupational diseases

#### Reported occupational diseases

Reported cases are those newly diagnosed and submitted to the authorities to confirm whether they are work-related and eligible for compensation under related legislation.

In 2018, Exxaro reported **65** cases of occupational diseases (2017: 57): 42 occupational tuberculosis (TB), 11 NIHL, four chronic obstructive airways disease and eight pneumoconiosis. While the number of cases is higher, it reflects our focus on occupational risk exposure profiles to further reduce the incidence of occupational diseases.

#### Exxaro – reported occupational diseases (cumulative)

	2018	2017	2016	2015	2014	2013
NIHL	11	12	17	15	16	8
Pneumoconiosis	8	18	5	15	12	37
Silicosis	0	-	-	-	-	-
Chronic obstructive airways disease	4	1	4	1	4	2
Occupational TB	42	26	26	18	20	40
Dermatitis	0	-	-	-	-	-
Asbestosis	0	-	-	1	-	-
Work-related upper limb disorders	0	-	-	-	-	-
<b>Total</b>	<b>65</b>	<b>57</b>	<b>52</b>	<b>60</b>	<b>52</b>	<b>87</b>

# SAFETY AND HEALTH (CONTINUED)

## Accepted occupational diseases

These are cases where the condition is demonstrably work-related and accepted for compensation. In 2018, Exxaro had 12 occupational disease cases accepted for compensation: five for TB and seven for pneumoconiosis.

## Mining sector targets on noise and silicosis

In 2003, the mining sector set targets to eliminate silicosis and NIHL.

Noise	Silicosis	Current status
<ul style="list-style-type: none"> <li>● Reduce NIHL to less than 10% per individual by 2008</li> </ul>	<ul style="list-style-type: none"> <li>● By December 2008, 95% of all exposure measurement results &lt;0.1mg/m<sup>3</sup> for respirable crystalline silica</li> </ul>	<ul style="list-style-type: none"> <li>● No cases of silicosis accepted</li> <li>● 11 cases of employees with hearing loss (including ECC) reported</li> </ul>
<ul style="list-style-type: none"> <li>● Reduce noise from equipment to under 110dB(A) by 2013</li> </ul>	<ul style="list-style-type: none"> <li>● Eliminate silicosis by 2013</li> </ul>	

We continue to implement hearing conservation and dust control programmes to reduce the number of new occupational diseases.

## Chronic diseases of lifestyle

Occupational health programmes seek to prevent and mitigate related risks for permanent employees and contractors. These programmes facilitate the analysis, monitoring and management of exposure, and provide preventive measures for a range of occupational health risks. Exxaro focuses on effective employee communication on risk and prevention, and provides rehabilitation and return-to-work programmes.

We promote a healthy workforce through integrated health and wellness programmes. Wellness programmes, emphasising lifestyle diseases, aim to reduce health risks, provide access to healthcare, and educate, inform and empower employees to take responsibility for their own wellbeing. Focus is on

reducing lifestyle diseases (such as hypertension, diabetes and cholesterol levels), managing the risks of human immunodeficiency virus (HIV) infection, and effectively managing mental health conditions.

Apart from HIV, chronic diseases are fast becoming the primary cause of death. In a survey covering the Exxaro group, the following conditions were identified:

- Diabetes
- Hypertension
- Heart disease.

Based on survey information, we integrated the prevention and control of chronic diseases into our workplace health programmes. This is supported by case management and monitoring the progress of individuals with chronic diseases. Awareness programmes on healthy living are ongoing.

As part of embedding the health operating model, we focused on our ability to address lifestyle health risks, particularly through our health centres. All operations in Mpumalanga and Limpopo have signed memorandums with provincial health departments to provide medication for these conditions on site.

For the review period, medical surveillance identified **100** new diabetes cases and **297** hypertensive employees and contractors.

## HIV/Aids and TB

The prevalence of HIV/Aids across Exxaro is currently estimated at 9%, well below the industry and national average. With appropriate education, counselling and support, 90% of our workforce (excluding contractors) voluntarily tested between 2014 and 2017, and more are seeking treatment.

We recorded a drop in the number of employees and contractors enrolled on the HIV/Aids programme to **4 475** in 2018 (2017: 5 553), with 3 167 employees and contractors on antiretroviral treatment (ART).

Between January 2013 and December 2018, we have made headway in slowing the spread of HIV/Aids (detailed below):

### HIV/Aids awareness

	Attended information session	Tested	% tested	Employees testing positive	Enrolled at December (cumulative)	On ARVs
2013	5 853	3 756	64	314	545	521
2014	5 732	2 804	49	261	675	481
2015*	11 759	4 158	35	252	453	452
2016*	18 845	6 497	34	80	221	1 675
2017*	16 788	3 513		188	350	4 547
2018*	18 657	9 492	77	356	4 475	3 167

\*Includes contractors.

### Tuberculosis and non-communicable diseases

In 2018, Exxaro reported an increase in TB cases. This is attributable to our health centres intensifying their testing regimes, resulting in earlier detection and treatment.

We are partnering with the Department of Health in managing TB, HIV/Aids and non-communicable diseases, including hypertension and diabetes.

In collaboration with the department, our health centres will act as facilities to monitor employees and contractors who have been diagnosed as well as collection points for medication distributed by the department's centralised chronic medicines dispensing and distribution (CCMDD) programme. This approach will reduce the burden on clinic staff in terms of daily consultation numbers and benefit our employees and contractors by reducing the need to travel to off-site clinics.

Exxaro has successfully implemented this partnership in Lephalale, identified as an area with a high TB prevalence.

### Employee wellness

Exxaro's employee assistance programme ensures that any of our people facing difficulties have access to an external counselling service. This is a preventive measure that helps employees manage personal concerns, and assists management in minimising productivity issues. Employees use the programme for a variety of personal and professional reasons, including:

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

# PEOPLE

## Highlights

Re-imagining the learning environment through an engaged learning experience

Offering new learning for a smart workforce

Grants income R45 million

## Lowlights

Low interest of employees in adult education and training (AET)

Our people are our greatest source of value and Exxaro's regular inclusion in various top-employer rankings illustrates the depth of our commitment to enriching their lives. 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.

Supported by the leading practices developed in recent years, Exxaro concentrates on exceeding compliance targets in South Africa through training and development to optimise individual potential, maximise 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, although the dearth of specific skills in South Africa remains a particular challenge. A mining sector-specific and national plan aim to address critical or scarce competencies. As such, attracting, developing and retaining these skills is a priority for Exxaro as a mining company, and a competitive advantage. This is the driving force behind our feeder schemes, currently benefiting 1 013 people.

Specific strategies ensure the accelerated learning and development of black people, women and people living with disabilities, including:

- Fast-tracking those with leadership and management potential
- Occupation-based skills programmes
- Formal study assistance
- Adult education
- People and self-management skills
- Learnerships
- Bursaries and internships.

## Skills development

Given the importance of skills in our industry, we endeavour to invest an appropriate amount of total salaries and wages each year on developing our people. In 2018, we spent R260 million on training, or 6.3% of payroll (2017: 6.2% or R224 million), including:

- R123 million was for job-related operational and technical training at business units, including operator training and mobile equipment licences. Some 60 000 training sessions were completed using our e-learning platform

- R67 million was spent on the talent pipeline, comprising bursaries, internships, learnerships and skills programmes based on our need for core and key skills. Viewed from the perspective of outcomes, we examine key areas across the skills value chain to determine which actions will ensure the right skills are available at the right time. Over half the talent pipeline spend is on artisan and miner learnership development

- R8.5 million goes to developing targeted employees in management programmes, leadership roles, postgraduate studies and support functions.

We encourage our people to take responsibility 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. When we nominate people to attend programmes, these are fully sponsored (tuition, examinations, travel, accommodation and study leave).

### Skills and human resources development

Rm	2018	2017	2016	2015	2014	2013	2012
Total training	260	224	178	184	221	200	177
HDSA training	211	185	150	152	180	161	134
HDSA training as % of total payroll	5.1	5.1	4.5	5	6.8	6.5	5.5

### Current and future skills requirements

To meet our skills requirements, we invest in our existing employees, future employees, and in the communities that provide our labour. At present, 100% of Exxaro's labour is sourced in South Africa. Our education, bursar and skills development initiatives are geared to empower 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 operational, leadership and management training on the job. Mentors also assist with registration requirements for relevant governing bodies and professional associations. In 2018, there were 75 professionals in training (2017: 61) across Exxaro in a R29.3 million programme. Of these interns, 29% are black women and 67% are black people, and over 73% were placed throughout the group after completing their programme. The remaining participants were retained for placement as and when vacancies open.

### Bursary programme

There are currently 59 bursars studying at South African institutions at a cost of R4.5 million per annum: 75% are black South Africans and 25% are black women.

Exxaro awards bursaries to school leavers from our communities interested in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, industrial, mining or civil), mine surveying and geology. These have been aligned with the five-year BEng programme from the University of Pretoria.

### Training

Training and development initiatives across the group are based on a comprehensive needs analysis, incorporating business strategy, identified skills gaps, succession planning, employee career progression and employment equity plans.

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

Our Grootegeluk and Matla mines are accredited (Mining Qualifications Authority or MQA) training providers in selective mining and engineering disciplines. This enables our people to be trained, declared competent and obtain their MQA certification in-house.

### Literacy and numeracy

Functional literacy is an important issue in an industry where communicating on safety is often in written form. 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 education and training (AET) programmes at all operations, investing R1.7 million in 2018 (2017: R1.0 million). We have accredited AET training centres at Grootegeluk (partnership with external provider) and Matla, while accredited external providers are used by other business units.

In 2018, 52 employees, non-employees or people from our communities enrolled in AET programmes. Over 1 300 employees have passed one or more AET levels since the inception of this programme.

As 90% of our total workforce now holds a qualification of NQF level 1 and above, communication is more effective, particularly on safety issues.

### Scholarships

In 2018, two medical students from our communities completed their studies on Exxaro scholarships. At the end of their academic programme, these students are expected to practise in communities where Exxaro operates for a specified period.

### Talent management

Talent management remains the strategic priority for Exxaro as we believe our people are our greatest asset. Through well-defined talent management strategies that include strategic workforce planning, talent planning as well as learning and development, Exxaro ensures a healthy pipeline of talent for entry-level as well as specialist and leadership positions. Recruitment strategies are geared to provide a steady supply of competent individuals for vacant positions and aim to balance internal talent placements with sourcing talent externally while meeting transformational targets.

# PEOPLE (CONTINUED)

The proportion of internal placements (including professionals-in-training and learners) in Exxaro in 2018 was 38% against a target of 60%. External recruitment is focused on meeting employment equity targets.

## Leadership development

Developing future leaders is a critical pillar of our talent management strategy. Accordingly, we provide supervisory and leadership development from junior management to executive level.

In 2018, we trained 100 employees on the basic management programme, 70 on the first-line management programme and 26 on the middle management programme. In addition, 75 employees completed leadership programmes, 24 enrolled on the coaching programme and 34 on the mentorship programme. Leadership programmes are customised to include Exxaro's culture and values-based philosophy.

## Employee engagement

In line with our 2026 strategy, Exxaro's culture journey is evolving through a change programme called Connect2Next. In this programme, all major shifts are aligned to ensure collaboration, share information, communicate effectively throughout the organisation, reduce duplicated effort while exploring opportunities for synergies in implementing the change programmes. Key elements include:

- Workplace – focused on new ways of working and activity-based work
- Digital@Exxaro – focused on digitalisation and using technology to free up employee capacity
- Smart workforce – developing the required digital skills

- Functional transformation – addressing business excellence and 'lean' principles
- Partnering via ecosystem – engaged community initiatives in our operating areas
- Culture – which is overarching and pivotal in creating a conducive work environment through values, norms and behaviours.

Connect2Next is creating opportunities with significant benefits, such as a mobile staff engagement platform (LetsConnect), integrated operations controls that provide real-time information to employees and assist in swifter decisions.

Prior to initiating our cultural transformation journey, we reviewed and aligned our organisational values, behaviours and culture themes. Our employees helped shape this process through representatives identified from the corporate centre as well as various business units. This was important to ensure that while we delivered business results, as a company we remained truly committed to our purpose and core values. Our culture themes, which are a daily reflection of expected behaviours, are the simplest embodiment of how our values should be depicted by staff members. This extends to all stakeholders in our business ecosystem.

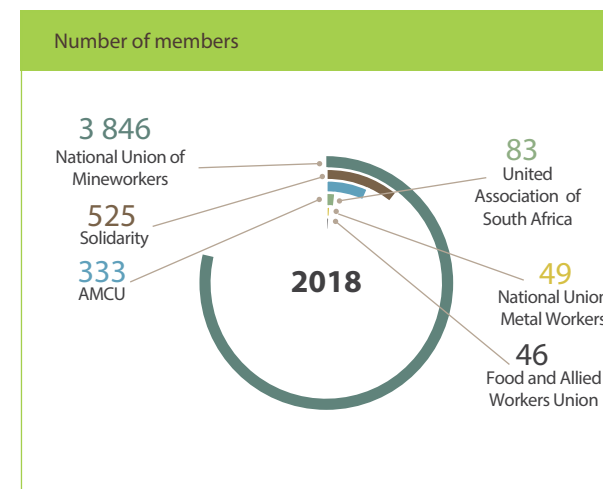
In 2019, we will engage our workforce in launching the refreshed values, behaviours and culture themes to create alignment. In line with our strategy, we understand that we need to create a thriving environment for our employees that is conducive to achieving the desired performance levels.

