

**United Nations Global Compact**  
Exxaro Resources Communication on Progress  
**2013**

**exxaro**

POWERING POSSIBILITY

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

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# Statement of continued support of the United Nations Global Compact

*Exxaro CEO, Sipho Nkosi has publicised his support for the UNGC Principles on the Exxaro website ([www.exxaro.com](http://www.exxaro.com))*

“Exxaro Resources is a proud signatory to the United Nations Global Compact and works actively to ensure on-going alignment with the 10 universally accepted principles enshrined in the UN Global Compact in the areas of human rights, labour, environment and anti-corruption.

## Human rights and labour

Policies and training reinforce our commitment to internationally proclaimed human rights with regards to discrimination, harassment and racism. Exxaro complies with South African legislation and International Labour Organisation guidelines with regards to freedom of association and collective bargaining. Exxaro devotes considerable resources to the health, safety and development of employees and the communities in which we operate.

We aim for zero injuries and therefore zero fatalities by setting targets to improve safety performance by 30% each year. Awareness campaigns constantly reinforce the message: Safety always, all the way.

Exxaro believes that empowering people will help grow the company and the nation. Our objective is to achieve sustainable development and growth, so we focus on areas that are relevant and strategic to South Africa's development. We uplift and improve the lives of our host communities; we provide and support education initiatives, including learnerships, artisan skills development programmes, HIV/Aids education and awareness programmes, a bursary programme, community education, Saturday school programmes, scholarships and adult literacy and numeracy education programmes.

Exxaro is one of the mining industry's leading trainers, investing more than 5% of payroll annually on employee development initiatives such as our professionals-in-training programme, leadership development, specific strategies to accelerate the learning and development of women and people with disabilities, formal study assistance, adult basic education and learnerships.

Exxaro's ownership structure, procurement strategy, employee share scheme, women in mining approach and employment equity strategy are also helping to transform South Africa.

## Environment

Exxaro supports a precautionary approach to environmental challenges with a wide range of policies and guidelines to ensure that all activities are conducted responsibly with regards to compliance and natural resource use. The company is developing and implementing environmentally friendly technologies.

Operating as we do in a water-stressed region, we concentrate on optimising water use by reusing and reclaiming contaminated water to the fullest possible extent to minimise raw-water abstraction. All our South African operations have environmental management

programmes, while specific programmes guide the implementation of best practice management of water, biodiversity, waste, air-quality and rehabilitation issues.

As a coal producer and as an intensive energy user, Exxaro plays a significant role in the energy environment in South Africa. Climate change risks in particular have informed the development of a climate change response strategy. In its drive to become carbon neutral and at the same time thrive in a low-carbon economy, Exxaro in March 2012 announced a 50:50 joint venture with The Tata Power Company Limited, of India, to form a new energy company, Cennergi (Pty) Limited. Our new joint venture energy company is focused on generating power for the company and country through a mix of renewable and cleaner energy sources.

## Anti-corruption

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The group has a zero-tolerance approach to corruption, an active Fraud and Ethics committee and is communicating fraud prevention policies to all levels of employees.

## The UNGC principles underpin our vision

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When Exxaro was formed in 2006, we committed to creating a company that would make a positive sustainable difference to South Africa, both economically and socially. This is embodied in our vision: Through our innovation and growth we will be a powerful source of endless possibilities. It is articulated in our belief that everything we do and deliver today will allow others to realise their vision tomorrow. It is embedded in our values: empowered to grow and contribute, teamwork, committed to excellence and honest responsibility.

Our vision, mission and values are all underpinned by the principles of sustainability and our commitment to the UN Global Compact's principles of human rights, labour, environment and anti-corruption".



# Introduction

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



In preparing this report, we drew on Exxaro policies, stakeholder feedback and the group's annual review for 2013. Exxaro's integrated report reflects a review of current standards and conventions including the Global Reporting Initiative (GRI), UN Global Compact principles, Organisation for Economic Co-operation and Development guidelines on multinational enterprises, International Labour Organisation conventions 69 and 176, as well as the UN Declaration of Human Rights in developing material themes.

These themes include:

- the implementation and maintenance of ethical business practices and sound systems of corporate governance;
- the integration of sustainable development considerations in corporate decision-making processes;
- the implementation of enterprise-wide risk management strategies based on the company's material issues and 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 communities near our operations;
- implementing effective, sustained and transparent engagement strategies with all stakeholders groups, as well as explicit responsiveness to stakeholder concerns;
- striving towards zero harm in all aspects of the business; and
- demonstrating understanding of and implementing responses to the business case for sustainability.

