

EXXARO RESOURCES LTD

Communication of progress for the year ended 31 December 2008

The Exxaro Group

With assets of R23 billion, Exxaro is one of the top 40 companies on the JSE by market capitalisation, and a constituent of the JSE's Socially Responsible Investment index.

Exxaro is a diverse mineral resources group – with a portfolio spanning coal, mineral sands and base metals, and iron ore – and has operations in South Africa, Australia and Namibia. Reflecting the benefits of this diverse portfolio, Exxaro has an unfolding pipeline of growth projects that is arguably among the best in its peer group.

The group's strong positioning in each of its chosen commodity markets, locally or internationally, record of innovation and focus on sustainable development underpin its promise to change the face of mining.

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 Exxaro's focus on universal values.

Announcing this to the group's workforce of over 10 000 people, the head of safety and sustainable development, **Dr Nombasa Tsengwa**, noted that “... *the Global Compact and Global Reporting Initiative (GRI) complement each other in that the GRI provides indicators of economic, environmental and social performance, which form part of Exxaro's sustainability reporting. These give us a means to measure our progress and performance against the Global Compact principles.*¹”

In the message from the chief executive officer in the integrated 2008 annual report², **Mr Siphso Nkosi** says “*In our quest to be a truly responsible business in all respects, Exxaro became a signatory of the United Nations Global Compact – the world's largest voluntary*

¹ XXPLORE, April/May 2008, page 7

² Exxaro annual report 2008, page 75

corporate citizenship initiative that outlines 10 universally accepted principles on human rights, labour, the environment and anti-corruption. This is another tangible illustration of the group's commitment to sustainable development. Exxaro is already voluntarily working towards complying with various local and international sustainability protocols, including the GRI and the JSE's Socially Responsible Investment (SRI) index.

Today Exxaro is one of over 6 200 global compact signatories in 120 countries, and one of more than 1 000 organisations in nearly 60 countries using GRI guidelines.

Responsible business practices are a long-term value proposition for Exxaro: it makes business sense for us to invest in creating a sound environment in which to operate based on universal values, accountability and transparency. It's also the right thing to do and we do it with passion."

Sustainable development is a cornerstone of the Exxaro group, embedded in the first of our corporate values which states "empowered to grow and contribute". To be truly effective, we believe empowerment is a two-way process between Exxaro and our stakeholders.

Underpinned by a comprehensive analysis of the business case for sustainable development and the triple bottom-line drivers in each area, our approach is determined by formal charters that define our goals and commitment to stakeholders. These charters are, in turn, guided by South African legislation, recommendations on corporate governance and international benchmarks such as GRI and its sectoral supplements, the United Nations Global Compact, and the International Council on Mining and Minerals. In line with our commitment, sustainability is a key performance indicator in the economic, social and environmental aspects of our business³.

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. See **Appendix 1** for progress against our business objectives.

³ Exxaro annual report 2008, page 76

Assurance – broad-based verification

Exxaro has internal systems to record and monitor the quality (accuracy, completeness and consistency) of management information and any data gaps in the group.

In line with our commitment to the triple bottom line, an integral part of reporting to stakeholders is assurance on the quality of disclosure. Previous integrated annual reports have been externally assured, albeit on a limited range of elements. In the 2008 report, we extended our approach to assurance by commissioning a more in-depth external assurance by Ernst & Young Inc which concluded that Exxaro's GRI application level of B+ (intermediate) was fairly stated. (*Annual report 2008, page 110-112*)

United Nations Global Compact – 10 principles

Statement of continued support		Description of actions	Measurement of results
Human rights: Businesses should	Principle 1: support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> • Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. • The safety and health, and wellness, of our people and stakeholders are integral parts of our business 	<ul style="list-style-type: none"> • Induction programmes ensure employees are educated about human rights. During the year, there were no reported incidents of discrimination in the workplace. • In 2008, Exxaro spent 5,2% (over R100 million) of total payroll on human resource development. • Full-time employees receive a range of benefits, many exceeding minimum stipulations. • With a long-term target of zero harm, we aim for a 30% overall safety improvement per annum. Disappointingly, we missed this target in 2008 (recording five fatalities and a long-term injury frequency rate of 0,39 against the target of 0,21), but stringent application of management protocols, programmes and systems are expected to result in improved performance.
	Principle 2: make sure they are not complicit in human rights abuses	See above	See above
Labour standards: Businesses should uphold	Principle 3: freedom of association and effective recognition of the right to collective bargaining	As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organisation guidelines.	Almost 80% of Exxaro's employees are represented by five affiliated unions. Through collective bargaining, employees receive several benefits beyond minimum requirements and conditions of employment are centrally negotiated each year. Representative forums are in place to ensure all relevant stakeholder issues are addressed
	Principle 4: the elimination of all forms of forced and compulsory labour	Accordingly, the group encourages freedom of association and collective bargaining, ensures that child labour is not tolerated and that forced or compulsory labour is not practised.	
	Principle 5: the effective abolition of child labour	As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organisation guidelines which prohibits child labour.	