## Employee/management relations

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

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

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



We concentrate on maintaining sound relations with employees in bargaining units by engaging with their representatives. This is based on a pluralist approach to trade-union recognition through formal agreements. Negotiations for wages and conditions of employment are conducted through in-house forums and the Minerals Council.

In 2017, we concluded multiyear wage agreements for a number of subsidiaries. Agreements for Exxaro Coal, Exxaro Coal Mpumalanga and Ferroland Grondtrust are valid until June 2020. A two-year agreement concluded with AMCU at Coastal Coal is valid until June 2019, and negotiations will begin in May 2019. In 2018, FerroAlloys negotiations concluded a two-year agreement with NUMSA, valid until June 2020.

Our disciplinary codes are based on the principle of fairness as required by labour law, and our supervisors have the skill to implement the codes. A key focus for 2018 was to build employee relations' competency among all stakeholders to foster a healthy climate. Various skills workshops and training were conducted with employee relations managers and line leaders, confirming the commitment from all parties to build solid relationships.

The breakdown of our annual employment equity reports, as submitted to the Department of Labour, is shown below.

#### Exxaro Resources targets December 2018

Management category	Male		Female		Total		% HDP* target	% HDP	No
	% black male	No	% black female	No	% black	No			
Top management	33.3	1	33.3	1	67	2	50	67	2
Senior management	34.7	32	7.6	7	42.4	39	60	47	42
Middle management	34.2	213	17.2	107	51.4	320	60	65	368
Junior management	49.1	1172	17.4	415	66.5	1587	70	74	1 672
People living with disabilities	0.6	39	0.1	5	0.7	44	1.5 (entire workforce)	0.8	54

\*Historically disadvantaged person as per mining charter III.

### Share ownership

In the absence of a revised mining charter in 2018, a new employee share ownership plan (ESOP) was not implemented. The remuneration committee, however, implemented an interim cash scheme equivalent in value to a dividend payment was introduced. The base calculation used to determine the dividend payment is equal to 500 units (one unit representing one share) or less (depending on the employees' length of service). There is no other benefit except a value equal to a dividend payment.

Three payments were made in 2018, summarised below.

#### Dividend payments 2018

	Number of active participants	Number of units	Payment before tax	Payment
Special cash dividend: 13 February 2018 of 1 255cps	6 004	2 982 560	R37 431 128	R29 944 902
Final cash dividend: 6 March 2018 of 400cps	6 019	2 984 320	R11 937 280	R9 549 824
Interim cash dividend: 14 August 2018 of 530cps	6 037	2 952 900	R15 650 370	R12 520 296

A qualifying employee in service on all three payment dates received a total of R10 925 for 2018.

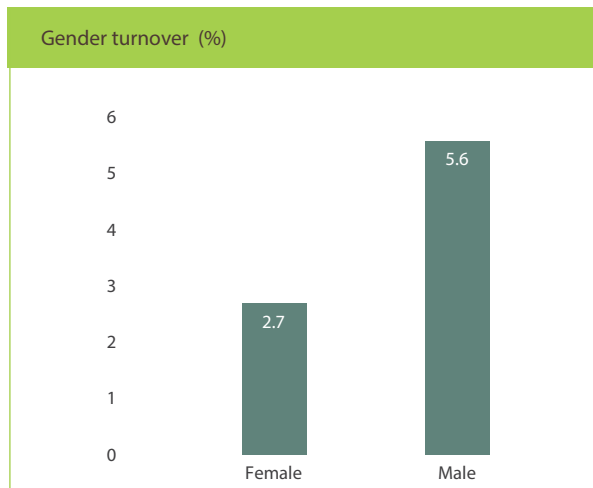
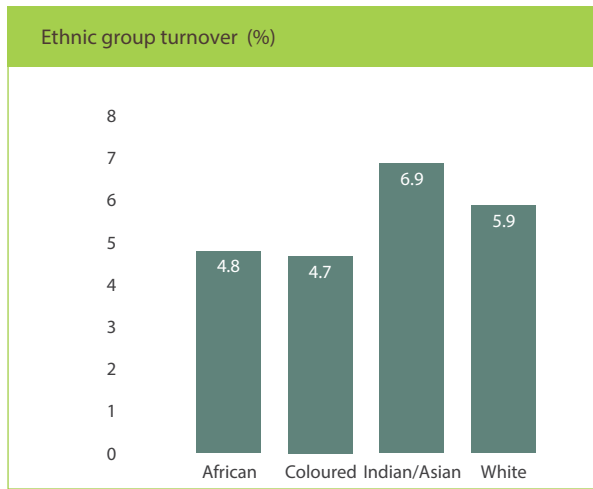
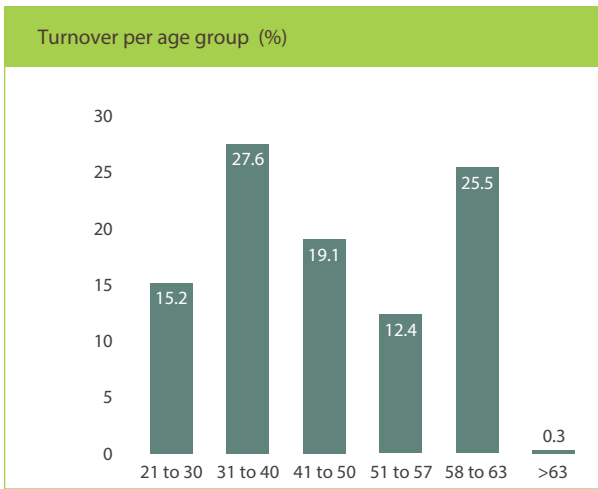
### Employment equity

Thirteen years into our journey as one of the largest black-owned mining companies in South Africa, we continue to benefit from developing the skill levels of our workforce and enabling progress as the cornerstone of our commitment to meeting our transformation objectives. Employment equity is just one way to realise this commitment, supported by continuous diversity programmes and engagement 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. By following these plans, each unit ensures that recruitment and skills development are managed responsibly, advancing transformation without affecting existing positions. Each business unit has a dedicated assigned senior manager for employment equity, as well as an employment equity forum that is actively involved in developing, monitoring and communicating employment plans.

We have achieved our targets for the past five years. New targets for 2018 to 2022 have been set and are in line with the new mining charter promulgated in September 2018.

# PEOPLE (CONTINUED)





### Exxaro workforce by category and region

Our staff complement was 6 648 at 31 December 2018 (2017: 6 561), split into employees in bargaining units (82%) and the management and specialist category (18%).

Region	Bargaining unit				Total	Management and specialist				Total
	Male	% of workforce	Female	% of workforce		Male	% of workforce	Female	% of workforce	
Foreign	47	0.71	1	0.02	48	8	0.12	2	0.03	10
Gauteng	62	0.93	13	0.20	75	202	3.04	186	2.80	388
KZN	37	0.56	16	0.24	53	3	0.05	0	0.00	3
Limpopo	2 260	34.00	576	8.66	2 836	382	5.75	101	1.52	483
Mpumalanga	1 964	29.54	465	6.99	2 429	235	3.53	88	1.32	323
<b>Grand total</b>	<b>4 370</b>	<b>65.73</b>	<b>1 071</b>	<b>16.11</b>	<b>5 441</b>	<b>830</b>	<b>12.48</b>	<b>377</b>	<b>5.67</b>	<b>1 207</b>



# PEOPLE (CONTINUED)

For 2018, Exxaro's average employee turnover rate was 5.1% (2017: 5.5%), due to death, resignation and dismissal. The turnover rate by employee group is shown below:

## Breakdown of turnover by level

	Terminations January to December 2018	
	Number	% of workforce
Top management	0	0.00
Senior management	7	0.11
Middle management	63	0.95
Junior management/skilled	203	3.05
Semi-skilled	322	4.84
Unskilled	24	0.36
<b>Total</b>	<b>619</b>	<b>9.31</b>

## Remuneration

Our remuneration philosophy (page 12) includes guaranteed and variable components. These are critical to attract, motivate and retain the high-performing and talented individuals required to build a sustainable business.

There is no discrimination between the salaries of men and women in the bargaining unit category as collective agreements determine specific guaranteed minimum salaries. In the management and specialist category, individual salaries are strictly based on contracted performance.

## 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 orientation 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 appropriately applying disciplinary measures should the need arise.

In the review period, no cases of alleged discrimination or grievances were filed.



## Human rights

Exxaro complies with labour legislation in South Africa and International Labour Organisation guidelines. As a signatory to the United Nations Global Compact, we encourage freedom of association and collective bargaining, and do not tolerate child labour and forced/compulsory labour.

The group's compliance with legislation and international conventions was audited by our internal auditors and confirmed in the prior period.

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 22% of the workforce, and we focus on attracting women through our talent pipelines. Although this is a challenge, women comprise 40% of young professionals in training, and 36% of our full-time bursars in engineering and mining at universities.

## Housing

In line with our mining charter obligations and our business needs, we have focused on homeownership under a long-term housing strategy.

Since introducing a mortgage repayment subsidy for first-time homebuyers who are permanent employees in 2009 – a period marked by the unprecedented scarcity of bank mortgage finance – 387 employees in total have benefited.

The first-time homeownership capital assistance programme has proven to be a key enabler of homeownership among our employees. Our R125 000 capital assistance allows employees to significantly reduce the amount of their mortgage, improving affordability. This has assisted employees on specific salary grades to become homeowners, with 231 benefiting to date, and 156 benefiting from the housing subsidy.

As part of our housing strategy Exxaro has converted all its hostels into single-quarter accommodation or family units, improving the quality of life for over 920 employees.

While our housing policy focuses on homeownership, bargaining unit employees receive a housing or living-out allowance. The housing allowance is paid to 5 143 employees with a registered bond (2017: 1 416) and the living-out allowance to 3 727 renting accommodation (2017: 3 654).

## Community education

In 2018, 145 community members were enrolled for AET programmes through Exxaro initiatives.

# COMMUNITIES



## Highlights

Handing over houses, crèches and a hall to the community of Tshikondeni in Limpopo with a total spend of R15 million

Completed Ga-Nala landfill project in Matla costing R972 000

Disbursements of R186 million to 24 ESD beneficiaries

SLP projects and donations of R84.8 million

## Lowlights

21 community protests affecting our operations or projects, particularly in Mpumalanga

Construction of Rietkuil clinic delayed by Department of Health's lack of commitment to provide staff post construction

**Our socio-economic development (SED) strategy, including our education and enterprise and supplier development strategies, have been aligned with our vision. Through collaboration and partnerships, Exxaro will continue to invest in initiatives that build sustainable communities based on proactive engagement, developing a deeper understanding of societal needs and better application of best practices in corporate citizenship. To ensure measurable benefits, our social return on investment (SROI) methodology evaluates the impact of these initiatives in beneficiary communities.**

Exxaro plays a significant role in South Africa as an employer, offering direct and indirect jobs, skills development as well as enterprise and supplier development opportunities.

Our priority SED areas aim to maximise value creation and self-empowerment for communities by:

- Supporting education, health and the natural environment
- Applicable infrastructure development
- Enterprise and supplier development.



## Education

The Exxaro people development initiative is an internal framework that governs and tracks all education and skills initiatives for our employees and community development in areas where we operate. Since inception, we have invested an average 37% of our total community spend per annum on education.

Our education strategy is informed by the national department's strategy which recognises early childhood development (ECD) as fundamental to creating a solid foundation in the early years of learning. We have conducted a situational analysis on ECD at Grootegeluk and implementing the programme.

We renovated the Siyanqoba Care Centre, adjacent to the sponsored Leeuwpan Mine Crèche, at a cost of R1.1 million. The centre cares for 26 children and 12 local labourers were used for renovations.

We completed construction of three ECD community crèches in Tshikondeni, investing some R3 million for 242 beneficiaries per year. We are now equipping the centres with educational material.

# COMMUNITIES (CONTINUED)

We contributed to learner support programmes for 1 766 grade-12 learners at winter and spring camps, despite community strikes, in addition to resourcing and infrastructural development projects.

In 2018, 400 learners sat for examinations, with 124 learners obtaining university-entrance passes and earning 19 distinctions (2017: 277 learners, five distinctions).

## Health, environment, agriculture, water and energy

Prevailing socio-economic challenges expose disadvantaged communities most to the risk of food shortages, access to energy, potable water and proper sanitation, making them particularly vulnerable to illness. Leveraging our business capabilities, we will respond effectively by collaborating with other businesses, specialists and government in applying appropriate technologies to improve access.

The Ga-Nala landfill site project near Matla was completed in 2018, with fencing erected and a weighbridge installed. This project has 12 beneficiaries and 26 jobs were created.

In line with our aim to leave self-sustaining communities in our areas of operations, we funded Kedithabitha, a 100% black women-owned farm between Abbotspoort and Ga-Seleka villages in Lephallale. Our objective is to develop this small-scale farm into a fully fledged commercial farm, and to use this farm to link other local small farmers to bigger markets. As such, we identified another small-scale enterprise with potential for growth, Maphi and Mamaphathi farm, also in Ga-Seleka village. This farm will share the tractor and farming implements we donated to Kedithabitha. We have provided

training, mentorship, equipment and farm implements to both farms. Kedithabitha farm is on track to realising its potential by establishing a customer base with large supermarkets. There are 144 beneficiaries and 36 jobs were created.

These projects are expected to generate an SROI of 2.4.