The group's progress in implementing Global Compact principles is summarised overleaf. This is an incremental process, with the ultimate aim of measurable annual progress in those principles where we are not already fully supportive.

A handwritten signature in black ink, appearing to read 'H. Olinger', is positioned above a horizontal line.

## Sustainability

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# Background



Majority black-owned Exxaro is one of the largest South Africa-based diversified resources groups, with interests in the coal, titanium dioxide, ferrous and energy markets and current business interests in South Africa, Botswana, the Republic of the Congo, Inner Mongolia and Australia.

The company is the second-largest coal producer in South Africa with current production of almost 40 million tonnes per annum (Mtpa), and is listed on the JSE Limited, where it is a constituent of both the Top 40 and Socially Responsible Investment (SRI) indices.

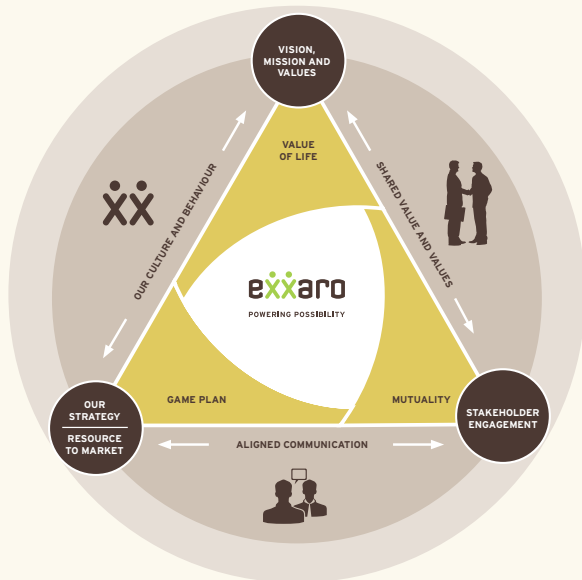
At 31 December 2013, Exxaro had assets of R49,5 billion and a market capitalisation of R52 billion (US\$5,02 billion).

Although our company is just seven years old, our pedigree and wealth of skills stretch back over decades as a company rooted in South Africa and respected among its peers for its innovation, ethics and integrity.



## Exxaro's business philosophy

Exxaro's business philosophy is a description of the linkages amongst our beliefs of who we are and why we exist, our vision for the business and how we will achieve our mission through our business strategy.



### Our strategy

- Demonstrate responsibility and accountability
- Develop leadership and people
- Optimise our portfolio
- Pursue operational and financial excellence.

### Resource-to-market

- Invest in energy, metal and mineral resources commodities that generate sustainable economic returns of 1,5 times the cost of capital
- Growth through industrial-application energy, metal and mineral commodities from diverse geographies by using our own capabilities and relevant partnerships
- Develop market insights for our products and innovate throughout the value chain for added value and competitive market advantage.

### Vision

To be a powerful source of endless possibilities (reason for being).

### Mission

Create value for our stakeholders through innovation and passion.

### Values

Our values that will guide us in our mission are:



#### EMPOWERED TO GROW AND CONTRIBUTE

We develop and use our knowledge and ingenuity to achieve Exxaro's vision.



#### HONEST RESPONSIBILITY

We speak the truth and are accountable for our actions.



#### TEAMWORK

We succeed together through a climate of respect and equality.



#### COMMITTED TO EXCELLENCE

We always strive to achieve excellence for ourselves, others and Exxaro.

### BRAND

Sustainability means maintaining our reputation.

### STAKEHOLDER ENGAGEMENT

Harness the universal powers of our stakeholders in favour of our strategy and objectives through principles of materiality, completeness and responsiveness\*.

\* AccountAbility: AA1000SES.





## Our business strategy

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The strategy is complemented by the vision, mission and values, and reinforced by recognising the significance of stakeholder engagement in creating an enabling environment for our business to succeed. Exxaro's business philosophy describes the linkages among our beliefs of who we are and why we exist, our vision for the business and how we will achieve our mission through our business strategy.

The strategy is based on a resource-to-market business model with the intent to invest (invest in energy, metal and mineral resource commodities that generate sustainable economic returns of 1,5 times the cost of capital), develop (develop market insights for our products and appropriate technology throughout the value chain for added value and competitive market advantage), and grow extract energy, metal and mineral commodities from diverse geographies by using our own capabilities and relevant partnerships).

This strategic intent rests on four strategic objectives:

- To demonstrate responsibility and accountability to our stakeholders
- To optimise our portfolio of investments and operations
- To develop the capability of our leadership and people
- To continuously seek operational excellence and outstanding financial results.

