

**Exxaro Resources Limited**  
**United Nations Global Compact**  
**Communication on Progress 2017**

**exxaro**  
 POWERING POSSIBILITY

# CEO STATEMENT OF SUPPORT

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

In this Communication on Progress for 2017, we draw on Exxaro's integrated and supplementary reports for 2017 to describe how the 10 UNGC principles are incorporated into our business. The integrated report and supplementary report are both products of the company's strategic objectives, legislative and regulatory requirements, including the Companies Act of South Africa No 71 of 2008, as amended (Companies Act), the Mining Charter and the JSE Limited Listings Requirements, as well as global best practice standards as reflected in the International Integrated Reporting Council's framework for integrated reporting, the Global Reporting Initiative GRI, UNGC principles and the King Report on Governance™\* for South Africa 2016 (King IV™) and AccountAbility 1000SES.

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

From the basis of moral and economic imperatives, Exxaro is addressing many of the SDGs in our sustainability drive. Details of sustainability successes can be found in both the integrated and supplementary reports and are available online under the following link: <http://www.exxaro.com/investors/investor-reports>.

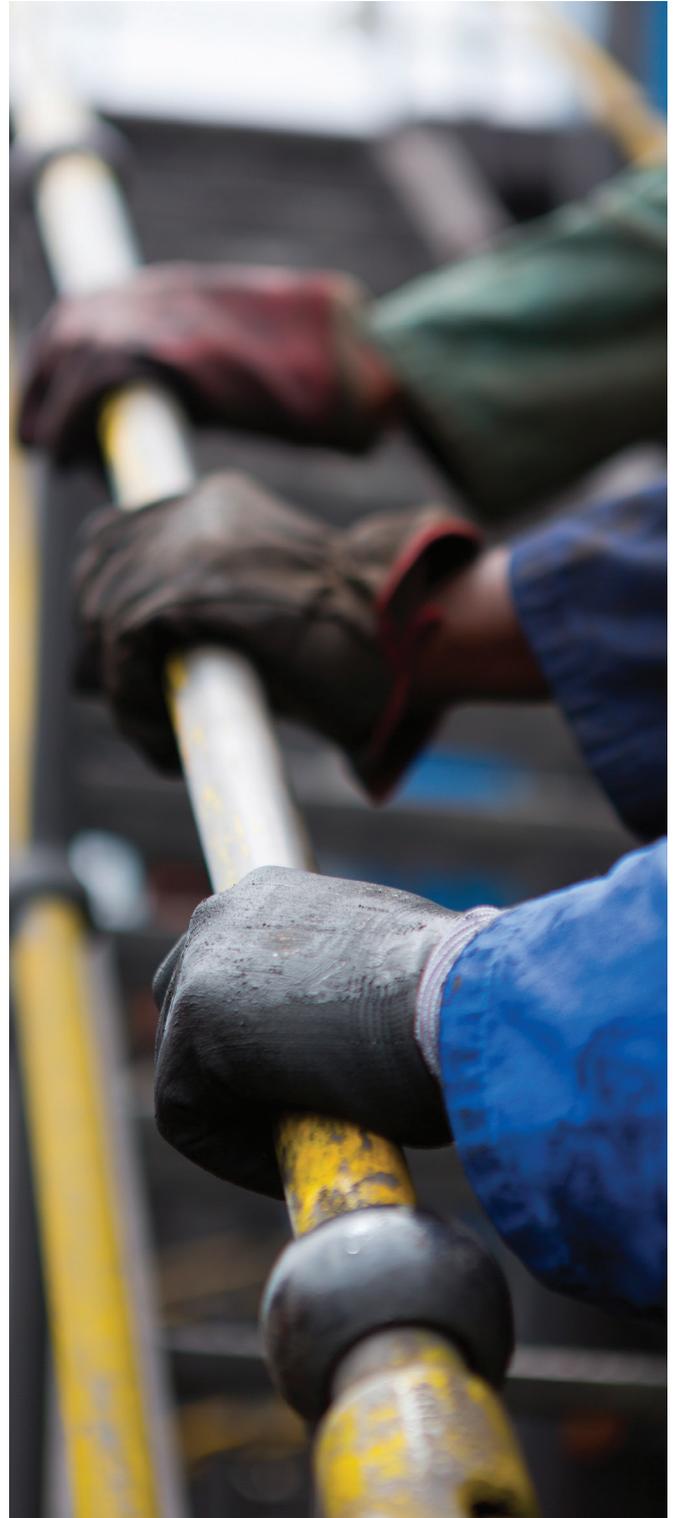
Sincerely,



**Mxolisi Mgojo**  
Chief executive officer  
Exxaro Resources

*For enquiries*

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GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>1 Businesses should support and respect the protection of internationally proclaimed human rights</b></p>	<p>Exxaro has a <b>labour and human rights policy</b> (policy) enforced in which the intent under paragraph 4 is stated as follows:  <i>“The company, as a responsible employer, will at all times comply with all labour legislation in South Africa, including the Constitution of the Republic of South Africa, the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Act, the Skills Development Act, Unemployment Insurance Act, the Mine Health and Safety Act and the Occupational Health and Safety Act. The company will also comply with all International Labour Organization codes and guidelines as ratified by the Republic of South Africa.”</i></p> <p>Under <b>paragraph 5.1 of the policy</b> it states:  <i>“The company unreservedly supports the Universal Declaration of Human Rights.”</i></p> <p>Under <b>paragraph 5.2 of the policy</b> it states:  <i>“The company unreservedly supports the OECD Guidelines for Multinational Enterprises.”</i></p>	<p>Exxaro has complied with this policy at all times during 2017 and no transgressions have been recorded at any operations or subsidiaries of Exxaro both in South Africa and internationally.</p>
<p><b>2 Make sure that they are not complicit in human rights abuses</b></p>	<p>As reported under UNGC principle 1, the policy also covers human rights abuses.</p> <p>Under <b>paragraph 6 of the policy</b> it states:  <i>“The company will ensure that all employees are trained in the principles of human rights on an ongoing basis.”</i></p> <p>Induction programmes educate all employees and contractors on human rights. Refresher courses are available to all employees and contractors also cover human rights issues.</p> <p>Furthermore, policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.</p>	<p>Exxaro's employees are aware of their human rights and to date Exxaro has not been complicit in the violation of any human rights.</p>