## Enterprise and supplier development (ESD)

Exxaro's ESD strategy is intended to develop entrepreneurs and suppliers across the priority investment areas and any other opportunities. There are four pillars to the hybrid model underpinning the ESD strategy:

- Providing ESD grants and loans (ie ESD funding)
- Training and developing ESD beneficiaries (incubation)
- Equity investment fund management
- Crowd-sourcing business ideas.

In all our operations, ESD centres are being established to provide business training and support, hands-on mentoring and coaching. These centres are already operational at our Delmas and Belfast operations. Entrepreneurs are receiving business acumen training, personalised mentoring, business support and support to gain access to business funding.

A new business incubator is being established in Kriel near our Matla operations. Grootegeeluk contributed R3.55 million over the last four years towards the operation of the Lephallale Enterprise Development Centre. There are 25 SMEs participating in the incubation process. A rural entrepreneurship development programme benefiting 80 people has been implemented at our operations in Belfast and Lephallale.

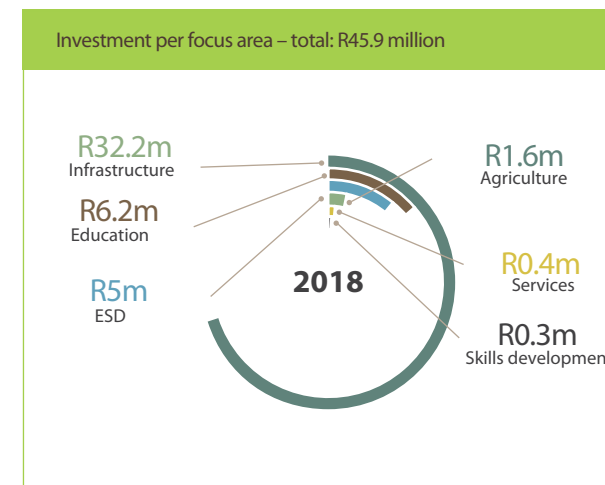
SROIs for these projects have been calculated at 2.5 to 3.0.

## Infrastructure development

Infrastructure such as housing, community and cultural centres, and roads provide shelter and mobility, essential elements for a better community life.

We donated 56 houses, three crèches and a hall to three communities living near Tshikondeni mine in Limpopo. The 50m<sup>2</sup>, three-bedroom houses were provided to beneficiaries identified by the municipality through the government housing initiative. The crèches are designed to accommodate 242 children per year. The community hall will be used for gatherings, funerals, school and church functions, as well as an emergency centre.

In Arnot, phase 1 of the Mhluzi industrial park project has been completed. This is a multi-stakeholder partnership between Exxaro Arnot Coal, Anglo Goedeheop Colliery, Glencore, Corobrik and Steve Tshwete local municipality to build industrial workshops for informal local businesses. Anglo Goedeheop Colliery has completed phase 1 of three workshops already built, and Exxaro will construct four workshops in Phase 2. The partners have committed R21 million to the project.



## Communities

In 2018, Exxaro operations experienced about 21 community disruptions (total R18 million loss) that negatively affected production at operations, particularly in Mpumalanga. The community demands included local employment, skills development and procurement opportunities.

Exxaro entered into partnership with South African Digital Content Organisation (SADICO) to implement a youth development programme, which we named Youth Exponential Development (YDx) to train and develop 400 youth in digital technology and fourth industrial revolution concepts; and organising them into technology cooperatives, for incubation for a 12-month period.

Significant progress has been made on the Tshikondeni legacy project. The crucial milestone achieved in 2018 is the finalisation of the deed of donation, transferring the mine village and related infrastructure to the Makuya Tshikondeni Development Foundation (MTDF) NPC, the non-profit company established through which the Tshikondeni legacy project objectives will be achieved. Along with this milestone the Exxaro ESD committee approved additional funding to support the establishment of an eco-village as the core business activity of the MTDF. This funding will supplement the infrastructure development budget from AMSA, agreed as part of the mine closure.

## Responding to community challenges

We are on track to achieve a level 4 BBBEE status after implementing our enterprise and supplier development strategy which was our area of weakness on the DTI codes scorecard. Benefits for recipients of financial support (from Gauteng, Limpopo and Mpumalanga) include an increase in their asset base, refinancing assets at more affordable rates to ease cash flow, and an improvement in business operations. We expect these businesses to increase their turnover and employ more people in the medium term.

Our social and labour plans (SLPs) are five-year community investment programmes with annual initiatives for co-investing with local government and other social partners. In 2018, we focused on agriculture, education, enterprise and supplier development (ESD), infrastructure and skills development in the two provinces, Limpopo and Mpumalanga, where we operate:

- We presented academic enrichment programmes at four of our operations, viz Grootegeluk, Leeuwpan, Belfast and ECC at a total cost of R6.2 million
- As part of our post-mine closure investment in Tshikondeni, we handed over 56 homes (affecting 56 families and 448 community members)

- Early childhood development centres and a community hall to the Tshikondeni communities in Limpopo with a total spend of R15 million
- Completed Ga-Nala landfill project in Matla to facilitate local waste management by the local municipality
- In Limpopo, we have almost completed a 36km regional road at a cost of R71.2 million in partnership with Roads Agency Limpopo to connect multiple villages in the area.

## Employee and community empowerment scheme

The mining charter was published in the second half of 2018 and the mining charter guidelines made available in the last quarter of 2018. The establishment of the new employee and community empowerment schemes will take place during 2019. All required governance processes, consultations and stakeholder engagements will be followed for the approval of the scheme before it will be implemented. This includes complying with the charter and meeting the aspirations of our stakeholders including shareholders, employees and communities adjacent to our operations.

# COMMUNITIES (CONTINUED)

## Case study – from finance to farming (ESD)

*Extracted from Trialogue Business in Society Handbook 2018*

Thulani Dube recently benefited from an Exxaro enterprise development grant that will help him scale and automate his poultry business. Located in Delmas, Dube is a highly adaptive entrepreneur who left a career in finance for a new path in farming. After the commodity downturn in 2016, Exxaro was forced to offer voluntary retrenchment to some of its workers and Dube was among those affected.

Rather than face the discouraging shortage of jobs and an indefinite term of unemployment, he used his severance package to buy some land and set up a chicken broiler operation.

While many emerging farmers feel poultry is a tough market, crowded out by cheap imports and weighed down by high input costs and health regulations, Dube saw only opportunity for growth.

Inspired by his namesake and family totem, Dube, which means 'zebra', named his business Zebra Force General Investments (ZFGI). ZFGI Monumental Chickens – so named because of the impressive size his chickens reach at harvest – is the first entity created out of the holding company.

While he has no technical training in farming, he embraced the challenge by studying farming through online resources, and completed an MBA at Stellenbosch University to solidify his business acumen. From Exxaro's perspective, the quality of the candidate, his strong leadership skills, financial literacy and an operational business made for a compelling loan application.

ZFGI Monumental Chickens received an R8.9 million grant for capital expenditure and infrastructure improvements that will enable the business to triple its existing annual turnover of R4 million – provided offtake agreements can be secured.

Modifications to six existing chicken houses will automate clean drinking water, heating and feeding for the chicks until they reach their full size, and enable Dube to more hygienically and efficiently expand the number of birds. The investment will also provide solar fencing to secure the perimeter, and construct employee housing for 20 staff members.

"I see many farmers collapsing under the weight of input costs, so if we can reduce our cost burden of electricity by using renewable energy and eventually produce our own chicken feed, we are likely to be more profitable," explains Dube. He plans to build a new abattoir facility that further reduce outsourcing costs and is essentially creating a circular economy by selling the chicken manure to fresh produce farmers.

In return for a grant that is being strategically applied to expand the business, Exxaro is helping to build a commercial-scale agribusiness that employs 20 people directly and benefits up to 100 people across the value chain.



# OUR ENVIRONMENT



## Highlights

Seven (7) environmental licences (renewal and amendments) were granted

No level 3 (significant) environmental incidents were recorded

21% of the land disturbed is rehabilitated

Maintained our CDP score of B+

Water and energy intensity targets are better than industry targets

## Lowlights

Still recording level 2 incidents. Target is to have no level 2 and 3 incidents

Some mines not on target in implementing alien and invasive species programmes

Rehabilitation financial provisions for captive (Eskom) mines still a challenge

Natural resources like water, air, biodiversity and land are central to our business. We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:

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

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

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 our operations have now been granted integrated water use licences (most Exxaro business units need more than one licence).

There were four new water use licences granted in 2018.

# OUR ENVIRONMENT (CONTINUED)

## Exxaro's green timeline

2006

- Exxaro adopts **Energy Efficiency Accord**



2008

- **Energy efficiency** task team established, with voluntary champions at each business unit
- Sponsors **Unisa** chair in business and climate change for three years
- **Carbon emissions** reported for the first time (19 million tonnes of CO<sub>2</sub>e)

2009

- **Comprehensive response** developed to energy, carbon and **climate change** management

2010

- Major **water management programme** introduced
- Developing **renewable energy** projects

2012

- **Carbon footprint** significantly reduced
- **Cennergi** preferred bidder on two wind energy projects totalling **234MW**

2011

- Launched **biodiversity, waste and air** programme
- Formed standalone 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



**2013**

- **Cennergi:** construction begins on Amakhala Emoyeni and Tsitsikamma wind farms
- Agreement with GDF SUEZ on **independent power production** for energy security
- Agreement with **Linc Energy** on underground coal gasification focuses on cleaner energy

**2015**

- Exxaro won a **Global Green Award** in 2014 for its **environmental** and **world-class** sustainable practices



**2017**

- Submitted our **first pollution-prevention** plans
- **First submission** into national atmospheric emission inventories systems
- Submitted our **greenhouse gas report 2017** and carbon budget report

**2014**

- **Cennergi:** construction of two wind farms under way

**2016**

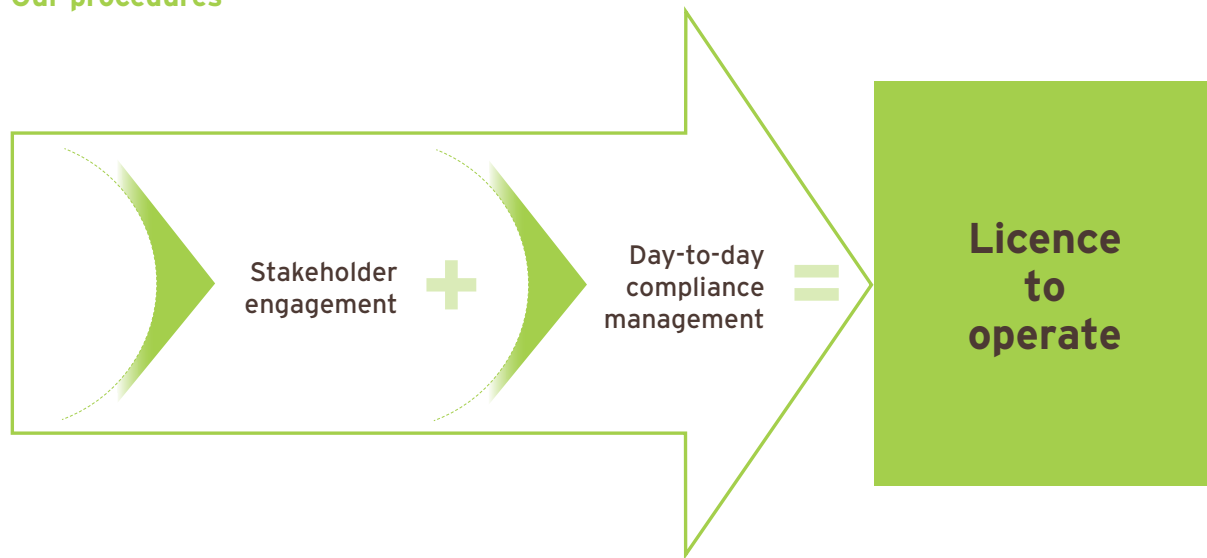
- All operations **granted** integrated water use licences

**Our clean energy subsidiary pays Exxaro dividends**

2018

# OUR ENVIRONMENT (CONTINUED)

## Our procedures



### Energy

- Energy management procedure
- Energy efficiency plans
- CO<sub>2</sub> emissions reports
- Responsive resource use
- Targets
- Climate change
- Energy-efficiency reports

### Water

- Water management procedure
- Water management plans
- Water-related risk assessment
- Water efficiency plans
- Water authorisation
- Financial impact of water management/treatment. Water monitoring and reporting

### Waste

- Waste management procedure (including classification)
- Waste authorisation
- Waste handling, transportation and disposal procedure
- Waste management and reporting
- Waste efficiency reports

Ecology	Closure and ongoing rehabilitation	Land management	Air
<ul style="list-style-type: none"> <li>● Biodiversity management procedure</li> <li>● Biodiversity impact management</li> <li>● Biodiversity management plans</li> <li>● Ecological effect impact procedure</li> <li>● ECR authorisation</li> <li>● Biodiversity monitoring and reporting</li> <li>● Ecology efficiency reporting</li> </ul>	<ul style="list-style-type: none"> <li>● Mine closure and ongoing rehabilitation procedure</li> <li>● Integrated mine closure plan</li> <li>● Financial provision</li> <li>● Closure objectives – management plans</li> <li>● Mine closure impact assessment</li> <li>● Ongoing rehabilitation monitoring and reporting</li> <li>● Closure and ongoing efficiency reports</li> </ul>	<ul style="list-style-type: none"> <li>● Land management procedure</li> <li>● Operational land management plan</li> <li>● Land disposal strategy</li> <li>● Land management efficiency reports</li> </ul>	<ul style="list-style-type: none"> <li>● Air quality authorisations (AEL)</li> <li>● Air quality management procedure</li> <li>● Air quality impact assessment</li> <li>● Air quality management plans</li> <li>● Air quality monitoring and reporting</li> <li>● Stakeholder forum</li> <li>● Energy-efficiency reports</li> </ul>

### Building blocks to exceed compliance levels

After a strategic review of key environmental risks from Exxaro's operations, we have identified the building blocks required to ensure consistent compliance and, in time, to exceed regulatory minimums where possible.

