

# United Nations Global Compact

## Communication on Progress

Year: 2010

### STATEMENT

Exxaro Resources became a signatory of the United Nations Global Compact in 2007. This was a logical progression in our ongoing commitment to sustainability, given our shared goals and focus on universal values.

In preparing this report, we drew on stakeholder feedback, a review of current standards and conventions (including Global Reporting Initiative (GRI), UN Global Compact principles, Organisation for Economic Co-operation and Development (OECD) guidelines on multinational enterprises, International Labour Organization (ILO) conventions 69 and 176, as well as UN declaration of human rights) in developing material themes that will guide this and future reports. These themes include:

- Implementation and maintenance of ethical business practices and sound systems of corporate governance
- Integration of sustainable development considerations in corporate decision making processes
- Implementation of risk management strategies based on credible data sets
- Adherence to fundamental human rights and respect of cultures, customs and values in dealings with stakeholders
- Contributing to the social, economic and institutional development of home societies
- Implementing effective, sustained and transparent engagement strategies with all stakeholders groups, as well as explicit responsiveness to stakeholder concerns
- Demonstrating understanding of and implementing responses to the business case for sustainability.

In the message from the Chief Executive Officer in the integrated annual report, **Mr Sipho Nkosi** says *...“I believe 2009 was a year that truly tested the depth of mining companies’ commitments to sustainable development — and at every level. Faced with myriad challenges in protecting the economic bottom line, we developed innovative solutions to honour our commitments to the social and environmental bottom lines by making available funds work harder and by ensuring that every initiative benefited the maximum number of people. In this respect, Exxaro proved its mettle. The benefit of integrating our safety, health and environment division with our sustainable development initiatives emerged in the form of synergies across commodity businesses, disciplines and divisions. Perhaps the best example of this is our carbon foot printing project which prompted the vegetative study, which in turn informed our water management study and each site’s biodiversity action plan. We have also made solid progress in our ability to report meaningful data off a common information technology*

*platform. This has been most evident in the areas of energy, air quality monitoring and socioeconomic development”*

The group’s progress in implementing Global Compact principles is summarised overleaf, and cross-referenced to supporting or additional documentation. This is an incremental process, with the ultimate aim of measurable annual progress in those principles where we are not already fully supportive.

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**SAFETY AND SUSTAINABLE DEVELOPMENT**

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Global Compact Principle		Summary of Actions taken and Impact Achieved	Measurement of results
Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights;	Induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as area structures to protect employee's human rights in the workplace	<p>All employees including security personnel are fully trained after appointment on Human rights aspects relevant to each operation. Refresher courses also cover human rights issues.</p> <p>Exxaro through Human Resources Development Policies aims to:</p> <ul style="list-style-type: none"> <li>• Develop and sustain core competencies and maximise human resources to meet the group's strategic objectives and improve operational performance;</li> <li>• Create a learning culture by assisting and facilitate the process in which employees and their dependants take responsibility for improving their own educational and competency levels, to the mutual benefit of the individual and the organisation; and</li> <li>• Establish life-long learning as the major thrust of learning and development.</li> </ul> <p>Full time employees receive a range of benefits, many of which exceed legislative stipulations for South Africa's basic conditions of employment.</p> <p>The group continues to focus on home ownership to comply with the mining charter and a new life-long housing strategy was developed two years ago.</p>
	2: and make sure that they are not complicit in human rights abuses.	Exxaro subscribes to the Bill of Rights enshrined in the South African Constitution which, among other things, prohibits human rights abuse.	To date Exxaro has not been complicit in the violation of any human rights.