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<p><b>3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</b></p>	<p><b>Paragraph 4.3 of the policy</b> states the following:  <i>"The company supports an employee's right to freedom of association and to join a trade union of their choice."</i></p> <p><b>Paragraph 4.4 of the policy</b> states the following:  <i>"The company supports the principle of collective bargaining. In this regard the company has entered into formal recognition agreements with various trade unions."</i></p>	<p>Some 87% 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) and the Food and Allied Workers Union (FAWU).</p> <p>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.</p> <p>Negotiations for wages and conditions of employment are conducted through in-house forums and the Chamber of Mines.</p> <p>In 2017, we concluded multi-year wage agreements for a number of subsidiaries without any negative labour implications, except Exxaro Coal where we had a strike that lasted for eight days.</p> <p>Confirming the commitment from all parties to build solid relationships, no grievances about labour practices were filed in the reporting period.</p>																																								
<p><b>4 The elimination of all forms of forced and compulsory labour</b></p>	<p><b>Paragraph 4.2 of the policy</b> states the following:  <i>"Subject to the provisions of the Constitution of South Africa, the company will not cause, demand or impose forced labour on any other person."</i></p>	<p>To date Exxaro has not been complicit in the violation of the policy.</p>																																								
<p><b>5 The effective abolition of child labour</b></p>	<p><b>Paragraph 4.1 of the policy</b> states the following:  <i>"The company will not employ child labour in contravention of the Basic Conditions of Employment Act and the Occupational Health and Safety Act."</i></p> <p>Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines and, as a signatory of the UNGC, ensures child labour is not tolerated.</p>	<p>No children are in the employ of Exxaro. Below is the breakdown of employees by age:</p> <table border="1" data-bbox="959 1249 1437 1554"> <thead> <tr> <th>Age range</th> <th>Bargaining unit</th> <th>Management and specialist</th> <th>Grand total</th> </tr> </thead> <tbody> <tr> <td>18 - 25</td> <td>280</td> <td>46</td> <td>326</td> </tr> <tr> <td>26 - 30</td> <td>842</td> <td>127</td> <td>969</td> </tr> <tr> <td>31 - 35</td> <td>1 041</td> <td>195</td> <td>1 236</td> </tr> <tr> <td>36 - 40</td> <td>837</td> <td>201</td> <td>1 038</td> </tr> <tr> <td>41 - 45</td> <td>624</td> <td>192</td> <td>816</td> </tr> <tr> <td>46 - 50</td> <td>539</td> <td>175</td> <td>714</td> </tr> <tr> <td>51 - 55</td> <td>544</td> <td>142</td> <td>686</td> </tr> <tr> <td>56 - 65</td> <td>584</td> <td>111</td> <td>695</td> </tr> <tr> <td><b>Total</b></td> <td><b>5 291</b></td> <td><b>1 189</b></td> <td><b>6 480</b></td> </tr> </tbody> </table>	Age range	Bargaining unit	Management and specialist	Grand total	18 - 25	280	46	326	26 - 30	842	127	969	31 - 35	1 041	195	1 236	36 - 40	837	201	1 038	41 - 45	624	192	816	46 - 50	539	175	714	51 - 55	544	142	686	56 - 65	584	111	695	<b>Total</b>	<b>5 291</b>	<b>1 189</b>	<b>6 480</b>
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<p><b>6 The elimination of discrimination in respect of employment and occupation</b></p>	<p><b>Paragraph 4.5 of the policy</b> states the following:  <i>"The company promotes the principles of equal opportunities and prohibits unfair discrimination and has established policies, namely the employment equity policy and policies prohibiting racial harassment, sexual harassment, and unfair discrimination to promote these principles."</i></p> <p>As an employer, Exxaro is firmly committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual preference or nationality. Our corporate values guide the way we do business, and discrimination on any grounds is not acceptable.</p> <p>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.</p>	<p>There is no discrimination between the salaries of men and women in the bargaining unit category as collective agreements determine specific guaranteed minimum salaries.</p> <p>In the management and specialist category, individual salaries are strictly based on contracted performance.</p>																																								