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. 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.

Two new mining rights were granted and two new prospecting rights were granted.

Exxaro received no environmental stoppage directives in the review period. No fines were issued.

We completed the lengthy process of migrating our authorisations to the National Water Act (1998) two years ago. All Exxaro operations now have the required integrated water use licence.

### Incident reporting

Using a standardised reporting system, all business units manage incidents effectively, resulting in a safer and more sustainable work environment. In 2018, seven level 2 incident occurred and was reported to the relevant authorities. Corrective actions to prevent recurrence were approved by authorities prior to implementation. There were no significant (level 3) incidents in 2018.

#### Environmental incidents – group

Business unit	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Arnot	–	14	–	–	–	–
Char plant	–	–	–	–	–	–
Durnacol	–	–	–	–	–	–
Grootegeeluk	11	16	1	–	–	–
Hlobane	–	–	–	–	–	–
Leeuwpan	8	20	–	–	–	–
Matla	19	29	–	1	–	–
North Block Complex	13	4	1	–	–	–
ECC	28	1	–	–	–	–
Tshikondeni	1	1	–	–	–	–
Belfast	50	–	5	–	–	–
<b>Total</b>	<b>80</b>	<b>85</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>0</b>

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

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

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

# OUR ENVIRONMENT (CONTINUED)

## Environmental incidents – level 2

Business unit	Description	Receiving environment	Response
Belfast	Excavator with hydraulic pipe burst. Oil spillage on both soil as well as water – ponding water collected in the excavation due to rain	Soil	<ul style="list-style-type: none"> <li>● Root-causes analyses performed</li> <li>● Audits performed</li> <li>● Risk mitigation plans implemented</li> </ul>
	Encroachment on a wetland by the stockpiling of topsoil from berm clearing of road D1110	Wetland	
	Blockage of the Klein-Komati River by temporary road towards the pit areas	Water	
	Additional tipping of topsoil on stockpile encroaching on a wetland adjacent to the D1110	Wetland	
	Two graves covered by Dam 5 stockpile	Soil	
NBC	On the 21st of June 2018 an employee from SCM informed the sustainability department at 7:30 about a large diesel spillage at the diesel bay. The spillage was next to an abandoned Andru Diesel bowser which was suspected to have been abandoned after the spillage occurred. It is estimated +- 900 litres of diesel was spilt on bare soil	Soil	
GG	Significant fire incident at reductants – plant shut down	Air and soil	

## Air quality

As a mining group, air quality remains a risk to Exxaro on several levels, particularly dust and other pollutants such as particulate matter (PM) including PM10 and PM2.5 from open-cast 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
Compliant, sustainable air quality management system, operated and controlled by trained specialists at business units	Integrated air quality management planning in core operational processes	Baseline assessments Impact assessments Optimise monitoring programme	Third quarter 2019	Baseline assessments, impact assessments and ambient monitoring review completed in business units as part of group-wide air quality management initiative

### Long and short-term goals for air quality management

Goals	Target	Progress
Initiating PM10 and PM2.5 at our business units (operational and greenfield projects for baseline data)	Third quarter 2019	Monitoring initiated as a priority in some business units and greenfield projects such as Belfast and Thabametsi
Initiating PM10 and PM2.5 monitoring for all business units (operational and greenfield projects for baseline data)	Fourth quarter 2019	Dust fallout networks redesigned in all business units and greenfield sites
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, ambient monitoring, including dust fallout monitoring and reporting, etc	Fourth quarter 2019	Meteorological stations installed in business units such as Leeuwan, Thabametsi and Belfast, with a commitment to purchase and install more in the remaining business units
Ensuring compliance to air quality standards and guidelines in the country	Ongoing	Most business units currently monitor dust fallout and PM10. Results are assessed for compliance to national dust control regulations and ambient air quality standards for PM10

### Emissions from mining operations

Open-cast mining generates dust (blasting, drilling, crushing and screening, vehicle convoys, materials handling and wind erosion of exposed operational areas). Daily mitigation measures include applying chemical dust suppressants on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material.

All our mining operations monitor dust fallout rates and results are assessed against residential and non-residential limits in national dust control regulations. Although our operations are classified under the non-residential limit, some are close to residential areas or sensitive receptor areas. As such, we track our compliance against the more 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.

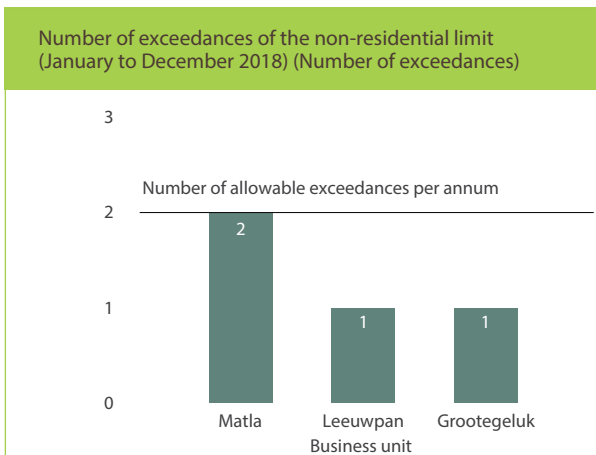
We continue to concentrate on improving our mitigation measures for operational activities that contribute significantly to dust. This will reduce dust impacts on sensitive receptors and ensure compliance.

Comparing Exxaro's dust fallout rate in 2018 against the regulated residential and non-residential limit, all operations were within allowable annual limits.

### Dust fallout – 2018

Target	2018	2017	2016	2015	2014	2013	2012
Coal: 300mg/m <sup>2</sup> /day	184	172	169	173	335	351	480

# OUR ENVIRONMENT (CONTINUED)



## Climate change and carbon footprint

### Definitions and context

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

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

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

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

### Carbon footprint

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

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.

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 continuously report on scope 1, 2 and 3 emissions.

We base our accounting and reporting for GHG emissions on the Greenhouse Gas Protocol ([www.exxaro.com](http://www.exxaro.com)) and have elected to use the operating control accounting approach for emissions.

## GHG emissions

Arrows indicate movement from 2017

ktCO <sub>2</sub> e	2018	2017	2016	2015	2014	2013
Scope 1	↓ 315	324.9	323	235.2	229.8	236
Scope 2*	↑ 552	539	501	521.9	557.6	525
Total scope 1 and 2	↑ 867	864	824	757.1	787.4	761
Year-on-year change (%)	0.4	4.9	8.8	(3.8)	3.5	(48)
Scope 3**	↓ 72 928	76 462	71 697	73 847	74 768	69 737
Year-on-year change (%)	4.6	2.7	(2.9)	(1.2)	7.2	(1.3)

\*Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa (0.97tCO<sub>2</sub>e/MWh).

\*\*Scope 3: Reported emissions based on use of product sold by Exxaro. Reported emissions represent over 95% of Exxaro's scope 3 emissions.

## Carbon emissions by source

Arrows indicate movement from 2017

ktCO <sub>2</sub> e	2018	2017	2016	2015	2014	2013
Electricity	↑ 552	539	501	521.9	557.6	525.3
Year-on-year change (%)	2.4	7.5	(4)	(6.8)	6.1	1.2
Source proportion (%)	64	62	66.5	68.9	70.7	68.8
Diesel	↑ 217.5	211.3	168.2	174.8	155.9	157.8
Year-on-year change (%)	2.9	25	(3)	10.8	(1.2)	(4.2)
Source proportion (%)	25	24	22.1	23.1	20	20.8
Fugitive emissions	↓ 93	94.6	84.9	56.6	67.6	77.9
Year-on-year change (%)	1.7	11	50	(19.4)	(5.8)	(7.8)
Source proportion (%)	11	11	11	7.5	8.6	9.4
Other sources	↓ 0.3	18.6	3.7	3.7	6.2	2.4
Year-on-year change (%)	74	80	1	(40)	6.9	147.3
Source proportion (%)	0.6	3	0.5	0.5	0.8	0.8

# OUR ENVIRONMENT (CONTINUED)

## Carbon disclosure

The CDP is a UK-based global climate change reporting system. This data provides valuable insights into corporate strategies and helps channel investment to companies adhering to sustainable carbon and emissions management.

Exxaro participates in two programmes: CDP Climate Change (since 2008) and CDP Water (since 2010). To facilitate our reporting under 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 is externally audited and assured each year.

We remain focused on reducing Exxaro's carbon footprint in line with our commitment to reduce energy consumption and improve energy efficiency. Given the fast-changing legislative environment and promulgation of carbon tax from 1 June 2019, reducing GHGs is a business imperative as it could affect our financial performance.

## 2018 total GHG emissions by scope (tCO<sub>2</sub>e)

Arrows indicate movement from 2017

Business unit	Scope 1	Scope 2	Scope 3	Total
Arnot	↓ 2 952.5	21 379.9	0	24 332.4
Durnacol*	↓ 100.6	104	0	204.6
Grootegeluk	↑ 164 589.4	370 036	50 349 047.3	50 883 673
Hlobane*	↓ 119	15.6	0	134.5
Leeuwpan	↑ 70 968	25 438.3	5 316 926	5 413 332
Mafube	↓ 16 082.5	15 446.2	1 923.4	1 954 954.9
Matla	↓ 35 929.5	102 585	11 995 701.8	12 134 216
North Block Complex	↓ 24 370.8	5 820.1	3 261 523.4	3 291 714
Reductants	↓ 151.7	0	81 322.8	81 474.4
Tshikondeni*	↓ 43.9	1 503.6	0	1 547.5
AlloyStream**	0	0	0	0
Corporate centre	↓ 1.4	992	0	993.4
FerroAlloys	↑ 103.12	8 736.3	0	8 839.4
R&D**	0	0	0	0

\*Operations in closure.

\*\*Closed operations.



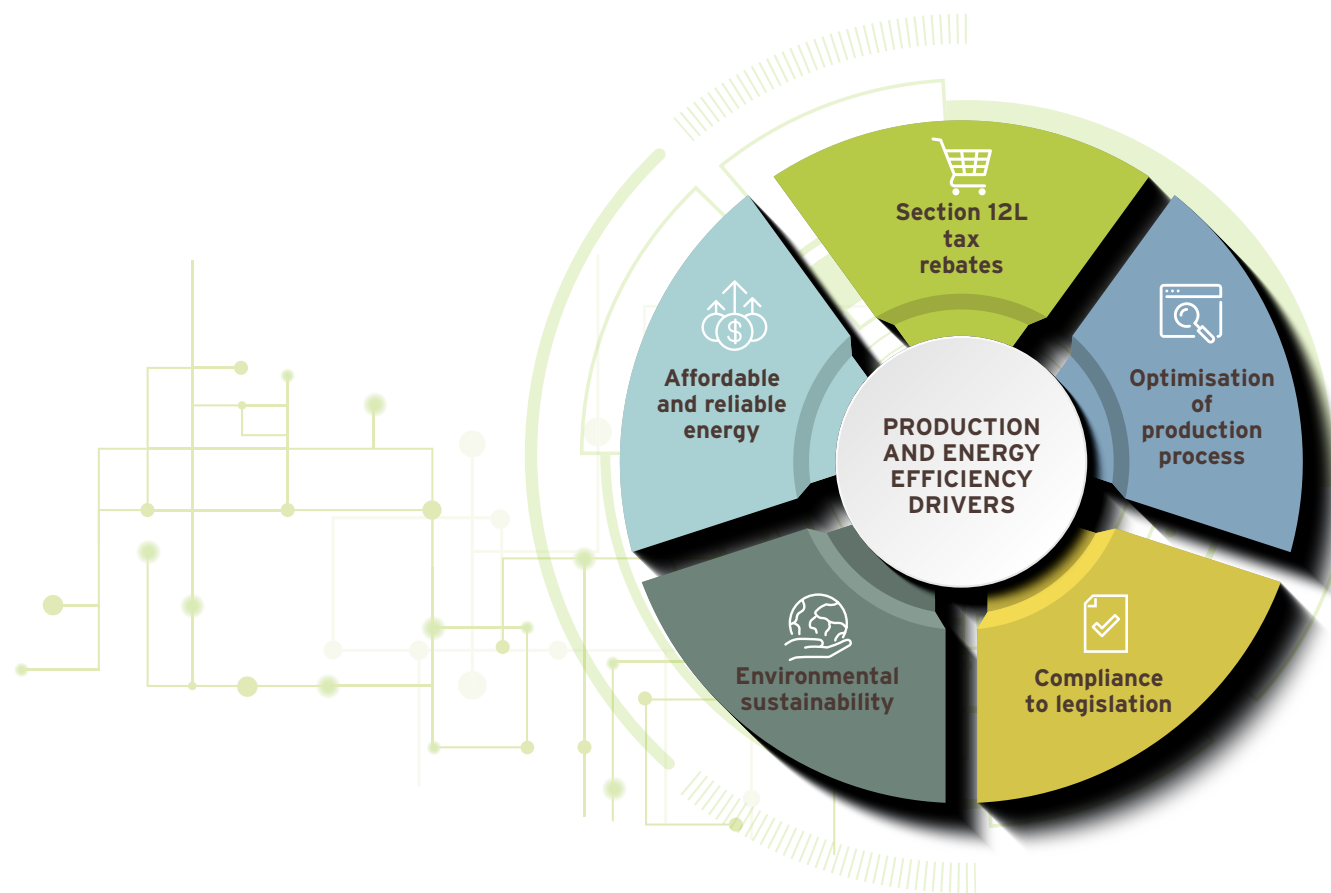
### Energy management

Diesel and electricity are the primary sources of energy for all our business units, at 59% and 41% respectively.