## Our stakeholders

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Our stakeholders are clustered in the following categories:

- Employees (full-time and contractors)
- Unions
- Management and board
- Government (various departments)
- Regulators
- State-owned entities
- JSE
- South African Reserve Bank
- Communities
- Shareholders and debt providers (empowerment shareholders)
- Investors
- Anglo American plc
- Customers and suppliers (supply chain constituents)
- Interest groups
- NGOs
- Media



## Exxaro's approach to stakeholder engagement

Exxaro strives to engage with stakeholders in a transparent and honest manner, and in the context of the company's values. The intention is to promote two-way engagement so that the company and stakeholders understand one another. Exxaro's priority is to focus on engaging stakeholders on mutually material issues. Since inception in 2006, Exxaro has developed a sound system of stakeholder engagement performed by various managers.

In 2014, we expect to progress towards the introduction of the AccountAbility AA1000SES stakeholder engagement standard which serves as a benchmark for quality engagement. The guiding principles of the AA1000SES as well as the principles of the following documents shape our stakeholder engagement:

- King report on governance for South Africa 2009 (King III)
- Global Reporting Initiative guidelines
- Companies Act No 71 of 2008, as amended
- IIRC reporting framework.

## Sustainable development

Exxaro acknowledges the five capitals (natural, human, social, manufactured and financial) model as a balanced approach to sustainable growth to increase our potential to invest and develop. Equally, we believe sustainability is an outcome of our actions - it is not a separate objective, but the foundation for our commitment to our strategic objectives which are, themselves, aligned to the five capitals.

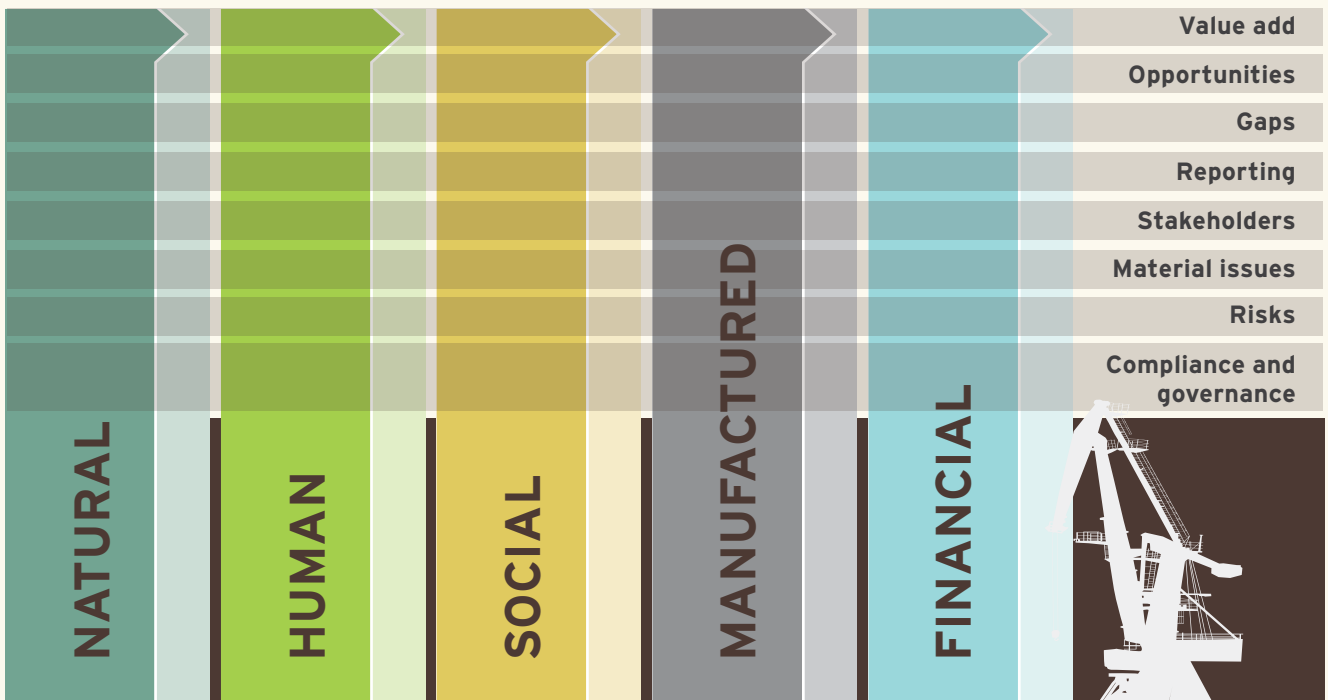




# Exxaro's approach to sustainability

For Exxaro, sustainability is both a journey and the destination. We recognise that sustainability is an important element in ensuring the future is secured for every one of our stakeholders. The concept of sustainability and implementation of its constituent parts are integral to both our strategy and the way we measure the performance of our people.