Global Compact Principle		Summary of Actions taken and Impact Achieved	Measurement of results
Labour	<p><b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organization guidelines.</p> <p>Exxaro has a disciplinary code, which is based on the principle of fairness as required by labour law.</p> <p>As a signatory to the UN Global Compact, Exxaro encourages freedom of association and collective bargaining.</p>	<p>Almost 70% of Exxaro employees are represented by affiliated trade unions, predominantly National Union of Mine Workers (NUM) with 54.5%; and solidarity with 10.7%. Other recognized unions are Mineworkers Union of Namibia (MUN); National Union of Metalworkers in South Africa (NUMSA); and United Association of South Africa (UASA).</p> <p>Negotiations for improved wages and conditions are conducted in various in-house forums and through the Chamber of Mines.</p> <p>In September 2010, members of NUM employed at the Exxaro Sands operation in KwaZulu-Natal went on strike over a wage dispute. Amicable and mutually beneficial resolution was reached within three weeks. This case illustrates Exxaro's commitment to freedom of association and the effective recognition of the right to collective bargaining.</p>
	<p><b>4:</b> the elimination of all forms of forced and compulsory labour;</p>	<p><b>Exxaro Labour and Human Rights Policy....</b><i>"Subject to the provisions of the Constitution of the Republic of South Africa, the Company will not cause, demand or impose forced labour on any other person"</i></p> <p>Exxaro ensures child labour is not tolerated and forced or compulsory labour is not practised</p>	<p>At the heart of the group's employment equity strategy there are detailed plans developed by each business operation in consultation with employees and trade unions. These plans are updated and progress reported to the board of directors quarterly and to the government authorities annually.</p> <p>By following these plans, each business operation ensures that all vacancies are advertised and that recruitment and skills development are conducted responsibly. No employee is forced to provide services against his/her will.</p>

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	5: the effective abolition of child labour;	<p>As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organization guidelines which prohibits child labour.</p> <p>Exxaro ensures child labour is not tolerated and forced or compulsory labour is not practised</p>	<p>No children are in the employ of Exxaro. Below is the breakdown of employees by age:</p> <table><tr><th>Ages (Years)</th><th>Management &amp; Specialist</th><th>Non Management</th></tr><tr><td></td><td>2010</td><td>2010</td></tr><tr><td>&lt; 18</td><td>0</td><td>0</td></tr><tr><td>18 - 25</td><td>74</td><td>730</td></tr><tr><td>26 - 35</td><td>532</td><td>2697</td></tr><tr><td>36 - 45</td><td>661</td><td>2259</td></tr><tr><td>46 – 55</td><td>499</td><td>2290</td></tr><tr><td>56-65</td><td>147</td><td>620</td></tr><tr><td>Total</td><td>1561</td><td>7988</td></tr></table>	Ages (Years)	Management & Specialist	Non Management		2010	2010	< 18	0	0	18 - 25	74	730	26 - 35	532	2697	36 - 45	661	2259	46 – 55	499	2290	56-65	147	620	Total	1561	7988
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	6: and the elimination of discrimination in respect of employment and occupation.	<p>Exxaro's employment policy is in line with the SA Constitution which specifically prohibits any form of discrimination, including gender, race and sexual orientation, amongst others. Attracting women to work in the group's core business of mining remains a focus area for Exxaro.</p>	<p>Exxaro already exceeds SA mining charter targets on Women in Mining.</p> <p>In 2010 five women aiming to become miners began their training programme at Tshikondeni coal operation. By the end of November, they had completed the first phase of their studies at the colliery training college and will train for another 12 months on-site before qualifying as miners.</p>																											
Environment	7: Businesses should support a precautionary approach to environmental challenges;	<p>The SHE committee of the Board of Directors oversees the group-wide development of policies and guidelines for Health, Environmental and Safety management.</p> <p>Exxaro adopts a precautionary approach recommended by National Environmental Management Act (NEMA) in evaluating the Environmental Impacts of business</p>	<p>All Exxaro operations have Environmental Management Plans (EMP) as required by legislation and are constantly updated. The group also has a record number of integrated water use licences (IWUL) which were approved by the relevant regulatory department in 2010. Both the EMPs and IWULs are key indicators in ensuring that Exxaro becomes a sustainable business.</p> <p>Exxaro believes conservation of the natural resources is becoming increasingly important and the group intends to be a mining company that leads by example in protecting the environment and demonstrating that mining activities can co-exist with world class</p>																											