Total energy consumed rose 8% in 2018 to 4 977 270 gigajoules (GJ). The increase in diesel consumption is due to concurrent rehabilitation at operating mines and higher production at Grootegeluk and Leeuwpan. For Grootegeluk and Leeuwpan, the increase in production or change in mining has a direct impact on diesel and electricity consumption.

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 consumption. The head office technology and engineering departments initiated projects to reduce diesel consumption at all our operations, including the use of fuel additives and payload management. Future projects include developing a consolidated dashboard for fuel and electricity in various business units.

We believe all these initiatives will support the transition of our operations to greater energy efficiency, characterised by low carbon footprints and optimised energy consumption.



To facilitate energy-saving initiatives, energy-intensity targets are set annually based on the prior two-year performance for each operation and monitored monthly. These targets were reviewed at the end of 2017 and long-term (five years) targets proposed. These will be implemented in the second half of 2019.

Although electricity and diesel consumption increased in 2018, electricity and diesel intensities declined, proving we are working more efficiently. Based on production tonnes in 2018, electricity intensity of 12.9MWh/kt declined 6% from 2017, while diesel intensity of 1 592l/kt was down 4%.

# OUR ENVIRONMENT (CONTINUED)

## Electricity consumption in coal operations – 2018

	Electricity (MWh)				Production (kt)				Electricity intensity (MWh/kt)			
	2018	2017	2016	2015	2018	2017	2016	2015	2018	2017	2016	2015
Coal	543 178	527 688	518 376	566 521	41 952	39 312	37 030	40 969	12.95	13.83	12.86	13.83
Change (%)	3	1.8	(6)	(3.2)	6	6	(10)	–	7	7.5	1	(13)
Arnot	22 041	26 967	29 394	49 742	–	–	–	1 401	–	–	–	35.5
Reductants	–	–	–	–	–	86	54	48	–	–	–	–
Durnacol	107	99	114	139	–	–	–	–	–	–	–	–
Grootegeeluk	381 480	358 101	335 041	341 932	29 698	25 538	22 601	25 554	12.85	14.02	14.8	13.4
Hlobane	16	21	20	19	–	–	–	–	–	–	–	–
Leeuwpan	26 225	25 242	25 951	27 037	4 220	3 355	3 774	2 202	6.21	7.52	6.9	12.3
Matla	105 757	107 467	109 710	108 185	6 609	7 400	7 900	7 858	16	14.52	13.9	13.8
North Block Complex	6 000	7 757	6 791	7 860	1 425	2 665	2 701	2 871	4.21	2.9	2.4	2.7
Tshikondeni	1 550	2 034	2 747	4 538	–	–	–	–	–	–	–	–

## Diesel consumption in coal operations for 2018

	Diesel (kl)				Production (kt)				Diesel consumption intensity (l/kt)			
	2018	2017	2016	2015	2018	2017	2016	2015	2018	2017	2016	2015
Coal	73 926	72 101	65 052	64 520	41 952	39 312	37 030	40 969	1762	1 655	1 756	1 574
Change (%)	1	10.8	1	10.9	6	6	(10)	–	6	(5.8)	11.6	1.7
Arnot	989	1 311	1 243	1 043	–	–	–	1 401	–	–	–	744
Reductants	118	79	55	142	–	56	54	48	–	1 411	1 019	2 897
Durnacol	27	25	38	43	–	–	–	–	–	–	–	–
Grootegeeluk	41 940	40 846	30 231	35 521	29 697	25 538	22 601	25 554	1 412	1 599	1 338	1 390
Hlobane	33	40	39	36	–	–	–	–	–	–	–	–
Leeuwpan	16 625	16 768	16 371	17 043	4 220	3 355	3 774	2 202	4 618	4 998	4 337	7 736
Matla	2 503	2 550	3 071	2 677	6 609	7 400	7 900	7 859	379	345	389	341
North Block Complex	8 609	10 462	9 867	8 121	1 425	2 962	2 701	2 871	6 041	3 956	3 653	2 828
Tshikondeni	8	22	35	134	–	–	–	–	–	–	–	–

## Water management

Water is a strategic natural resource for South Africa and key to our business. The Exxaro water management policy defines our commitment to its sustainable use, 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 and Sanitation (DWS) has issued an integrated water resource management hierarchy that prioritises mine and waste management decisions and actions.

This hierarchy informs both our policy and strategy on mine and waste water management as:

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

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

The standard reflects management's vision to:

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

These management standards adhere to DWS 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
- Water efficiency performance indicators.

## Progress

Water management is integral to our licence to operate. The group water strategy was approved in 2017, aiming for excellence in the following focus areas:

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

A comprehensive programme is entrenching responsible and sustainable water management across Exxaro. It concentrates on relevant water-use and related risks – 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.

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

We are also committed to protecting and improving the overall water quality by discharging treated water back into the system. Central to this are the two reverse-osmosis water-treatment plants in our Mpumalanga region as part of our long-term water management strategy. These plants have total capacity to treat 11.5 megalitres per day. The plant at Matla has been operational for three years while the plant at North Block Complex has been operational for two years.

We continue to collaborate with other mining houses and universities through the Coaltech research initiative. These research projects provide much-needed guidelines on

sustainable mine-water management and mine closure. This will ultimately enhance the sustainable use of our water resources and final land-use planning.

The formation of the Mine Water Coordinating Body (MWCB) last year further strengthens our public-private collaboration by providing a platform to align our mine-water management plans with the national water resource strategy (NWRS2) and to investigate regional solutions in the Olifants River catchment of Mpumalanga.

## Water-use monitoring and measurement

We maintain a centralised database on water consumption. Our water accounting methodology includes measuring water volumes and quality against efficiency and intensity targets, water-use permit conditions and internal benchmarks and trends. Our data also correlates to the reporting format of the annual submission to the CDP-Water.

The focus in 2018 was on setting site-specific targets for water intensity over a five-year period (to 2022), where water intensity is defined as total water withdrawals (excluding supply to third parties) from a resource (not recycled/ reclaimed water) divided by run-of-mine (ROM), and is expressed as:

$$\text{Water intensity} = \frac{\text{water withdrawals (m}^3\text{)}}{\text{ROM (tons)}}$$

## Water intensity performance

Through water-conservation measures and raised awareness, all operations have reached the five-year target, except for North Block Complex's Glisa and Eerstelingsfontein mines. Exxaro reduced water withdrawals from Mokolo dam at Grootegeluk by increasing use of stored pit water in its processes as a temporary measure to reduce pit water levels.

# OUR ENVIRONMENT (CONTINUED)

## Water-withdrawal performance

Business unit	Water sources	Target (ℓ/t) 2022	Water intensity (ℓ/t) 2018	Water withdrawals (kℓ) 2018
<b>Coal</b>		200	109	8 683 275
ECC Forzando North and South	Rain, external supplier	151	135	434 315
ECC Dorstfontein East	Rain, external supplier	360	249	444 056
ECC Dorstfontein West	Rain, municipal supply	134	98	99 172
Grootegeluk	Rain, Mokolo dam	115	91	5 187 375
Leeuwpán	Rain, boreholes	92	55	363 694
Matla	Eskom supply	215	181	1 197 247
North Block Complex: Glisa and Eerstelingsfontein	Rain	219	413	709 367*

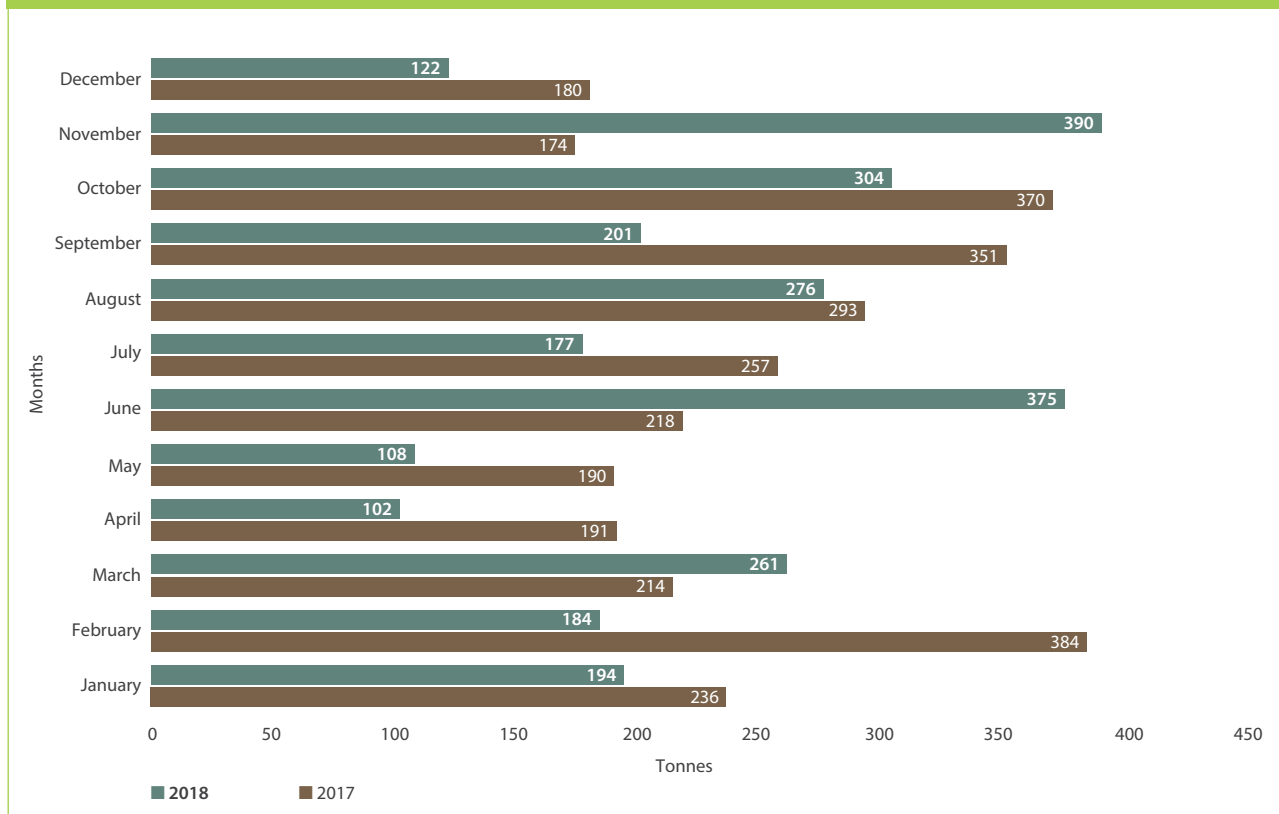
\*Due to the sale, data included up to September 2018

## Hazardous waste management

Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group 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.

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

2017 versus 2018 Q4 hazardous waste movement



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

### Biodiversity

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

To reach this goal, we have developed biodiversity action plans for our business units. The guiding principles include the best-practice standard on wetland offsets (Wetland Offsets: A Best Practical Guideline for South Africa 2014), as well as the mining and biodiversity guideline (Mainstreaming biodiversity into the mining sector. DEA, DMR, Minerals Council, SA Mining and Biodiversity Forum and SANBI, 2013).

An investment was made in 2018 on wetland rehabilitation and on biodiversity management, including wetland offsets, delineation and wetland studies, as well as biomonitoring.

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.

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

Our detailed management standard guides business units in developing infrastructure, 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.

Exxaro has evaluated and identified all protected vegetation units with important conservation targets and listed as protected by the national spatial biodiversity assessment report.

Exxaro also references the mining and biodiversity guideline (M&BG, 2013), the Mpumalanga biodiversity sector plan (2014), and the national freshwater ecosystem priority areas (NFPEA 2011) guidelines during proposed expansion and new projects. Information from these guidelines is considered during desktop ecological and wetland studies and includes detailed site-specific assessments to confirm the accuracy of the guidelines.

# OUR ENVIRONMENT (CONTINUED)

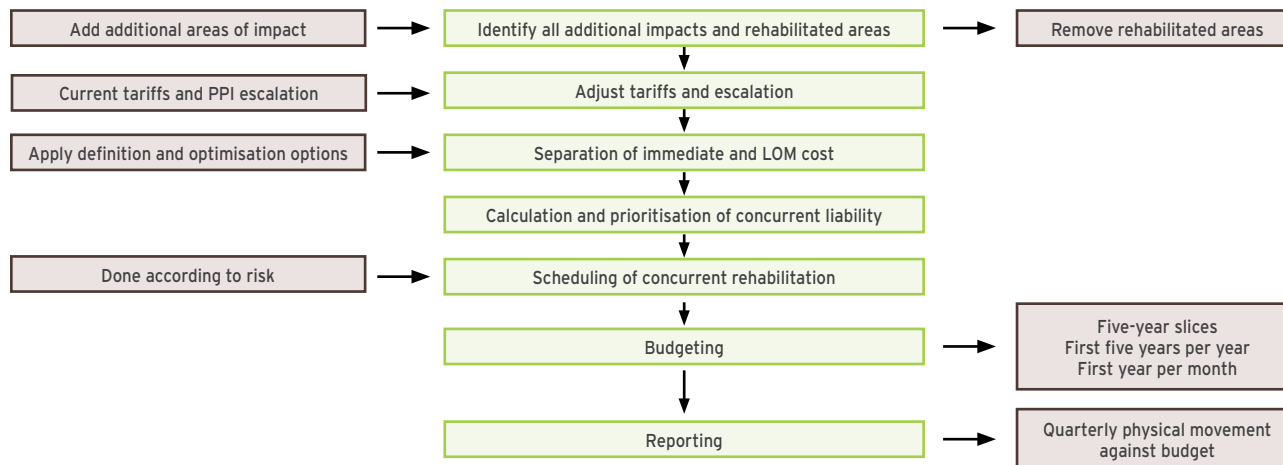
Any negative impact on biodiversity reduces the ability of communities to gather biological resources, produce biomass, decompose and recycle essential nutrients. There is increasing evidence that biodiversity increases the stability of ecosystem functions through time.