In implementing our approach to sustainability, Exxaro is guided by the five capitals model which has been tailored to the nature of our business and the needs of our stakeholders. The model uses a tiered approach where successive foundational layers need to be in place to support Exxaro's strategy and ensure its sustainability.



## Compliance and governance

In a tightly regulated industry within a developing democracy, our licence to operate is multifaceted - extending from corporate governance to social and environmental performance. The legal universe Exxaro operates in has been mapped and over 2 700 legal requirements govern mining across all economic, social and governance domains. Good governance underpins our sustainability.

## Risks and material issues

The next tier to address is risks and material issues. In practice, this runs in parallel with compliance requirements. Exxaro's risks are spread across the sustainability spectrum. In 2013 Exxaro successfully implemented a world class enterprise risk management process across the entire organisation.

## Stakeholders

Besides internal and external risks, it is important to consider stakeholders' perspectives of our business and their issues.

## Reporting

At all levels and across the sustainability spectrum, Exxaro reports on essential indicators to ensure we reach our goals. Until now, these have been guided by GRI. In future, reported key performance indicators may vary annually but all are intended to measure the most pertinent operational matters, risks and sustainability indicators.

## Gaps

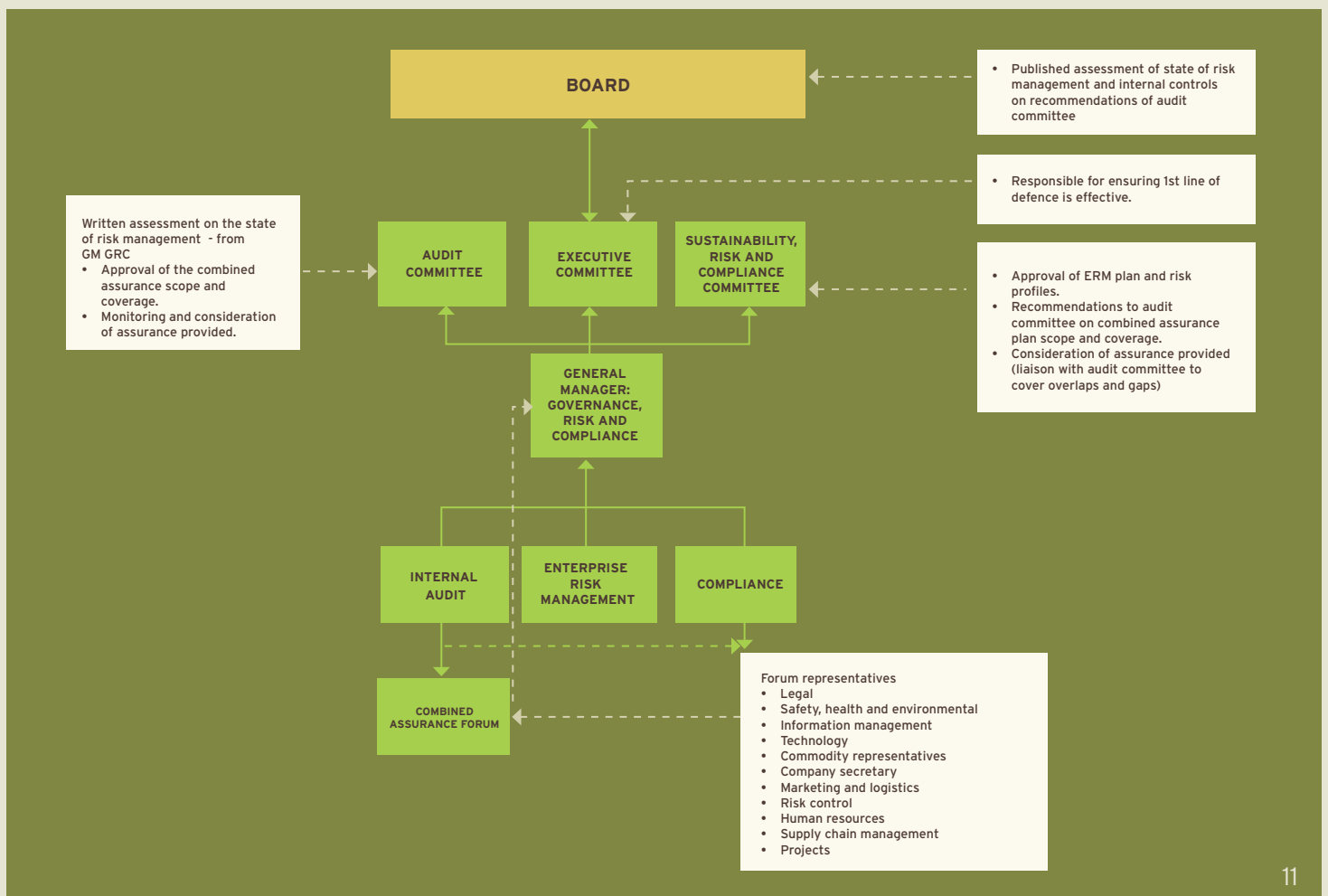
When gaps in Exxaro's compliance targets, risks and material issues, and stakeholder issues have been identified, it is imperative to close those gaps. A comprehensive combined assurance framework that collates all issues emanating from level 1, 2 and 3 audit findings was implemented in 2013.