Statement of continued support		Description of actions	Measurement of results
	Principle 6: the elimination of discrimination in respect of employment and occupation.	<p>Exxaro's corporate values: Empowered to grow and contribute – ... We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges. Teamwork – we succeed together through a climate of respect and equality</p> <p>HIV/Aids HIV/Aids remains a challenging disease across the South African population, with one out of every six people living with HIV/Aids in the world found in South Africa.</p> <p>Exxaro HIV prevalence is currently estimated at 14%. At the end of 2008, 64% of our employees had participated in voluntary counselling and testing. However, at some sites, less than half the employees have tested.</p>	<p>During the year, there were no reported incidents of discrimination in the Exxaro group.</p> <p>Our target for 2009 is to get at least 50% of all employees at each site to test for HIV.</p>
Environment: Businesses should	Principle 7: support a precautionary approach to environmental challenges	A sub-committee of the board oversees the group-wide development of policies and guidelines for health, environmental and safety management.	<p>Annual targets are set for a range of key environmental indicators – some legislated, others voluntarily set by Exxaro.</p> <p>Nine of Exxaro's 15 operations have both the international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). While we did not meet our target of having all operations internationally certified in 2008, preparations are well advanced and certification of the outstanding business units is expected in the current year.</p>
	Principle 8: undertake initiatives to promote greater environmental responsibility	Environmental performance: To measure continuous improvement, all business operations have guidelines	All operations continuously monitor work performed in line with Exxaro's rehabilitation strategy. Ongoing rehabilitation is managed out of operational budgets while the Exxaro

Statement of continued support		Description of actions	Measurement of results
		for reporting on relevant diesel, gas, electricity and water use performance indexes.	Environmental Rehabilitation Fund provides for final closure costs. There is also continuous engagement with the relevant authorities. See Appendix 2 for summary progressive biodiversity management.
	Principle 9: encourage the development and diffusion of environmentally friendly technologies	In pursuit of sustainable development, Exxaro is responding to the global threat of climate change, beginning with successfully determining the group's carbon footprint. This process will allow us to identify opportunities in our operations to reduce greenhouse gases. A dedicated in-house environmental management specialist unit is making good progress in addressing environmental risks and impacts to enhance Exxaro's legal compliance.	Key risks and management activities Key environmental risks from Exxaro's mining activities include: <ul style="list-style-type: none"> • Water and waste management (water efficiency projects under way at 11 business units, see Appendix 3) • Air quality and climate change (75% of business operations completed detailed emissions inventory and dispersion models in 2008 and 93% monitor ambient concentration of dust fallout from mining activities). • Biodiversity and land management • Rehabilitation and environmental liability management. • Extensive energy efficiency initiatives are under way to reach the 2015 goal of improving energy efficiency by 15%. • Exxaro was recognised for its comprehensive response to the group's first participation in the global carbon disclosure project
Anti-corruption: Businesses should	Principle 10: work against corruption in all its forms, including extortion and bribery.	In terms of the corporate value: honest responsibility – 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 and company secretary. Ethical behaviour is encouraged	In 2008, all business units were assessed for risks related to corruption and fraud. Training in anti-corruption policies and procedures is integrated into the group induction programme for new employees and during annual competence update training for existing staff. A reporting hotline (whistle-blowing) is in place through which all stakeholders can report suspected corruption, conflicts of interest, contraventions of group values or other reportable irregularities, with guaranteed anonymity. Details of reporting

Statement of continued support		Description of actions	Measurement of results
		<p>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>mechanisms: Hotline: 0800 20 35 79 Hotmail: Exxaro@tip-offs.com</p> <p>Alleged irregularities reported on the hotline are fully investigated, with some resulting in criminal prosecution.</p>

APPENDIX

Appendix 1 – business objectives

Exxaro's business objectives are measurable indicators of performance. At every level, and in different ways, our teams are accountable for these objectives.