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<p><b>7 Businesses should support a precautionary approach to environmental challenges</b></p>	<p>Exxaro adopts the precautionary principle, which is entrenched in the National Environmental Management Act (NEMA), when evaluating the environmental impacts of business opportunities.</p> <p>We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:</p> <ul style="list-style-type: none"> <li>› Ensuring all activities are properly authorised</li> <li>› Complying with all statutory environmental requirements as a minimum</li> <li>› Using energy and water as efficiently as possible</li> <li>› Conducting activities responsibly from the twin perspectives of compliance and natural resource use</li> <li>› Actively participating in voluntary benchmarks, such as the global Carbon and Water Disclosure Projects</li> <li>› Developing innovative policies and programmes to address environmental impacts and use of natural resources.</li> </ul> <p>Comprehensive group standards have enhanced the implementation of legal requirements and sustainable use of natural resources. These include management standards for air quality, water, energy, rehabilitation and mine closure, and environmental incident management and reporting.</p> <p><b>Legal compliance</b></p> <p>South African mining companies are heavily regulated, with compliance centred on receiving, converting and retaining all mining rights. To ensure we continue to meet legal requirements as a minimum, compliance across Exxaro is monitored by two board-mandated entities: the sustainability, risk and compliance committee as well as the social and ethics committee.</p> <p>Running all our operations with approved EMPs is fundamental to our sustainability and legal compliance.</p>	<p>All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.</p> <p>All our South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and National Environmental Management Act (NEMA).</p> <p>These are key compliance indicators in ensuring that Exxaro remains a legally authorised sustainable business.</p> <p><b>Legal compliance</b></p> <p>In 2017, as applications for various projects are at different stages of regulatory assessment, we have continuously engaged with the relevant authorities, agencies and other stakeholders to expedite these licences.</p> <p>Exxaro received no environmental stoppage directives and no fines were issued during the review period.</p>

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>8 Undertake initiatives to promote greater environmental responsibility</b> continued</p>	<p>Key continuous environmental risks at Exxaro's operations have been identified and are listed below:</p> <ul style="list-style-type: none"> <li>› Greenhouse gas (GHG) emissions</li> <li>› Air quality management</li> <li>› Water quality management, security of supply</li> <li>› Hazardous waste management</li> <li>› Biodiversity management</li> <li>› Ongoing rehabilitation</li> <li>› Cost of, and provision for, environmental liabilities</li> <li>› Improving compliance to granted environmental licences</li> <li>› Increasing statutory and non-statutory environmental requirements</li> <li>› Environmental incidents (level 3).</li> </ul> <p><b>Carbon footprint</b></p> <p><b>Scope 1:</b> Direct 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.</p> <p><b>Scope 2:</b> GHG emissions from electricity generation by Eskom (South Africa's largest power utility), purchased by Exxaro.</p> <p><b>Scope 3:</b> Emissions outside our control but emanating from our products or activities, eg customer burning coal sold by Exxaro.</p> <p>The scope 1, 2 and 3 emission protocol provides a common measurement platform to compare firms, aggregate data to national level and compare countries. South Africa has set arguably the most aggressive carbon abatement targets of any developing country: to reduce emissions by 34% below business as usual by 2020, and 42% by 2025.</p> <p>Operational activities are guided by our climate change response strategy. A steering committee oversees related improvement projects and activities, and ensures these are aligned with Exxaro's climate change position statement.</p> <p>This supports a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enables operations to focus on managing energy, emissions and other climate change-related issues.</p>	<p>These risks have been determined with the commensurate impacts and the required mitigation actions required to minimise or avoid these risks.</p>