## Opportunities

To ensure Exxaro's future economic sustainability, it is important to identify opportunities to anticipate and create the future in innovative ways. To support this drive Exxaro has a formalised NEXT programme, among many other initiatives.

## Value added through the sustainability approach

The value added to the business and stakeholders differs across the sustainability spectrum, and is both quantitative as well as qualitative. We add value because our sustainability approach extends beyond maintaining the organisation to development through growth, and playing a responsible role in society. Compliance to both the mining charter and Department of Trade and Industry (DTI) codes enables Exxaro to add value, using a bottom-up approach to developing opportunities for empowerment.



## Recent achievements

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1. Exxaro Resources was included in the 2013 global S&P Dow Jones Sustainability Indices.
2. Exxaro won the Institute of Risk Management South Africa award for best Risk Information System implementation in October 2013.
3. In August 2013, Exxaro was recognised with the 2013 Frost & Sullivan Visionary Innovation Award for outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service and strategic product development.
4. In January 2013 Exxaro was named the seventh-best company in the world for delivering the highest returns to shareholders over a 10-year period, according to the Boston Consulting Group's Value Creation in Mining 2012 report.
5. Exxaro won second place in the mining category, and 7th place in the large business category, earning it a Standard of Excellence Award in the 2012 Deloitte Best Company to Work For survey.
6. Exxaro achieved a top score of 100 points on the Carbon Disclosure Leadership Index (CDLI) of the 2012 Carbon Disclosure Project (CDP).

*Additional information can be obtained from Exxaro's annual Integrated Report located at [www.exxaro.com](http://www.exxaro.com)*



# Report on Exxaro's compliance with the 10 UNGC Principles



## Human Rights

### Principle 1:

*Businesses should support and respect the protection of internationally proclaimed human rights.*

Exxaro subscribes to the Bill of Rights enshrined in the South African Constitution which, amongst other things, prohibits human rights abuses in all forms. Labour legislation serves as a broad framework within which employee relations policies, systems and procedures are developed and in terms of which employees are managed (individually and collectively) in Exxaro. Induction programmes to educate employees about their human rights are in place, as are policies on discrimination, harassment and racism. There are also workplace structures to protect employees' human rights. Security personnel are fully trained on human rights issues relevant to each operation.

### Principle 2:

*Businesses should make sure that they are not complicit in human rights abuses.*

Diversity training and awareness programmes are ongoing throughout Exxaro. Exxaro's disciplinary codes are based on the principle of fairness as required by labour law, and supervisors have the skill to implement the codes. To date Exxaro has not been complicit in the violation of any human rights.

## Labour

### Principle 3:

*Businesses should uphold the freedom of association and the 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 and encourages freedom of association and collective bargaining as outlined in the UN Global Compact. Almost 73% of our employees are represented by affiliated unions, primarily the National Union of Mineworkers (NUM) (59%) and Solidarity (13%). Exxaro concentrates on maintaining sound relations with employees in bargaining units through ongoing engagement with employee representatives via established forums. Negotiations for wages and conditions of employment are conducted through these and other in-house forums and the Chamber of Mines.

### Principle 4:

*Businesses should uphold the elimination of all forms of forced and compulsory labour.*

Exxaro's Labour and Human Rights Policy states that "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". Exxaro complies with the Basic Conditions of Employment Act and other legislation with regards to employment conditions and remuneration. No employee is forced to provide services against his/her will.