	Exxaro				Kumba		
	Target 2009	Target 2008	Actual 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
Financial targets							
Return on equity (ROE) (%)		25	30	15		33	12
Return on capital employed (ROCE) (%)		28	36	24		59	17
EBITDA interest cover (times)	>4	>4	14	9		20	7
Non-financial targets							
<i>Safety</i>							
– fatalities	0	0	5	5	6	4	2
– lost-time injury frequency rate (per 200 000 hours)	0,21	0,21	0,39	0,36	0,42	0,52	0,51*
Safety, health and environmental certification (OHSAS 18001 and ISO 14001) (number of business units)	15	15	9	9	10	10	8
<i>Employment equity</i>							
– management (%)	40	40	42	36	35	32	28
– women (%)	12	12	13	12	11	13	12
HIV/Aids voluntary testing and counselling (%)	95 long term	At least 50% at each site	64 (group)	30	41	54	40
<i>Human resources development</i> (% spend of payroll)		6,0	5,2	6,5	5,1	6,3	5,7
<i>Mining learnerships</i>			678	408	341	503	
<i>Procurement from HDSA companies (%)</i>	45	40	39	35	37	24	16
<i>HDSA ownership (%)</i>							
2008	56	56	56	56		56	
2014	56	56	56	56		56	

Appendix 2 – progressive management of biodiversity

PROGRESSIVE MANAGEMENT OF BIODIVERSITY			
Desktop studies (including PRECIS List)	Biodiversity baseline assessment	Mapping of vegetation units	Biodiversity action plans
Completed for all Exxaro operations	Operations completed: - Tshikondeni - Fairbreeze Ext C - Glen Douglas - Zincor - New Clydesdale Balance of operations scheduled for 2009.	Operations completed: - Tshikondeni - Fairbreeze Ext C - Glen Douglas - Zincor - New Clydesdale - Grootegeeluk Balance of operations scheduled for 2009.	Scheduled for 2009: all operations

Appendix 3 – water efficiency projects in Exxaro

Water efficiency projects in Exxaro	
Business unit	Description
Grootegeeluk	In-pit storage of stormwater runoff for plant use with a pH neutralisation plant to avoid corrosion Dewatering of Basalt aquifer as process water. The Basalt aquifer is fed mainly by seepage from unlined pollution control dams, stockpile areas and slimes facility Water recovery from slimes disposal facility. Two lines feeding back to plant. Upgrade of sewage treatment facility to reclaim water (95%) back to plant for re-use
Matla	Excess water from underground to be distributed to Eskom as process water subject to water quality
Arnot	No formal reclamation strategy as there is no washing plant
Leeuwpan	Water recovery from slimes disposal facility Stormwater runoff that accumulates in pit and plant area recycled via process water dams The press filter at plant reclaims water from the slimes
Inyanda	Water reclamation from slimes facility Stormwater runoff from plant area captured and returned to plant for re-use Pit water from groundwater flow and runoff pumped back to dirty water facilities for re-use Sewage biologically treated with an option for re-use
Tshikondeni	Co-disposal facility with water reclamation back to plant for re-use Storm water runoff collected in lined pollution control dams at shaft areas for re-use in process water system
NCC	Slimes disposal underground with percolated water recovery for re-use in plant area with zero abstraction from Olifants River for coal-washing purposes Stormwater runoff at plant area recycled back as process water. Pit stormwater runoff used for dust suppression at Vaalkranz North.
NBC	Excess water from Blesbok pit and stormwater runoff collected in pollution control dams for dust suppression. No washing plant

Zincor	Rainwater collection from roofs to augment process water requirements Borehole abstraction used to draw back seepage water from aquifer to curb spread of pollution plume and augment process water supply to plant
Glen Douglas	Stormwater runoff into open-cast areas used as process water in plant area
KZN Sands	Hillendale shows reduced water consumption from Umgeni Water during rainfall due to reclamation of stormwater runoff to plant Seepage and runoff at central processing centre collected in Dam 2 and used as process water for various purposes
Namakwa Sands	In this water-scarce environment, seawater used as process water with possible treatment options investigated that will require proper reclamation strategies to reduce treatment costs At mineral separation plant and smelter, process water recycled from disposal facilities back to plant.