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<p><b>8 Undertake initiatives to promote greater environmental responsibility</b> continued</p>	<p><b>Carbon disclosure</b> Exxaro participates in two programmes: Carbon Disclosure Project (CDP) Climate Change (since 2008) and CDP Water. The CDP is a UK-based global climate change reporting system. Our carbon performance is externally assured annually.</p> <p><b>Energy management</b> Exxaro considers the consumption of electricity and diesel as a proxy for GHG emissions.</p> <p>As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption, including projects to specifically increase the efficiency of diesel and electricity use.</p> <p>The head office technology department has initiated a project to reduce diesel consumption at all our operations. To facilitate energy-saving initiatives, energy-intensity targets are set annually based to the prior two-year performance for each operation, and monitored monthly. These targets were reviewed at the end of 2017 and long-term (five years) targets have been proposed. These will be implemented in the second half of 2018.</p> <p><b>Air quality</b> As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other pollutants (eg PM10 and PM2,5) from opencast operations. Accordingly, we focus on:</p> <ul style="list-style-type: none"> <li>&gt; Minimising impact on the receiving environment</li> <li>&gt; Full legislative compliance</li> <li>&gt; Air quality management planning</li> <li>&gt; Risk management</li> <li>&gt; Monitoring, measurement and reporting.</li> </ul> <p>Daily measures ensure we address the challenges of Exxaro's dust-generating activities (blasting, drilling, crushing and screening, vehicle entrainment, materials handling and wind erosion of exposed operational areas). These include applying dust-suppressant agents on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material.</p> <p>All mining operations monitor daily dust fallout rates and results are assessed against national regulations. We track our compliance against the stringent residential limit (600mg/m<sup>2</sup>/day) instead of the non-residential limit (1 200mg/m<sup>2</sup>/day) to minimise the impact on residents. This will ensure fallout dust is reduced to the residential limit.</p>	<p><b>CDP</b> Exxaro has submitted an audited CDP report in 2017.</p> <p><b>Energy management</b> <b>Diesel and electricity</b> are the primary sources of energy for all our business units, at <b>57% and 43%</b> respectively. Total energy consumed <b>increased by 9%</b> in 2017 to 4 584 170 gigajoules (GJ). This reflects increased diesel consumption for concurrent rehabilitation at operating mines and higher production at Grootegeluk and North Block Complex (NBC), as well as more haul roads at Leeuwan. For Leeuwan and NBC the increase in production or change in mining has a direct impact on diesel consumption since this respectively accounts for 87% and 93% of total energy consumed.</p> <p>Although the electricity and diesel consumption figure increased in 2017, the trend was not necessarily the same for electricity intensity and diesel intensity. Based on production tonnes in 2017, <b>electricity intensity</b> of 13,8MWh/kt was up 7,5% while <b>diesel intensity</b> was 1 655/kt, a <b>decline of 11,6%</b>.</p> <p><b>Air quality</b> Comparing Exxaro's dust-fallout rate against the regulated non-residential limit (1 200mg/m<sup>2</sup>/day), <b>no operation exceeded</b> the two allowable annual limits in 2017.</p>