**Principle 5:**

*Businesses should uphold 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 prohibit child labour, and ensures child labour is not tolerated. No children are in the employ of Exxaro. The table below shows the breakdown of employees by age:

Ages (Years)	Management & Specialist	Non Management
	2013	2013
< 18	0	0
18 - 25	88	390
26 - 35	570	2038
36 - 45	574	1488
46 - 55	425	1616
56-65	170	622
<b>Total</b>	<b>1638</b>	<b>6147</b>

**Principle 6:**

*Businesses should uphold the elimination of discrimination in respect of employment and occupation.*

Exxaro is firmly committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual preference or nationality. Our employment policy is in line with the South African Constitution which specifically prohibits any form of discrimination. Moreover, our values guide the way we do business, and discrimination on any grounds is not acceptable. Managers and supervisors are continuously trained on the appropriate application of disciplinary measures should the need arise. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.

Attracting women to work in the group's core business of mining is a challenge and this remains a focus area for Exxaro. Currently, 18% of our workforce comprises women, the highest such figure in our industry, and we continue to attract women through our talent pipelines. Just under 40% of young professionals-in-training (PITs) are women, 27% of our full-time bursars

in engineering and mining at universities are women and 30% of the intake to learnerships and skills programmes comprises women.

## Environment

**Principle 7:**

*Businesses should support a precautionary approach to environmental challenges.*

South African mining companies are heavily regulated. Receiving, converting and retaining all mining rights centres on compliance. 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 (see governance diagram on page 11).

Sustainable development issues are central to our business, particularly the use of natural resources like water, air, biodiversity and land. For Exxaro, responsible use means:

- ensuring all activities are properly authorised;
- using energy and water as efficiently as possible; and
- ensuring activities are conducted responsibly from the twin perspectives of compliance and natural resource use.

An extract from Exxaro's Safety, Health, Environment and Community and Development (SSD) Policy states that "Exxaro commits to complying with all applicable SHE legislation and international obligations as a minimum requirement and implementing effective company standards, programmes and processes to manage risks".

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 the National Environmental Management Act (NEMA). These EMPs are key indicators in ensuring Exxaro remains a sustainable business. Exxaro also adopts the precautionary principle entrenched in NEMA in evaluating the environmental impacts of business opportunities.

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.

**Principle 8:**

*Business should undertake initiatives to promote greater environmental responsibility.*

Exxaro focuses on conserving natural resources and reducing the burden of pollutants on the environment by:

- minimising the use of natural resources;
- complying with all statutory environmental requirements as a minimum;
- actively participating in voluntary environmental benchmarks such as the global carbon and water disclosure projects, among others; and
- developing innovative policies and programmes for addressing environmental impacts and use of natural resources.

## Air quality

As a mining group, air quality (particularly of dust from open cast operations), is a risk to Exxaro on several levels. Accordingly, we focus on minimising the impact on the receiving environment, full legislative compliance, air quality management planning, risk management and monitoring, measurement and reporting. Management measures include applying dust-suppressant agents on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material. Daily monitoring of dust fallout rates produces results which are assessed against national dust control regulations. Although our operations are classified under industrial targets according to new regulations, some are close to residential areas.

**As such, we track our compliance against the more stringent residential limit (600mg/m<sup>2</sup>/day) instead of the industrial limit(1 200mg/m<sup>2</sup>/day) to minimise the impact on residents.**

Comparing Exxaro's dust fallout rate against the regulated industrial limit (1 200mg/m<sup>2</sup>/day), our averaged coal operations exceeded the limit for three months in 2013. Four sites exceeded the residential limit in 2013.

## Biodiversity

**Our vision is to conserve biodiversity for future generations through the sustainable coexistence of our mining operations and the country's natural resources. In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservancy and re-establishing resilient ecosystems that underscore Exxaro's commitment to entrench duty-of-care principles.**

In 2012, we developed the strategy and framework to reach our goals, and compiled baseline reports and biodiversity action plans for most business units. A draft wetland policy and management standard is to be aligned with best practice guidelines and the regulatory wetland offset guideline. However, the general principles of the wetland offset guideline (as it stands) were considered in our proposed projects. As example, the proposed Belfast project's mine layout plan was adapted to avoid impacts on sensitive hillslope wetland and pans through consist interaction, inputs and liaison with DWA.

Performance reviews against biodiversity action plans will begin in June 2014. Our detailed management standard (referred to above) guides business units in implementing group policy, aiming to:

- ensure a cost-effective integrated approach to biodiversity management;
- be environmentally responsible in protecting and managing biodiversity; and
- 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.

Wetland mapping and baseline assessments for all business units (bar one) have been completed to facilitate consideration of biodiversity-sensitive areas as part of our business and mine-planning decisions. While Exxaro is not yet able to quantify its impact in protected sites or areas of high biodiversity value, new industry guidelines were used in 2013 to update areas of high biodiversity value for all business units.