Climate change is also a major threat to global biodiversity: rising atmospheric carbon dioxide and therefore temperatures will affect species ranges, seasonal growth cycles and weather. Major extinctions are predicted as climate change drastically alters the biology of many species.

## Environmental liabilities and rehabilitation Internal annual updates

All business units annually review their financial provisions. They also consider amendments to rehabilitation plans and

### Annual process



closure objectives based on regular EMP performance assessments.

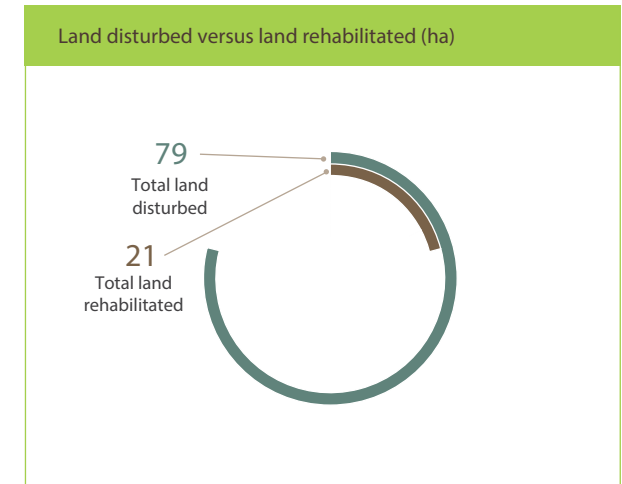
The cost estimates of activities in the concurrent and final-closure rehabilitation programme are reviewed and adjusted where necessary. The provisions are audited biannually by Exxaro's external auditors through physical site visits and document reviews.

The financial provisioning regulations (GNR 1147) were published in December 2015. In September 2018, the department published an amendment that extended the transitional period to February 2020. Exxaro appointed external consultants at all operations to complete reports and calculations as required by GNR 1147. These reports will be finalised in 2019 for submission in 2020.

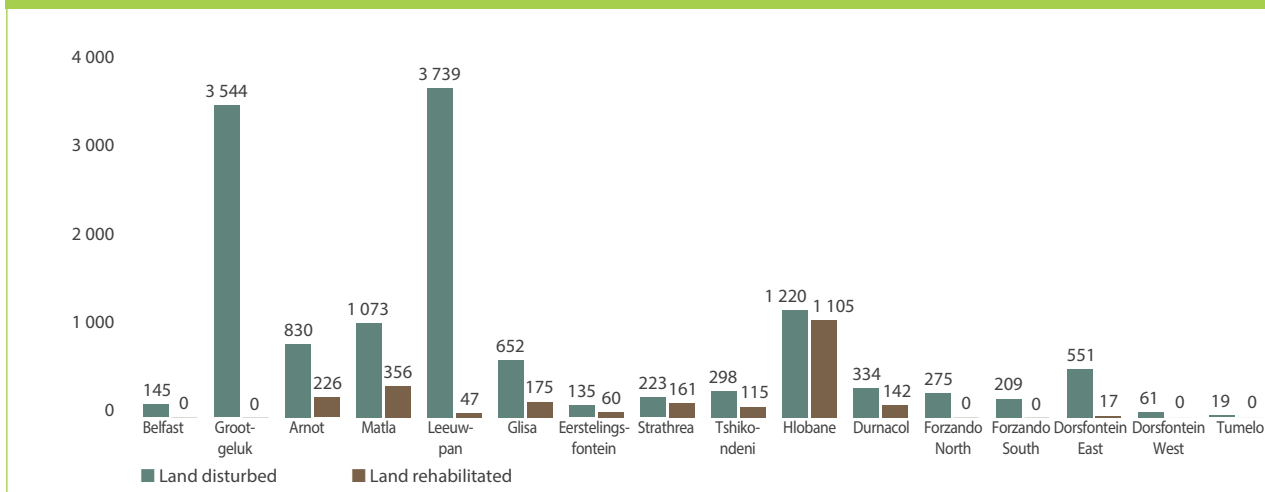
## Concurrent rehabilitation plans

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

- The schedules set measurable targets for each mine
- Schedules prevent backlogs building up, increasing liabilities
- Budgets enable managers to implement plans without cash flow constraints
- Concurrent rehabilitation forms part of operational tracking.



Land disturbed versus rehabilitated (ha)



### Liabilities

At 31 December 2018, total land disturbed was 9 559ha and total rehabilitated 2 469ha. The Exxaro Environmental Rehabilitation Fund (EERF) and ECC trust fund provide for a portion of these liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions. The EERF's assets are managed in an asset-and-liability modelling process that aligns the risk/return profile of the assets to the liability profile of the mines. This is done at site level, leading to each site having a specific allocation to the different asset profiles. The objective is to maximise the contribution of investment growth to the overall cost of funding for the liability provisions. An

external specialist supports EERF trustees with the technical skills required for profiling and in identifying suitable structures for assessment by the trustees. Current implementation includes:

- Two income building blocks benchmarked to cash rates and investing in government treasury bills, bank and corporate paper
- Three growth building blocks targeting inflation-linked returns and investing in insurance and bank guaranteed products
- Equity-driven portfolios without explicit investment guarantees but where the portfolio manager controls capital risk by managing portfolio volatility.

Quarterly contributions to the trust are based on closure cost estimates at life of mine without considering any guarantees in place.

The trust funds earned R146 million in 2018, including cash contributions, interest earned on investments and fair-value adjustments. The fund has recorded 9% growth from an opening balance of R1 636 million in January 2018 to R1 782 million in December 2018. In addition, the group had bank guarantees of R2 971 million in place at year end. Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

### Estimated closure costs per mine

The quantum for environmental contributions is calculated, based on relevant legislation, by both internal and external specialists:

- The Exxaro team comprises members of our sustainability department with expertise and experience in various fields of environmental management, as well as members of our finance department
- We often use independent external technical and financial specialists. In 2018, the quantum of all our operations was calculated by these specialists.

# OUR ENVIRONMENT (CONTINUED)

Mines as per AFS at 31 December 2018	DMR office	Estimated immediate closure cost Rm	Estimated residual liability Rm	Trust fund balance Rm	Guarantee Rm	Immediate shortfall to be covered over remaining life of mine Rm	Remaining life (years)
Grootegeluk mine (including reductants area)	Limpopo	3 168	211	486	1 226	1 667	45
Thabametsi	Limpopo				885	(885)	45
Paardeplaats	Mpumalanga				88	(88)	-
Belfast	Mpumalanga	37	2		133	(94)	18
Leeuwpan MR 157 and 171	Mpumalanga	548	11	87	277	195	17
Dorstfontein East	Mpumalanga	675	83	117		641	8
Dorstfontein West	Mpumalanga	85	165	87	55	107	14
Forzando North	Mpumalanga	54	88	75		67	7
Forzando South	Mpumalanga	154	16	59	59	52	24
Tumelo	Mpumalanga	9	1	12	3	(6)	-
<b>Operational mines</b>		<b>4 729</b>	<b>577</b>	<b>924</b>	<b>2 726</b>	<b>1 656</b>	
Arnot	Mpumalanga	1 123	745	268	28	1 573	-
Matla	Mpumalanga	334	47	81	130	171	21
<b>Eskom tied mines</b>		<b>1 457</b>	<b>792</b>	<b>348</b>	<b>158</b>	<b>1 743</b>	
Durnacol	KZN	100	6			106	-
Hlobane	KZN	44	51			95	-
Tshikondeni	Limpopo	48	28	174	49	(147)	-
Inyanda	Mpumalanga	5				5	-
Glisa	Mpumalanga			216		(216)	-
Strathrae	Mpumalanga	27	68	90		5	-
Eerstelingsfontein	Mpumalanga				3	(3)	-
Newcastle	KZN	0	2			2	-
Gravelotte	Limpopo	2			35	(33)	-
HQ – inactive sites		36	10	30		15	-
<b>Closed operations</b>		<b>262</b>	<b>165</b>	<b>510</b>	<b>87</b>	<b>(170)</b>	
<b>Total Exxaro</b>		<b>6 338</b>	<b>1 533</b>	<b>1 782</b>	<b>2 971</b>	<b>3 229</b>	



### Mine closure

Exxaro had six operations in active closure in 2018 – Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte. Understanding that operational closure, concurrent rehabilitation and land management activities directly link employees, community, environment, government and infrastructure, we are committed to:

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

Our closure-planning process is illustrated below:

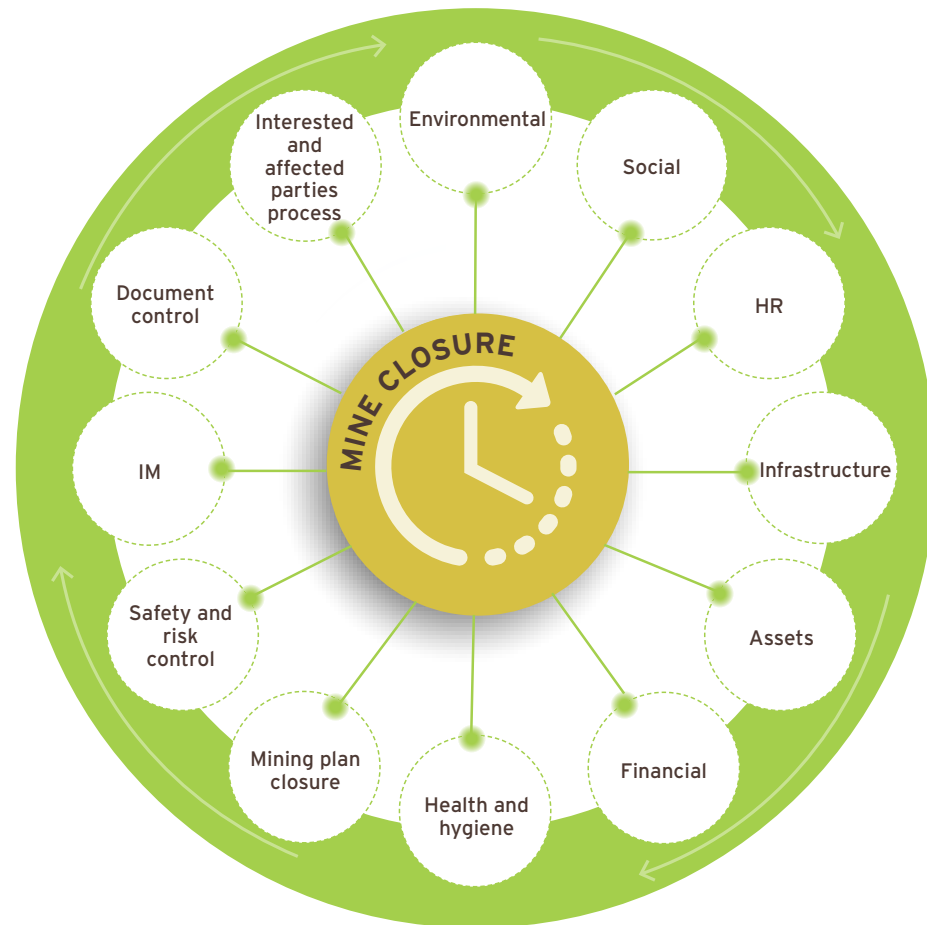


# OUR ENVIRONMENT (CONTINUED)

## Integrating stages of mining and mine-closure planning

Operational closure, concurrent rehabilitation and managing the land where our operations are currently located is part of our operating philosophy and moral responsibility. We actively plan our operations with closure in mind and ensure we have adequate financial resources to meet our rehabilitation commitments.

We strive to integrate land, rehabilitation and liability management in day-to-day mine planning, aiming to minimise final closure costs for each operation and optimise final land use after 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:

- Equipping employees with portable skills to pursue alternative employment and participate in meaningful economic activity
- Develop and implement a communication plan for employees
- Effective training for staff on their roles and responsibilities in implementing and managing the mine closure 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
- Socio-economic activities around the mine need to continue in its absence
- Conducting socio-economic impact assessments to identify the needs and expectations of all relevant stakeholders as well as economic impacts
- Assisting members of host communities affected by closure to acquire skills to participate in economic activities and provide the opportunity to use infrastructure not needed by the mining operation for their benefit
- Ensure communities have the opportunity to maintain, but preferably improve, their quality of life
- Align the closure process with community expectations. 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
- Develop and implement an engagement plan for all relevant stakeholders (community, government, NGOs and others)
- Assist mine owners/operators achieve liability-free closure within a reasonable timeframe
- Effective implementation of the closure plan requires company and management commitment.