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>8 Undertake initiatives to promote greater environmental responsibility continued</b></p>	<p><b>Water management</b></p> <p>Water is a strategic natural resource for South Africa. It is also key to our business. The Exxaro water management policy therefore defines our commitment to the sustainable use of water, with a strong focus on efficiency through reuse and recycling. This policy is aligned to the legislative environmental framework governed mainly by the National Water Act No 36 of 1998. In support of the Act, the Department of Water Affairs has issued an integrated water resource management hierarchy that prioritises mine and waste management decisions and actions. This hierarchy informs both our policy and strategy on mine and wastewater management as:</p> <ul style="list-style-type: none"> <li>› Pollution prevention</li> <li>› Minimise environmental impacts</li> <li>› Maximise water reuse and reclamation</li> <li>› Responsible water discharge and disposal</li> <li>› Water treatment.</li> </ul> <p>Translating policy into action, our management standard on water for mining and industrial use articulates our commitment to develop and implement an effective integrated water and waste management plan across the lifecycle of a mine. This includes planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard reflects management's vision to:</p> <ul style="list-style-type: none"> <li>› Ensure a cost-effective integrated approach to water management</li> <li>› Be environmentally responsible</li> <li>› Be ecologically sustainable.</li> </ul> <p>These management standards are enacted by adhering to the Department of Water and Sanitation's best practice guidelines on:</p> <ul style="list-style-type: none"> <li>› The integrated water and waste management plan</li> <li>› Storm water management planning</li> <li>› Water and salt balances</li> <li>› Water monitoring systems</li> <li>› Water reuse and reclamation</li> <li>› Pollution control dams</li> <li>› Environmental performance indicators.</li> </ul>	<p><b>Water management</b></p> <p>Water management is integral to our licence to operate. The group water strategy was approved towards the end of 2017 and identifies the following focus areas:</p> <ul style="list-style-type: none"> <li>› Excellence in compliance</li> <li>› Excellence in operational water efficiency</li> <li>› Excellence in policies, standards and processes</li> <li>› Excellence in water technologies</li> <li>› Excellence in stakeholder partnerships.</li> </ul> <p>A comprehensive programme is entrenching responsible and <b>sustainable water management</b> across Exxaro. It concentrates on relevant water-use and related risk issues - from security of supply to water efficiency and water-cost management - and manages these within current and anticipated regulatory compliance requirements. This is supported by continually enhancing our competence in water-management issues through company-wide research and skills development. We also reinforce awareness of water issues through ongoing communication and training.</p> <p>Our strategy also articulates aspirational goals that include <b>becoming self-sufficient</b> in our operational water requirements and <b>becoming a leader in water technology solutions</b>.</p> <p>We are managing water-related risks, minimising impacts, and operating efficiently through reduction, reuse and recycling. Most of our operations have water conservation plans that support the national strategy to ensure <b>equitable distribution of water resources</b> that allows for business growth and protection (sustainable use).</p> <p>We are also committed to protecting and improving water quality by ensuring the water we discharge is the same or better than the original. Central to this are the three water treatment plants planned for our Mpumalanga region as part of our long-term water management strategy. These plants have total capacity to treat 17,5 megalitres per day.</p> <p><b>Water withdrawal performance</b></p> <p>Exxaro <b>decreased water withdrawals by 2%</b> in 2017. Matla and NBC are now using potable water from their water-treatment plant, reducing their withdrawals. The corporate office reduced its water use by about 11% in 2017. Refer to the <i>Exxaro supplementary report for details on the NBC zero-waste mine-water treatment plant</i>.</p>

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>8 Undertake initiatives to promote greater environmental responsibility continued</b></p>	<p><b>Hazardous waste management</b>                      Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group-wide standard enforces use of the waste management hierarchy, which in turn promotes waste prevention or minimisation, reuse, recycling, recovering energy and ensuring safe disposal of waste in line with the National Environmental Management: Waste Act No 59 of 2008 and supporting legislation.</p> <p>Exxaro is developing abatement plans for waste-tyre stockpiles as per requirements issued by the Department of Environmental Affairs (effective date: September 2017).</p> <p><b>Responsible conservation of biodiversity</b>                      Biodiversity means species diversity and species richness in an ecological environment. In Exxaro, our goal is to conserve biodiversity for future generations by sustainably using the resources of our mining operations and South Africa's natural resources.</p> <p>To reach this goal, we have developed biodiversity action plans for our business units. In addition, our comprehensive biodiversity management standard was revised in 2017 and will be approved in 2018. 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, Chamber of Mines, SA Mining and Biodiversity Forum and SANBI, 2013).</p> <p>In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservation and re-establishing resilient ecosystems that underscore our commitment to duty-of-care principles.</p> <p><b>Risk-based external reviews</b>                      In the first quarter each year, our sustainability department and each business unit perform a risk analysis based on the group environment and risk assurance process, with risks reported to appropriate management in terms of Exxaro's governance process. Where mines are eligible for an external review, these are conducted under commercial agreements with competent third parties.</p>	<p><b>Hazardous waste</b>                      The total weight of hazardous waste generated at our managed coal operations in 2017 <b>dropped 25%</b> to 3 058 tonnes (2016: 4 101 tonnes). There were no unplanned clean-up projects, normally due to oil spillages and soil contamination which ultimately need to be removed to registered hazardous waste facilities.</p> <p><b>Biodiversity management</b>                      Approximately R7 million was spent in 2016 on biodiversity. Some <b>R12 million</b> was spent in 2017 on biodiversity management, including wetland offsets, delineation and wetland studies, as well as biomonitoring.</p> <p>The principles of these guidelines are already incorporated into our planning and execution phases. As an example, the principles of best-practice standard were used in several projects to avoid constructing infrastructure in a sensitive wetland area.</p> <p><b>Risk management</b>                      The risk analyses and external audits were done in 2017 and most findings have been addressed.</p>