## Environmental rehabilitation

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Exxaro's cradle-to-grave approach integrates our operational activities from the planning and feasibility stages of a mining project to post closure. Environmental risks are monitored until mine closure is obtained.

**Our goal is to budget for and schedule ongoing rehabilitation aligned with individual mining plans. Integral to this process is minimising any negative impacts on affected parties or the environment, and communicating rehabilitation actions via established forums.**

Financial liabilities for mine closure are satisfactorily provided for under the Exxaro Environmental Rehabilitation Trust Fund (EERF) and financial guarantees issued in favour of the Department of Mineral Resources (DMR), which is also updated annually on Exxaro's environmental rehabilitation liabilities. Eskom and Exxaro have established an environmental rehabilitation trust for the Matla and Arnot captive mines. Although the fund contribution mechanism is not yet finalised between the two parties, we expect this finalisation and first contributions to be made in 2014.

In terms of rehabilitation and mine closure, business units report quarterly on set indicators, while environmental risk assessments are conducted five years before closure. At December 2013, total land disturbed was **9 452ha** and total rehabilitated **1 725ha**. The EERF provides for most liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions.

## Energy consumption

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**Total energy consumed reduced by 2,1 % in 2013 to 4,2 peta-joules.**

The bulk of savings came from reductions in diesel use, where energy consumed dropped by over 4%.

Energy sourced from electricity increased by 1,2% in 2013, mostly due to expansion activities at Grootegeluk. In 2013, Exxaro's coal operations focused on reducing energy consumption.

Diesel was the most significant energy source in these operations, consuming 2,1 million GJ of energy, notably ahead of the 1,9 million GJ of energy from electricity consumed in 2013.

## Greenhouse gas emissions

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Following a notable reduction in carbon and other greenhouse gas (GHG) emissions from 2010 to 2012, Exxaro remains committed to reducing its carbon footprint.

**Specific energy-intensity improvement targets were set for each operation in 2013 and will form part of remuneration-linked performance contracts from 2014. Further absolute emission reductions are expected from these initiatives.**

Exxaro continues to report its carbon emissions through the Carbon Disclosure Project South Africa (CDP-SA). Exxaro has participated in the CDP since 2006. A highlight was achieving a





Carbon Disclosure Leadership Index score of 100 in 2012. Our continued leadership in the CDP underscores our efforts on carbon efficiency, partly aimed at reducing the potential impact of proposed carbon tax.

Exxaro bases its accounting and reporting for GHG emissions on the Greenhouse Gas Protocol. Energy consumption and GHG emissions were re-stated by the group in 2013 following divestment and discontinuation activities.

In 2013, Exxaro reduced scope 1 emissions by 31,8% while scope 2 emissions were flat on 2012 in absolute terms (ie no adjustments are made for divestments and discontinuations in the reporting period). This equates to a 7,5% reduction in scope 1 and 2 emissions combined over the period. Scope 3 emissions, reported for the first time in 2012, are defined as being outside Exxaro's control as they occur when products we sell are consumed by customers or from other indirect activities. In line with GHG reporting guidelines, which require adjusting for divestments and discontinuations to baseline periods, Exxaro reduced scope 1 emissions by 3,9% and slightly increased scope 2 emissions by 1,2% in 2013 against 2012. This resulted in a reduction of 0,4% for combined scope 1 and 2 emissions.

## Water management

Exxaro understands that water is a key strategic natural resource for South Africa. We use a holistic management strategy to conserve water and manage related risks, minimise impacts, and operate efficiently through water- reduction

plans, reuse and recycling methodologies.

An aspirational target of reducing the use of potable water by 5% across all business units remained in place in 2013. Exxaro is also committed to protecting and improving water quality by ensuring the water we discharge is of the same or better quality than we withdraw.

Group-wide water conservation plans aligned to the national water management strategy are expected to be finalised in the first quarter of 2015. Supporting our long-term water management strategy are two water treatment plants planned for operations at two operations in the Mpumalanga province, with total capacity to treat 11,5 mega-litres per day.

Innovative passive water treatment systems are being evaluated by our R&D department in collaboration with a local university as a long-term solution to water management, including post-closure. Exxaro is also collaborating with other mining houses through local research institutions on a project to develop and implement appropriate technology to deal with waste from planned water treatment plants.