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		<p>opportunities (pg 91)</p> <p><b>Revised Exxaro Safety and Sustainable Development (SSD) Policy...</b></p> <p>commits to Complying with all applicable SSD legislation and international obligations as a minimum requirement and implementing effective company standards, programmes and processes to manage risks;</p> <p>Consultation with employees, representatives and other stakeholders in appropriate forums to <b>develop, communicate and review responsible and innovative policies, programmes and guidelines</b> that provide safeguards for the community, employees, contractors and the environment, while providing flexibility to meet the needs of our businesses.</p>	<p>environmental conservation initiatives, thereby ensuring the right of future generations to a healthy, complete and rich environment.</p> <p>To enhance implementation of precautionary approach and sustainable use of natural resources group standards for Air Quality Management, Water Management, Biodiversity Management, Rehabilitation, Mine Closure Management and Environmental Incident Management were implemented in 2010. In 2010, additional operations obtained both ISO 14001 environmental accreditation and ISO 18001 safety accreditation. This increased the total to 16 of 17 operations accredited to date, as compared to 13 out of 17 operations in 2009.</p> <p>In 2011 the group will continue to develop cleaner energy initiatives encompassing a combination of co-generation, carbon credit trading, renewable energy, coal-bed methane development and coal-based load projects.</p>
	8: undertake initiatives to promote greater environmental responsibility;	<p>Exxaro's core focus is on conserving natural resources and reducing the burden of pollutants on the environment by:</p> <ul style="list-style-type: none"> <li>• Complying with all applicable environmental legislation – as a starting point. The aim is to exceed compliance.</li> <li>• And developing innovative policies and programmes for addressing environmental impacts.</li> </ul>	<p>In 2011, Exxaro embarked on a number of initiatives:</p> <ul style="list-style-type: none"> <li>• Exxaro participates in the CDP project since 2006;</li> <li>• Participated in the inaugural CDP water project in 2010;</li> <li>• A major water management programme aimed at setting clean water utilisation and efficiency targets throughout the group has been introduced;</li> <li>• Conducting annual safety, health and environment audits at all business operations to ensure compliance with legislation as well as with international protocols</li> </ul>

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	<p><b>9:</b> and encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Exxaro encourages innovative technologies to reduce environmental impacts, reuse and recycling of waste.</p> <p>The energy-efficient goals set by the authorities (Department of Mineral Resources) were analysed and incorporated into the eco-friendly housing project in Lephalale. The houses were carefully planned and have, among others, the following features:</p> <ul style="list-style-type: none"> <li>• Grey-water recycling – recycled water used for toilets, garden and washing cars, etc;</li> <li>• Overhanging roofs to capture rainwater that can be used for cooking, washing and gardening; and</li> <li>• Solar systems to heat water; save electricity and reduce greenhouse emissions.</li> </ul>	<p>Exxaro has made progress with the implementation of a number of green projects:</p> <ul style="list-style-type: none"> <li>• Sophisticated fume-extraction system installed at Namakwa Sands, with noticeable reduction of visible fumes;</li> <li>• Development of renewable energy projects, namely wind farm projects in Tsitsikamma (Eastern Cape) and Brand se Baai in Western Cape and solar and gas project in Limpopo; and</li> <li>• Feasibility studies on using furnace offgas to co-generate electricity are in the final stages.</li> </ul>

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Anti Corruption	<p><b>10:</b> Businesses should work against all forms of corruption, including extortion and bribery.</p>	<p>A committee of the Board of Exxaro is intimately involved in ensuring that Exxaro's policy against corruption is effectively implemented</p> <p><b>In terms of the corporate value: honest responsibility</b> – we speak the truth and accept accountability for our actions. In line with this, compliance with our code of ethics is monitored by an executive general manager, group risk manager, company secretary and audit committee. Ethical behavior is encouraged throughout the group by communicating regularly with employees, using a number of different communication channels.</p> <p>In addition to other compliance and enforcement activities, formal disciplinary measures are in place to deal with any identified incidents of corruption and fraud.</p>	<p>In 2010, the Audit, Risk and Compliance Committee in consultation with the chief audit executive adopted a holistic approach to managing uncertainty, representing both risk and opportunity. The top business risks, appropriately categorised and based on impact and likelihood of occurrence, together with mitigating control measures were disclosed, with risk of <b>fraud</b> ranked at number 14. The group has sound and entrenched internal controls, which include, disciplinary codes of practice, strong and experienced forensic investigation capability and continuous internal audit of controls and assurance of effective functioning.</p> <p>A reporting hotline (whistle-blowing) is in place through which all stakeholders can report suspected corruption or fraud, conflicts of interest, contraventions of group values or other reportable irregularities, with guaranteed anonymity. Details of reporting mechanisms:</p> <p>Hotline: <b>0800 20 3579</b>  Hotmail: <a href="mailto:Exxaro@tip-offs.com">Exxaro@tip-offs.com</a></p>