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>8 Undertake initiatives to promote greater environmental responsibility</b> continued</p>	<p><b>Concurrent rehabilitation plan</b> All business units have a five-year concurrent rehabilitation schedule and associated budget:</p> <ul style="list-style-type: none"> <li>› The schedules set measurable targets for each mine</li> <li>› Schedules prevent backlogs building up, increasing liabilities</li> <li>› Budgets enable managers to implement plans without cash flow constraints.</li> </ul> <p><b>Environmental liabilities and rehabilitation</b> All business units annually review their financial provisions. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities in the concurrent and final-closure rehabilitation programme are reviewed and adjusted where necessary. Water-related liabilities are calculated as per the Exxaro excess water risks and liability management standard.</p> <p><b>The Exxaro Environmental Rehabilitation Fund (EERF)</b> The Exxaro EERF and the ECC trust funds provide for a portion of these liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions. Environmental rehabilitation liabilities are updated biannually for internal reporting at interim and financial year end, and submitted annually to the DMR.</p> <p><b>Mine closure</b> All closure activities are executed against risk-based principles. As several Exxaro mines are nearing their end of life, mine-closure planning is already in place to ensure the closure process complies with the latest legislative requirements.</p> <p>Understanding that operational closure, concurrent rehabilitation and land management activities directly link employees, community, environment, government and infrastructure, we are committed to:</p> <ul style="list-style-type: none"> <li>› Ensure the operational closure process is conducted inclusively and within the legal framework</li> <li>› Proactively manage environmental impacts to minimise residual liabilities</li> <li>› Leave behind a positive legacy for our employees and local communities</li> <li>› Allocate required financial resources to ensure this process is concluded</li> <li>› Manage Exxaro land according to an agreed strategy.</li> </ul>	<p><b>Concurrent rehabilitation</b> At 31 December 2017, total land <b>disturbed was 10 745ha</b> and total land <b>rehabilitated 2 260ha</b>.</p> <p><b>Liabilities</b> <i>Refer to the Exxaro supplementary report for detailed figures on liabilities per operation.</i></p> <p><b>EERF</b> The trust funds earned R588 million in 2017, including cash contributions, interest earned on investments and fair-value adjustments. The <b>fund has recorded 36% growth</b> from an opening balance of R1 059 million in January 2017 to R1 647 million in December 2017. In addition, the group had bank guarantees of R2 917 million in place at year end.</p> <p>Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.</p> <p><b>Mine closure</b> Exxaro had <b>six operations in active</b> closure in 2017 - Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte.</p> <p><b>Case study: Tshikondeni mine closure</b> The Tshikondeni mine stopped operating in late 2014 when the coal resources were exhausted.</p> <p>As required by law, each mine with a legal mining right must implement social and labour plans in their surrounding communities. This allows the mine to contribute to the long-term sustainability of its communities.</p> <p>In 2017, Tshikondeni appointed Southern African Wildlife College (SAWC) in 2017 to conduct a situational analysis of surrounding communities. Access to water was ranked as the most critical need in all three villages (Mukomwabani, Mutele B and Sanari).</p> <p>Tshikondeni's social and labour plans (SLPs) include building:</p> <ul style="list-style-type: none"> <li>› <b>56 SLP houses:</b> 20 houses in Mukomwabani village, 18 houses in Sanari village, 18 houses in Mutele B village</li> <li>› <b>Three crèches:</b> one in each village</li> <li>› <b>One hall</b> in Mukomwabani village.</li> </ul>

# ENVIRONMENT (CONTINUED)

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>8 Undertake initiatives to promote greater environmental responsibility continued</b></p>	<p><b>Environmental incidents</b> Exxaro places all the necessary mitigation and preventative mechanisms in place to avoid the occurrence of level 3 environmental incidents. An environmental incident is considered as a level 3 when the consequences cost more than R500 000 to rehabilitate.</p>	<p><b>Environmental incidents</b> Exxaro had <b>no level 3 environmental incidents</b> during the review period.</p>
<p><b>9 Encourage the development and diffusion of environmentally friendly technologies</b></p>	<p><b>Academic chairs</b> Exxaro sponsors academic chair positions at universities to broaden the body of knowledge on sustainable development initiatives.</p> <p>The three university chairs that Exxaro sponsors are:</p> <ul style="list-style-type: none"> <li>› The global change and sustainability chair at the University of the Witwatersrand which focuses on water, sustainability and social interventions</li> <li>› The chair in business and climate change at the University of South Africa</li> <li>› The Exxaro chair in energy efficiency at the University of Pretoria.</li> </ul>	<p><b>Academic chairs</b> Between 2013 and 2017 Exxaro had spent <b>over R24 275 464</b> on the three university chairs.</p> <p>The chairs each had notable successes and have delivered productive outputs.</p> <p><i>Refer to the Exxaro supplementary report for more details on the case studies of the university chairs.</i></p>