Exxaro monitors water use and reports according to JSE SRI reporting categories, in turn aligned to definitions and environmental categories within the GRI's mining and minerals sector guidelines. While the accuracy of water measurement, monitoring and reporting has improved significantly since 2011, on-site operational challenges remain. Significant progress was made in 2013 to improve metering and measurement of dewatering and rainwater catchment volumetric data specifically (detailed on our website).

Exxaro continues to report on its water use and management through the Carbon Disclosure Project South Africa Water Programme (CDP-Water), where we are one of the leaders on disclosure.

Exxaro reduced water withdrawals by 33% in 2013, largely after divesting of our mineral sands operations in the prior year. In our coal operations, ongoing management initiatives reduced water extraction significantly in 2012 and 2013 from previous years. While this improving trend is generally maintained compared to the pre-2012 period, there was a slight increase in overall water extraction in 2013 versus 2012.

**Principle 9:**

Business should encourage the development and diffusion of environmentally friendly technologies. Exxaro encourages innovative technologies to reduce environmental impacts, reuse and recycling of waste.

Noteworthy electricity optimising projects initiated at Grootegeluk in 2013 include the implementation of energy-saving variable speed-drives (VSD) on conveyors in its discard system and the Grootegeluk 2 plant which allow power adjustments depending on belt loading and reduced start-up and loading times. Expected energy savings are 20-25% in absolute electricity use and 25-40% in operational efficiency. This approach is being reviewed for implementation at other operations within Grootegeluk and other business units.

In terms of our strategy, we are actively participating in renewable energy initiatives, both to ensure security of supply for our own operations and to reduce our carbon footprint.

Cennergi Proprietary Limited, our joint venture with Tata Power, launched in 2012, achieved financial closure on two wind projects in the Eastern Cape with commissioning planned for 2016:

- Amakhala Emoyeni wind farm near Bedford (139MW)
- Tsitsikamma Community wind farm on Mfengu community land (95MW).

As part of each project, Cennergi and its partners have developed detailed and consultative plans for community development.

During the review period, Exxaro announced a coal supply and off take agreement for a 600MW coal-fired power plant in Limpopo with France's GDF SUEZ, a global leader in independent power production. This marks Exxaro's entry to the independent power producer market.

Exxaro has also partnered with Linc Energy Limited to develop energy solutions through underground coal gasification in sub-Saharan Africa, with a prefeasibility study to begin in 2015.

Construction of a co-generation plant at Namakwa Sands, on South Africa's west coast, has been completed and is managed by Tronox Limited. We believe co-generation is an important alternative energy supply in our country.





## Anti-corruption

### Principle 10:

Businesses should work against all forms of corruption, including extortion and bribery. Exxaro remains committed to the highest standards of honesty, integrity and fairness. Ethics processes and policies are managed either by the general manager: governance, risk and compliance or the group company secretary. The following policies are regularly reviewed:

- Code of ethics
- Whistle blowing
- Conflict of interests
- Fraud investigation
- Fraud prevention
- Fraud response
- Gifts and benefits from suppliers

The group's ethics processes are managed by the ethics committee, which comprises executives, representatives of internal audit and the chief audit executive. Chaired by the chief audit executive, it meets either monthly or as required to consider issues of noncompliance to the group code of ethics or conflicts of interest policy, as well as matters reported on the ethics hotline or to management.

The following items from the anti-fraud, corruption and bribery risk management strategy are still in process and will continue to receive attention in 2014:

- improving detection capabilities and surprise audits by implementing process control;
- an anti-fraud and corruption awareness campaign: certain steps were taken, but this will continue in 2014; and

- fraud and corruption risk assessments: although such risks form part of the holistic risk assessment process, a specific fraud and corruption risk assessment process is still under investigation.

## Incidents of unethical behaviour

At Exxaro, reports of alleged unethical behaviour are received through an anonymous reporting hotline and other mechanisms. All reports are periodically reviewed by the Exxaro ethics committee and referred either for forensic investigation or to functional heads to be investigated. In 2013, 400 cases of alleged unethical behaviour (2012: 272) were reported for investigation, 45 of these via the ethics line (2012: 43). In total, 393 people were subjected to disciplinary hearings arising from the cases reported, with 132 arrests made by the South African Police Services (SAPS) for criminal prosecution based on the results of investigations referred to them (2012: 60). The direct monetary value of cases reported and investigated was R11 497 926 (2012: R8 632 026) with R8 861 563 being recovered/saved due to the investigations. The types of fraud investigated included:

- fraudulently changing bank accounts;
- tender fraud;
- accepting bribes and favours for contracts;
- misusing position;
- conflicts of interest;
- irregularities with appointments of employees; and
- unsafe working procedure or failure to report safety incidents.