### Mineral resources and reserves

Please refer to our comprehensive mineral resources and reserves report on our website.



# GRI REFERENCE TABLE

This index includes the latest GRI guidelines (Standards) and excludes a mining-specific supplement, which is still being developed. Indicators are cross-referenced to either the integrated report or supplementary report and those externally assured are marked.

Reason for omission	Required explanation in the sustainability report
Not applicable	Specify the reason(s) why the disclosure is considered to be not applicable.
Confidentiality constraints	Describe the specific confidentiality constraints prohibiting the disclosure.
Specific legal prohibitions	Describe the specific legal prohibitions.
Information unavailable	Describe the specific steps being taken to obtain the information and the expected timeframe for doing so. If the reason for omission is due to the fact that the necessary information cannot be obtained, or is not of adequate quality to report (as may sometimes be the case when the boundary for a material topic extends beyond the reporting organisation), explain this.

Standard				Page	Omission
<b>GRI 102</b>	General disclosures	102-1	Name of the organisation	▲ Cover	
		102-2	Activities, brands, products and service	▲ 11	
		102-3	Location of headquarters	▲ 144	
		102-4	Location of operations	▲ 12	
		102-5	Ownership and legal form	▲ 10	
		102-6	Markets served	▲ 10 – 13	
		102-7	Scale of the organisation	▲ 10 – 13	
		102-8	Information on employees and other workers	▲ 28, 60 ● 42	
		102-9	Supply chain	▲ 71 ● 50	
		102-10	Significant changes to the organisation and its supply chain	● 51	
		102-11	Precautionary principle or approach	● 53	
		102-12	External initiatives	● 34	
		102-13	Membership of associations	● 34	

▲ Integrated report  
● Supplementary report

Standard				Page	Omission
		102-14	Statement from senior decision maker	▲ 42	
		102-15	Key impacts, risks, and opportunities	▲ 44	
		102-16	Values, principles, standards and norms of behaviour	▲ 40	
		102-17	Mechanisms for advice and concerns about ethics	▲ 144	
		102-18	Governance structure	▲ 116	
		102-19	Delegating authority	▲ 118	
		102-20	Executive-level responsibility for economic, environmental, and social topics	▲ 118	
		102-21	Consulting stakeholders on economic, environmental, and social topics	▲ 3	
		102-22	Composition of board and its committees	▲ 116	
		102-23	Chair of board	▲ 112	
		102-24	Nominating and selecting the board	▲ 109	
		102-25	Conflicts of interest	▲ 119	
		102-26	Role of board in setting purpose, values and strategy	▲ 119	
		102-27	Collective knowledge of board	▲ 17	
		102-28	Evaluating the board's performance	▲ 115	
		102-29	Identifying and managing economic, environmental and social impacts	▲ 3	
		102-30	Effectiveness of risk management processes	▲ 44	
		102-31	Review of economic, environmental, and social topics	▲ 57	
		102-32	Board's role in sustainability reporting	▲ 119	
		102-33	Communicating critical concerns	▲ 122	
		102-34	Nature and total number of critical concerns	▲ 57	
		102-35	Remuneration policies	● 12	
		102-36	Process for determining remuneration	● 12	
		102-37	Stakeholders' involvement in remuneration	● 10	
		102-38	Annual total compensation ratio	NR	Confidentiality
		102-39	Percentage increase in annual total compensation ratio	● 14	
		102-40	List of stakeholder groups	▲ 34	
		102-41	Collective bargaining agreements	● 15	
		102-42	Identifying and selecting stakeholders	▲ 34	
		102-43	Approach to stakeholder engagement	▲ 34	

NR not reported

# GRI REFERENCE TABLE (CONTINUED)

Standard				Page	Omission
		102-44	Key topics and concerns raised	▲ 36	
		102-45	Entities included in the consolidated financial statements	▲ 2	
		102-46	Defining report content and topic boundaries	▲ 1	
		102-47	List of material topics	▲ 3	
		102-48	Restatements of information	▲ 78	
		102-49	Changes in reporting	▲ 78	
		102-50	Reporting period	▲ 1	
		102-51	Date of most recent report	▲ 1	
		102-52	Reporting cycle	▲ 1	
		102-53	Contact point for questions on the report	▲ IFC	
		102-54	Claims of reporting in accordance with the GRI Standards	▲ 1	
		102-55	GRI content index	● 76	
		102-56	External assurance	▲ 2	
<b>GRI 103</b>	Management approach to economic, environmental and social impacts	103-1	Explanation of the material topic and its boundary	▲ 38	
		103-2	Management approach and its components	▲ 38	
		103-3	Evaluation of the management approach	▲ 38	

Standard				Page	Omission
<b>GRI 201</b>	Economic performance		Management approach disclosures	▲ 78	
		201-1	Direct economic value generated and distributed	▲ 9	
		201-2	Financial implications and other risks and opportunities due to climate change		
		201-3	Defined benefit plan obligations and other retirement plans		
		201-4	Financial assistance received from government	Zero	
<i>NR not reported</i>	<i>NA not applicable</i>				
<b>GRI 202</b>	Market presence		Management approach disclosures	▲ 11	
		202-1	Ratios of standard entry level wage by gender compared to local minimum wage	● 9	
<b>GRI 203</b>	Indirect economic impacts	202-2	Proportion of senior management hired from the local community	100%	
			Management approach disclosures	● 49	
<b>GRI 204</b>	Procurement practices	203-1	Infrastructure investments and services supported	● 50	
		203-2	Significant indirect economic impacts	● 50	
<b>GRI 205</b>	Anti-corruption		Management approach disclosures	● 50	
		204-1	Proportion of spending on local suppliers	● 50	
<b>GRI 206</b>	Anti-competitive behaviour		Management approach disclosures	▲ 117, 134	
		205-1	Operations assessed for risks related to corruption	▲ 135	
		205-2	Communication and training about anti-corruption policies and procedures	▲ 135	
		205-3	Confirmed incidents of corruption and actions taken	▲ 136	
<b>GRI 206</b>		206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	▲ 134	
<b>GRI 300</b>	Environmental		Management approach disclosures	Zero	
<b>GRI 301</b>	Materials		Management approach disclosures	● 53	
		301-1	Materials used by weight or volume	NR	Corporate activity
		301-2	Recycled input materials used	NR	
<b>GRI 302</b>	Energy	301-3	Reclaimed products and their packaging materials	NR	
		302-1	Energy consumption within the organisation	● 64	
		302-2	Energy consumption outside of the organisation	● 64	
		302-3	Energy intensity	● 64	
		302-4	Reduction of energy consumption	● 63	
		302-5	Reductions in energy requirements of products and services	● 63	

# GRI REFERENCE TABLE (CONTINUED)

Standard				Page	Omission
<b>GRI 303</b>	Water	303-1	Water withdrawal by source	● 65	
		303-2	Water sources significantly affected by withdrawal of water	● 65	
		303-3	Water recycled and reused	● 65	
<b>GRI 304</b>	Biodiversity	304-1	Operational sites owned/leased/managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	● 67	
		304-2	Significant impacts of activities, products, and services on biodiversity	● 67	
		304-3	Habitats protected or restored	● 67	
		304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	● 67	
<b>GRI 305</b>	Emissions	305-1	Direct (scope 1) GHG emissions	● 61	
		305-2	Energy indirect (scope 2) GHG emissions	● 61	
		305-3	Other indirect (scope 3) GHG emissions	● 61	
		305-4	GHG emissions intensity	● 61	
		305-5	Reduction of GHG emissions	● 61	
		305-6	Emissions of ozone-depleting substances (ODS)	● 61	
		305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	● 61	

NR not reported

NA not applicable



Standard				Page	Omission
<b>GRI 306</b>	Effluents and waste	306-1	Water discharge by quality and destination	● 65	
		306-2	Waste by type and disposal method	● 66	
		306-3	Significant spills	● 57	
		306-4	Transport of hazardous waste	NA	
		306-5	Water bodies affected by water discharges and/or runoff	● 65	
<b>GRI 307</b>	Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Zero	
<b>GRI 308</b>	Supplier environmental assessment	308-1	New suppliers screened using environmental criteria	NR	
		308-2	Negative environmental impacts in the supply chain and actions taken	NR	
<b>GRI 400</b>	Social		Management approach disclosures	● 42	
<b>GRI 401</b>	Employment	401-1	New employee hires and employee turnover	● 46	
		401-2	Benefits provided to full-time employees not provided to temporary/part-time employees	● 42	
		401-3	Parental leave	NR	
<b>GRI 402</b>	Labour/management relations	402-1	Minimum notice periods on operational changes	● 44	
<b>GRI 403</b>	Occupational health and safety	403-1	Workers representation in formal joint management-worker health and safety committees	● 44	
		403-2	Types and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	● 39	
		403-3	Workers with high incidence or high risk of diseases related to their occupation	● 40	
		403-4	Health and safety topics covered in formal agreements with trade unions	● 40	

# GRI REFERENCE TABLE (CONTINUED)

Standard				Page	Omission
<b>GRI 404</b>	Training and education	404-1	Average hours of training per year per employee	● 43	
		404-2	Programmes for upgrading employee skills and transition assistance programmes	● 43	
		404-3	Percentage of employees receiving regular performance and career development reviews	● 43	
<b>GRI 405</b>	Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	▲ 114 ● 45	
		405-2	Ratio of basic salary and remuneration of women to men	● 13	
<b>GRI 406</b>	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	● 48	
<b>GRI 407</b>	Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Zero	
<b>GRI 408</b>	Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Zero	
<b>GRI 409</b>	Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Zero	
<b>GRI 410</b>	Security practices	410-1	Security personnel trained in human rights policies or procedures	● 48	
<b>GRI 411</b>	Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	NA	
<b>GRI 412</b>	Human rights assessment	412-1	Operations subject to human rights reviews or impact assessments	● 48	
		412-2	Employee training on human rights policies or procedures	● 48	
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	● 48	

NR not reported

NA not applicable

Standard				Page	Omission
<b>GRI 413</b>	Local communities	413-1	Operations with local community engagement, impact assessments and development programmes	● 49	
		413-2	Operations with significant actual and potential negative impacts on local communities	● 49	
<b>GRI 414</b>	Supplier social assessment	414-1	New suppliers screened using social criteria	● 50	
		414-2	Negative social impacts in the supply chain and actions taken	● 50	
<b>GRI 415</b>	Public policy	415-1	Political contributions	▲ 7	
<b>GRI 416</b>	Customer health and safety	416-1	Assessment of health and safety impacts of product and service categories	NR	Not applicable
		416-2	Incidents of non-compliance for health and safety impacts of products and services	NA	Not applicable
<b>GRI 417</b>	Marketing and labelling	417-1	Requirements for product and service information and labelling	NA	Not applicable
		417-2	Incidents of non-compliance on product and service information and labelling	NA	Not applicable
		417-3	Incidents of non-compliance on marketing communications	NA	Not applicable
<b>GRI 418</b>	Customer privacy	418-1	Substantiated complaints on breaches of customer privacy and losses of customer data	Zero	
<b>GRI 419</b>	Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Zero	

# INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN EXXARO RESOURCES LIMITED'S SUPPLEMENTARY REPORT

## To the directors of Exxaro Resources Limited

We have undertaken an assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2018 Supplementary Report of Exxaro Resources Limited (the company, Exxaro or you) for the year ended 31 December 2018 (the Report). This engagement was conducted by a multidisciplinary team including health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

### Subject matter

We have been engaged to provide a reasonable assurance opinion and a limited assurance conclusion on the selected sustainability information listed below and set out in the table on page 85. The selected sustainability information described below has been prepared in accordance with the company's reporting criteria that accompanies the sustainability information on the relevant pages of the report (the accompanying reporting criteria).

### Reasonable assurance

Selected sustainability information	Unit of measurement	Boundary
Number of lost-time injuries	Number	Exxaro group
Lost-time injury frequency rate (LTIFR)	Rate	Exxaro group
Scope 2 carbon emissions	Kt CO <sub>2</sub> e	Exxaro group
Mining charter: Preferential procurement	Rand and %	Exxaro group

### Limited assurance

Selected sustainability information	Unit of measurement	Boundary
Occupational health incident frequency rate (OHIFR)	Rate	Exxaro group
Number of accepted occupational health cases	Number	Exxaro group
Scope 1 carbon emissions	Kt CO <sub>2</sub> e	Exxaro group
Scope 3 carbon emissions	Kt CO <sub>2</sub> e	Exxaro group
Carbon intensity	Kt CO <sub>2</sub> e/total tonnes mined	Exxaro group
Number of level 2 and 3 environmental incidents	Number	Exxaro group
Mining charter: Employment equity (top, senior, middle and junior management)	%	Exxaro group
Mining charter: Black women in management (top, senior, middle and junior management)	%	Exxaro group

We refer to this information as the "selected sustainability information for reasonable assurance" and "selected sustainability information for limited assurance", respectively, and collectively as the "selected sustainability information".

### Your responsibilities

The directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on pages 88 to 90 of the report (the reporting criteria).

This responsibility includes:

- The identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance
- The design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the report users.

### 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

practices 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.

In particular, where the information relies on carbon, energy and other emission conversion factors derived by independent third parties, or internal laboratory results, our assurance work will not include examination of the derivation of those factors and other third party or laboratory information.

#### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Our responsibility**

Our responsibility is to express either a reasonable assurance opinion or limited assurance conclusion on the selected sustainability information as set out in the subject matter paragraph, based on the procedures we have performed and

the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 Revised), 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 plan and perform our engagement to obtain the appropriate level of assurance about whether the selected sustainability information are free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

#### **(a) Reasonable assurance**

A reasonable assurance engagement in accordance with ISAE 3000 (Revised), and ISAE 3410, involves performing procedures to obtain evidence about the measurement of the selected sustainability information and related disclosures in the report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected sustainability information, whether due to fraud or error.

In making those risk assessments we have considered internal control relevant to the company's preparation of the selected sustainability information. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by the company

- Assessing the suitability in the circumstances of the company's use of the applicable reporting criteria as a basis for preparing the selected sustainability information
- Evaluating the overall presentation of the selected sustainability performance information.

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

#### **(b) Limited assurance**

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised), and ISAE 3410, involves assessing the suitability in the circumstances of the company's use of its reporting criteria as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Accordingly, for the selected sustainability information where limited assurance was obtained, we do not express a reasonable assurance opinion about whether the company's selected sustainability information have been prepared, in all material respects, in accordance with the accompanying reporting criteria.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

# INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN EXXARO RESOURCES LIMITED'S SUPPLEMENTARY REPORT (CONTINUED)

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process
- Inspected documentation to corroborate the statements of management and senior executives in our interviews
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information
- Performed a controls walkthrough of identified key controls
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected sustainability information
- Evaluated whether the selected sustainability information presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at the company.

## **Reasonable assurance opinion and limited assurance conclusion**

### **(a) Reasonable assurance opinion**

In our opinion and subject to the inherent limitations outlined elsewhere in this report, the selected sustainability information set out in the subject matter paragraph above for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the reporting criteria.

### **(b) Limited assurance conclusion**

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability information as set out the subject matter paragraph above for the year ended 31 December 2018 are not prepared, in all material respects, in accordance with the reporting criteria.

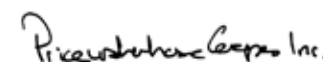
### **Other matter(s)**

Our report includes the provision of limited assurance on the total number of black women in management. We were previously not required to provide assurance on this selected sustainability information. The 2018 assurance scope also includes employment equity management which was previously assured in 2014.

The maintenance and integrity of Exxaro's website is the responsibility of Exxaro's directors. 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.

### **Restriction of liability**

Our work has been undertaken to enable us to express a reasonable assurance opinion and a limited assurance conclusion on the selected sustainability information to the directors of the company in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the company, for our work, for this report, or for the conclusion we have reached.



**PricewaterhouseCoopers Inc.**  
**Director: Jayne Mammatt**  
**Registered auditor**

Johannesburg  
15 April 2019

Key performance indicator	Level of assurance	2014	2015	2016	2017	2018
Fatalities	Reasonable	1	#	#	#	#
Fatality frequency rate (FFR) – employees and contractors	Reasonable		0	0	#	#
Lost-time injuries (LTIs) – employees and contractors	Reasonable	36	#	#	21	23
Lost-time injury frequency rate (LTIFR) – employees and contractors	Reasonable	0.19	0.17	0.09	0.12	0.12
Occupational health incident frequency rate (OHIFR) – reported cases – employees and contractors	Limited		0.36	0.35# 0.42#	0.33	0.33
Number of reported (and accepted) cases of pneumoconiosis	Limited	Reported = 12 Accepted = 2	#	#	Accepted = 6	Accepted = 7
Number of reported (and accepted) cases of occupational tuberculosis	Limited	Reported = 20 Accepted = 5	#	#	Accepted = 16	Accepted = 5
Number of reported (and accepted) cases of noise-induced hearing loss	Limited	Reported = 16 Accepted = 2	#	#	Accepted = 0	Accepted = 0
Total number of accepted occupational health cases	Limited	#	#	#	22	12
Total diesel used (gigajoules (GJ))	Reasonable	2 103 148	#	#	#	#
Total electricity used (GJ)	Reasonable	2 135 581	#	#	#	#
Electricity efficiency (kWh/kilotonnes)	Reasonable	4.2	3.72	12.86	#	#
Direct CO <sub>2</sub> emissions from own operations (scope 1)	Limited	229 762	235 179	271 657	324 925	315 412
Indirect CO <sub>2</sub> emissions from electricity (scope 2)	Reasonable	557 624	521 905	500 990	539 040	552 057
Other indirect emissions (scope 3)	Limited	74 768 143	73 846 816	71 651 102	76 461 529	72 927 947*
Carbon intensity (ktCO <sub>2</sub> e/TTM)	Limited	#	#	#	5.4	5.3
Total year-on-year change in scope 1 and scope 2 emissions	Reasonable	3.5	#	#	#	#
Number of level 2 and 3 environmental incidents	Limited	Level 2 = 3 Level 3 = 0	Level 2 = 18 Level 3 = 0	Level 2 = 5 Level 3 = 0	Level 2 = 1 Level 3 = 0	Level 2 = 7 Level 3 = 0
Procurement from BEE entities (R value and % of total procurement)	Reasonable		#	#		
Capital		1 545 247 148 57%	#	#	2 406 201 660 69%	3 437 752 286 74%
Services		2 641 029 589 71%	#	#	2 805 143 977 78%	5 062 122 748 81%
Consumable goods		3 091 454 498 75%	#	#	3 393 823 544 79%	3 308 430 695 76%
Employment equity	Limited		#	#	#	
Top management		67%	#	#	#	67%
Senior management		42%	#	#	#	47%
Middle management		57%	#	#	#	65%
Junior management		73%	#	#	#	74%
Core and critical skills		98%	#	#	#	#
Black women in management (top, senior, middle, junior)		#	#	#	#	17%
Total potable water (municipal and Eskom) and metered potable water (Grootegeluk only) (m <sup>3</sup> )	Limited	2 304 686	2 194 398	#	#	#
Hazardous waste to landfill (tonnes)	Limited	1 542	1 814	#	#	#

#Not assured

\*The 2018 scope 3 data excludes upstream transmission and distribution and is therefore not comparable to 2017.



## Additional information

88 Glossary

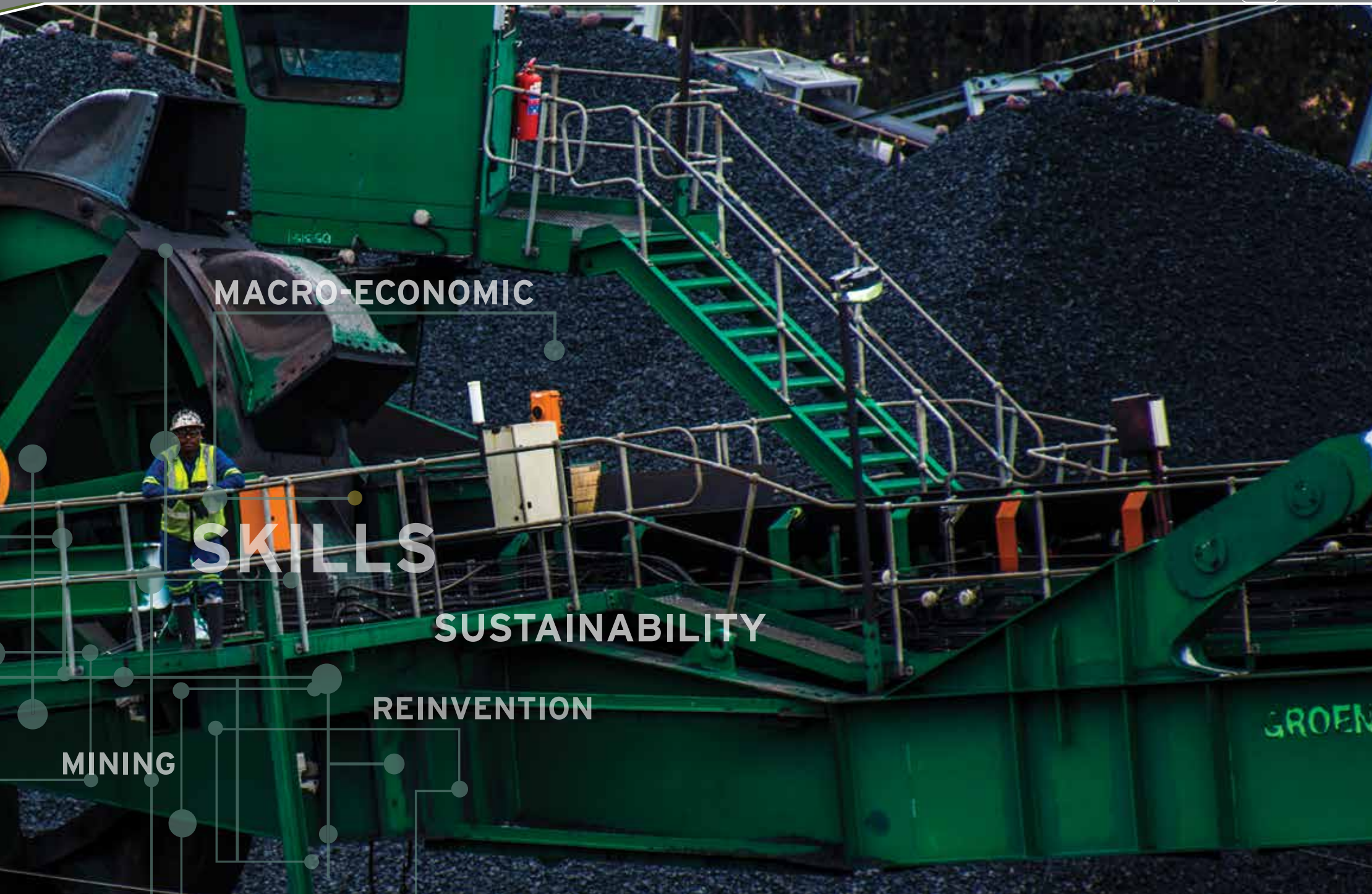
IBC Administration



LEADERSHIP

GROWTH





MACRO-ECONOMIC

SKILLS

SUSTAINABILITY

REINVENTION

MINING

GROEN

# GLOSSARY

## Safety and health

Indicator	Definition
Number of fatalities	A fatality includes all work-related incidents that resulted in a fatality
Fatality frequency rate (FFR) – employees and contractors	Rate per 200 000 hours of fatalities due to all causes for both employees and contractors
Number of lost-time injuries (LTIs) – 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) – employees and contractors	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

## Safety and health (continued)

Indicator	Definition
Occupational health incident frequency rate (OHIFR) – reported cases (employees and contractors)	<p>Number of reported cases of occupational diseases in the reporting period. An occurrence of an occupational disease which is reported to Medical Bureau for Occupational Disease and DMR, and for NIHL reported to Rand Mutual Assurance</p> <p>These occupational diseases are:</p> <ul style="list-style-type: none"> <li>● Reported occupational tuberculosis</li> <li>● Reported cases of chronic obstructive airway disease</li> <li>● Reported cases of pneumoconiosis</li> <li>● Reported cases of NIHL</li> <li>● Reported cases of silicosis.</li> </ul> <p>Occupational diseases are monitored and reported for employees and contractors. The rate is calculated per 200 000 hours for both employees and contractors</p>
Total diesel used (GJ)	Direct energy consumption by diesel used
Total electricity used (GJ)	Direct energy consumption by electricity used
Total electricity (MWh/production tonnages)	Total electricity used, measured in megawatt hours (MWh), divided by production measured in kilo tonnes
Direct CO <sub>2</sub> emissions from own operations (scope 1)	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 <sub>2</sub> e
Indirect CO <sub>2</sub> emissions from electricity (scope 2)	Total electricity purchased converted to tonnes CO <sub>2</sub> e
Other indirect emissions (scope 3)	Total scope 3 emissions from use of sold products
Carbon intensity	Total kt CO <sub>2</sub> e/total tonnes mined
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 IWULs pending	An integrated water use licence application lodged with the Department of Water and Sanitation for processing and awaiting decision by the department

## Environment

# GLOSSARY (CONTINUED)

	Indicator	Definition
Environment (continued)	Number of level 2 and 3 environmental incidents	Level 2 – reportable environmental incidents with reversible on-site and immediate surrounding impacts, will involve over 48 hours clean-up activities and a negative impact on shareholder value of R50 000 to R500 000 worth of damage has definitely occurred  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 (Grootegeluk only) (m <sup>3</sup> )
	Hazardous waste to landfill	Hazardous waste disposed of to legal landfill during the reporting period
Mining charter 2014	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 2014 mining charter requirements for the review period
	Employment equity	Demographic breakdown of workforce as per 2014 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 in the reporting period. This is an employee holding a three-year contract to gain practical experience on the mines for professional registration and/or GCC/MMCC certification

# ADMINISTRATION

## Group company secretary and registered office

S van Loggerenberg  
Exxaro Resources Limited  
Roger Dyason Road  
Pretoria West, 0183  
(PO Box 9229, Pretoria, 0001)  
South Africa  
Telephone +27 12 307 5000

## Sponsor

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

## Company registration number

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

## Auditors

PricewaterhouseCoopers Incorporated  
2 Eglin Road  
Sunninghill, 2157

## Commercial bankers

Absa Bank Limited

## Corporate law advisers

EOH Legal Services Proprietary Limited  
Roger Dyason Road  
Pretoria West  
0183

## United States ADR depository

The Bank of New York Mellon  
101 Barclay Street  
New York NY 10286  
United States of America

## Registrars

Computershare Investor Services Proprietary Limited  
Rosebank Tower  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

## Contact

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

### Hanno Olinger

**Manager: Integrated reporting and ESG**

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