# ANTI-CORRUPTION

GLOBAL COMPACT PRINCIPLE	POLICIES AND MANAGEMENT SYSTEMS	SUMMARY OF ACTIONS AND RESULTS
<p><b>10 Businesses should work against all forms of corruption, including extortion and bribery</b></p>	<p>The social and ethics committee of the board approved a comprehensive anti-fraud and anti-bribery programme that runs continuously and involves among others:</p> <ul style="list-style-type: none"> <li>› Awareness training and assessment for employees as well as part of new employee induction</li> <li>› Data analytics on the employee and vendor database to proactively detect potential declared or undeclared conflicts of interest</li> <li>› Anti-bribery and corruption due diligence checks on high-risk suppliers and third-party intermediaries</li> <li>› Anti-bribery and corruption checks on any potential equity investment, joint venture, or similar association</li> <li>› Independent assessment of the robustness of all anti-fraud and anti-bribery initiatives in terms of ISO 370001 as well as an internal assessment of compliance with all relevant local and global legislation and regulations including but not limited to the South African Companies Act, King IV™, the OECD guidelines, the South African Prevention and Combatting of Corrupt Activities Act, the Foreign Corrupt Practices Act of the USA, the UK Bribery Act and the UNGC.</li> </ul>	<p>An anonymous reporting line has been in place for over a decade in terms whereof reported cases of alleged irregularities are investigated by an in-house dedicated forensic team. For the 2017 financial year, the outcome of forensic investigations translated into the following:</p> <ul style="list-style-type: none"> <li>› 492 investigations</li> <li>› 214 disciplinary cases</li> <li>› 42 criminal cases registered</li> <li>› 55 arrests</li> <li>› 38 cases of copper cable theft amounting to over R800 000.</li> </ul> <p>The total monetary amount of all investigations and incidents of copper cable theft amounted to R5,2 million of which R1,6 million was recovered.</p>



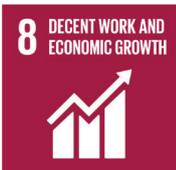
# SUSTAINABLE DEVELOPMENT GOALS

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

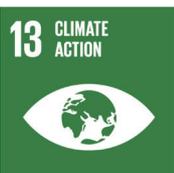
Exxaro will continue embedding the implementation of the most material SDGs with a more formalised approach.

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>1 End poverty in all its forms everywhere</b></p> 	<p>South Africa's national strategy is to address poverty, unemployment and inequality because of the legacy of apartheid. In response to this, Exxaro has a comprehensive enterprise and supplier development (ESD) programme that seeks to foster job creation in the local communities where we have a footprint. The ESD programme supports the establishment of entrepreneurs and small businesses through grants and loans, investment and training.</p>	<p>79% of procurement is sourced from businesses owned by historically disadvantaged South Africans.</p>
<p><b>2 End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</b></p> 	<p>Our business of tomorrow (BoT) division is seeking opportunities in the agri sector as part of the food-energy-water nexus strategy of Exxaro. Our focus for the future is specifically on agricultural and land management opportunities to supply food and enable small enterprises to produce and sell agricultural produce. Furthermore, our future focus is on renewable energy projects. For our water projects, refer to SDG 6.</p>	<p>Exxaro is partnering with a company to provide waterpipe leakage technology to reduce water losses from the municipal supply side to the consumer.</p>
<p><b>3 Ensure healthy lives and promote wellbeing for all at all ages</b></p> 	<p>Our health and hygiene strategy aims to reduce all forms of occupational and lifestyle diseases. Furthermore, we have a comprehensive safety improvement programme in place to reduce occupation-related injuries and fatalities. We measure the number of injuries and fatalities per 200 000 man-hours worked.</p> <p>We measure the health and hygiene of our employees identifying and monitoring the occurrence of:</p> <ul style="list-style-type: none"> <li>&gt; Noise-induced hearing loss (NIHL)</li> <li>&gt; Pneumoconiosis</li> <li>&gt; Silicosis</li> <li>&gt; Chronic obstructive airways disease (COAD)</li> <li>&gt; Occupational tuberculosis (TB).</li> </ul> <p>We have started monitoring the lifestyle diseases in the company and have identified three major causes of deaths:</p> <ul style="list-style-type: none"> <li>&gt; Diabetes</li> <li>&gt; Hypertension</li> <li>&gt; Heart disease.</li> </ul> <p>We actively run HIV/Aids awareness campaigns and supply anti-retroviral drugs to sustain and improve the health of our HIV-positive employees.</p>	<p>Lost-time injury frequency rate of 0,12</p> <p>57 cases reported</p> <p>Occupational health injury frequency rate of 0,33</p> <p>Patient confidentiality limits accuracy</p> <p>HIV/Aids prevalence estimated at 4,2%</p>

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>4 Ensure inclusive and equitable quality education and promote life-long learning opportunities for all</b></p> 	<p>We have focused education initiatives through the Exxaro People Development Initiative (EPDI) trust. The primary education strategy focuses on early childhood development, primary school education and school infrastructure. Education will provide social mobility, employment opportunities and reduce poverty.</p> <p>Exxaro is also supporting university chairs in global sustainability (including agriculture) and energy efficiency.</p> <p>We actively provide bursaries to the youth to further their tertiary studies.</p>	<p>48% of social spend directed towards education initiatives</p> <p>R24 million</p> <p>58 bursars R5,6 million per annum 62% black South Africans 29% women</p>
<p><b>5 Achieve gender equality and empower all women and girls</b></p> 	<p>Our human resources employment equity, women-in-mining and diversity policies support this goal. We have an annual bring a girl to work day to support opportunities for women in the workplace.</p>	<p>21% of workforce are women 36% of interns are women</p>
<p><b>6 Ensure availability and sustainable management of water and sanitation for all</b></p> 	<p>Our business of tomorrow focuses on water initiatives in communities and preserving water as a scarce commodity in South Africa. As part of our comprehensive water strategy, our policy is to reduce, reuse and recycle water. We measure our water intensity usage in kilotonnes per total tonnes mined (kl/TTM)</p> <p>Our water treatment plants at Matla and NBC are producing potable, drinkable water, and the innovative processes used are reducing the energy required to achieve this.</p>	<p>Water intensity 0,18kl/TTM (2016: 0,22)</p> <p>1,5 million litres of water treated daily Specific energy per litre of water treated down by 40%</p>
<p><b>7 Ensure access to affordable, reliable, sustainable and modern energy for all</b></p> 	<p>Exxaro owns 50% of a clean-energy company (with two operating wind farms producing electricity) and is investigating opportunities to become an independent power producer.</p> <p>The local communities benefit from the windfarms through employment opportunities, and in some cases, local power supply.</p>	<p>Amakhala Emoyeni windfarm installed capacity of 134MW</p> <p>Tsitsikamma community windfarm installed capacity of 95MW</p>
<p><b>8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> 	<p>Exxaro's focus on enterprise and supplier development will create small businesses and foster entrepreneurship and employability. The focus is to make the poor, underprivileged, and host community members more employable.</p> <p>We have constituted the necessary governance and processes to identify the beneficiaries that require funding, upskilling and development.</p>	<p>Target - to spend 3% of annual earnings before interest and tax (EBIT)</p>

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

UN SDG	EXXARO'S RESPONSE OR CONTRIBUTION	RELATED MEASURABLE OUTCOMES
<p><b>9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</b></p> 	<p>Efficient capital allocation for sustaining and expanding operations will ensure that our infrastructure remains resilient and environment-friendly.</p> <p>We have established an innovation department dedicated solely to explore all opportunities in the fourth industrial revolution.</p>	<p>Mining infrastructure spend R13 billion</p>
<p><b>10 Reduce inequality within and among countries</b></p> 	<p>Exxaro operates primarily in South Africa. Our focus on transformation is reflected in a representative workforce, and we have prioritised reducing income inequality.</p>	<p>Pay differential between executives and employees reduced by 30%</p>
<p><b>11 Make cities and human settlements inclusive, safe, resilient and sustainable</b></p> 	<p>Exxaro's socio-economic development, community development, and enterprise and supplier development are contributing to employment and poverty reduction, while improving quality of life.</p> <p>Our social and labour plans focus on building infrastructure to support our host municipalities and communities.</p>	<p>10% of socio-economic development focused on infrastructure</p>
<p><b>12 Ensure sustainable consumption and production patterns</b></p> 	<p>Exxaro measures intensity ratios (particularly energy and water use, as well as emissions) to minimise our impact on the environment while improving productivity.</p> <p>Increased energy consumption caused by longer haul distances between pit and plant.</p>	<p>Energy intensity increased by 7,5% during 2017</p>
<p><b>13 Take urgent action to combat climate change and its impacts</b></p> 	<p>Exxaro fully supports climate-change initiatives in South Africa with a global view. Our comprehensive climate-change strategy measures our GHG emissions (scope 1, 2 and 3).</p> <p>We report annually to the CDP and Exxaro is a signatory to COP21 commitments.</p>	<p>Scope 1: 324,9 (kt CO<sub>2</sub>e)            Scope 2: 539,0 (kt CO<sub>2</sub>e)            Scope 3: 76 462 (kt CO<sub>2</sub>e)</p>

# SUSTAINABLE DEVELOPMENT GOALS (CONTINUED)

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