



UNITED NATIONS GLOBAL COMPACT

Communication on Progress
2014

exxaro

POWERING POSSIBILITY

www.exxaro.com

STATEMENT

Exxaro Resources became a signatory of the United Nations (UN) Global Compact in 2007 as a logical progression of the group's commitment to sustainability made at its formation in 2006.

When Exxaro was formed, we committed to creating a company that would make a sustainable difference to South Africa both economically and socially. This was embodied in our vision: ***Through our innovation and growth, we will be a powerful source of endless possibilities.*** It was articulated in our belief that everything we do and deliver today will allow others to realise their vision tomorrow. It is evident in our practice of looking beyond our current commodities and operations to see the impact we have on people and the planet. It is embedded in a philosophy that enables our people to truly live by our values: empowered to grow and contribute, teamwork, committed to excellence and honest responsibility.

In preparing this Communication on Progress, we drew on Exxaro's annual review for 2014, stakeholder feedback, a review of current standards and conventions (including Global Reporting Initiative (GRI) and UN Global Compact principles, Organisation for Economic Co-operation and Development guidelines on multinational enterprises, International Labour Organization conventions 69 and 176, as well as the United Nation's Universal Declaration of Human Rights) in developing material themes that will guide this and future reports.

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
- Contributions to the social, economic and institutional development of home societies and local communities near our operations
- The implementation of 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
- Demonstrating understanding of and implementing responses to the business case for sustainability

In his 2014 CEO report, Sipho Nkosi wrote that Exxaro's commitment to good governance and the sustainability of its business, with associated benefits for all stakeholders, is reflected in numerous awards. "While these are indeed gratifying, recognition is not a goal for our group. At all times, our corporate values guide the way we do business, how we select our partners and how we interact with our stakeholders. In addition to being a signatory to the Global Compact, we support the UN guiding principles on business and human rights, and other global sustainability codes aimed at ensuring beneficial relationships between all stakeholders. These are integrated into the way we do business and our progress is monitored by the social and ethics committee of the board". See Exxaro's Integrated Report at www.exxaro.com.

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 compliant.



SUSTAINABILITY

Contact: Hanno Olinger, Manager Sustainability
Email: hanno.olinger@exxaro.com
Fixed: +27 12 307 3359
Mobile: +27 83 609 1094
Fax: +27 12 207 5327

GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
<p>1: Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p>Induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. Security personnel are fully trained on human rights aspects relevant to each operation. Refresher courses also cover human rights issues.</p>	<p>Human rights policy</p> <p>Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines. As a signatory to the Global Compact, we encourage freedom of association and collective bargaining, ensure child labour is not tolerated and that forced or compulsory labour is not practised.</p> <p>In 2014, Exxaro's compliance with legislation and international conventions was audited by our internal auditors and confirmed.</p> <p>Our induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. Security personnel are fully trained on human rights aspects relevant to each operation. Refresher courses also cover human rights issues.</p>
<p>2: Make sure that they are not complicit in human rights abuses.</p>	<p>Managing work conditions</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>Eliminating discrimination and resolving grievances</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.</p> <p>Our corporate values guide the way we do business, and discrimination on any grounds is not tolerated. Managers and supervisors are continuously trained on the appropriate application of disciplinary measures should the need arise.</p> <p>In 2014, one incident of alleged discrimination (male against female) was reported. A disciplinary inquiry was held and the perpetrator dismissed after being found guilty.</p>	<p>To date Exxaro has not been complicit in the violation of any human rights.</p>

HUMAN RIGHTS

GLOBAL COMPACT PRINCIPLE		SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED		MEASUREMENT OF RESULTS			
LABOUR	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Exxaro encourages freedom of association and collective bargaining.		Employee/management relations Throughout the group, our approach to the employment relationship is based on the principles of constructive engagement or regulated cooperation of all stakeholders. Labour legislation is the broad framework within which employee relations policies, systems and procedures are developed and under which employees are managed (individually and collectively) in Exxaro. Some 74% of our employees are represented by affiliated unions recognised by Exxaro subsidiaries: primarily the National Union of Mineworkers (NUM) (58,5%), Solidarity (12,4%) and the Association of Mineworkers and Construction Union (AMCU) (1,8%). We concentrate on maintaining sound relations with employees in bargaining units through ongoing engagement with their representatives. Negotiations for wages and conditions of employment are conducted through various in-house forums and the Chamber of Mines. Dedicated forums at operations enable management and organised labour (recognised as the collective bargaining agents of employees) to engage on matters about the employer/employee relationship.			
	4: The elimination of all forms of forced and compulsory labour.	An extract of the Exxaro Labour and Human Rights Policy states: <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>		Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines. We encourage freedom of association and collective bargaining, ensure child labour is not tolerated and that forced or compulsory labour is not practised.			
	5: The effective abolition of child labour.	Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines. Exxaro ensures child labour is not tolerated and that forced or compulsory labour is not practised.		No children are in the employ of Exxaro. Below is the breakdown of employees by age: 2014 table			
				AGE RANGE	MANAGEMENT & SPECIALIST	BARGAINING UNIT	GRAND TOTAL
				<18	0	0	0
				18 - 25	63	330	393
				26 - 35	487	2040	2527
				36 - 45	495	1487	1982
				46 - 55	399	1557	1956
				56 - 65	179	648	827
				Grand total	1623	6062	7685

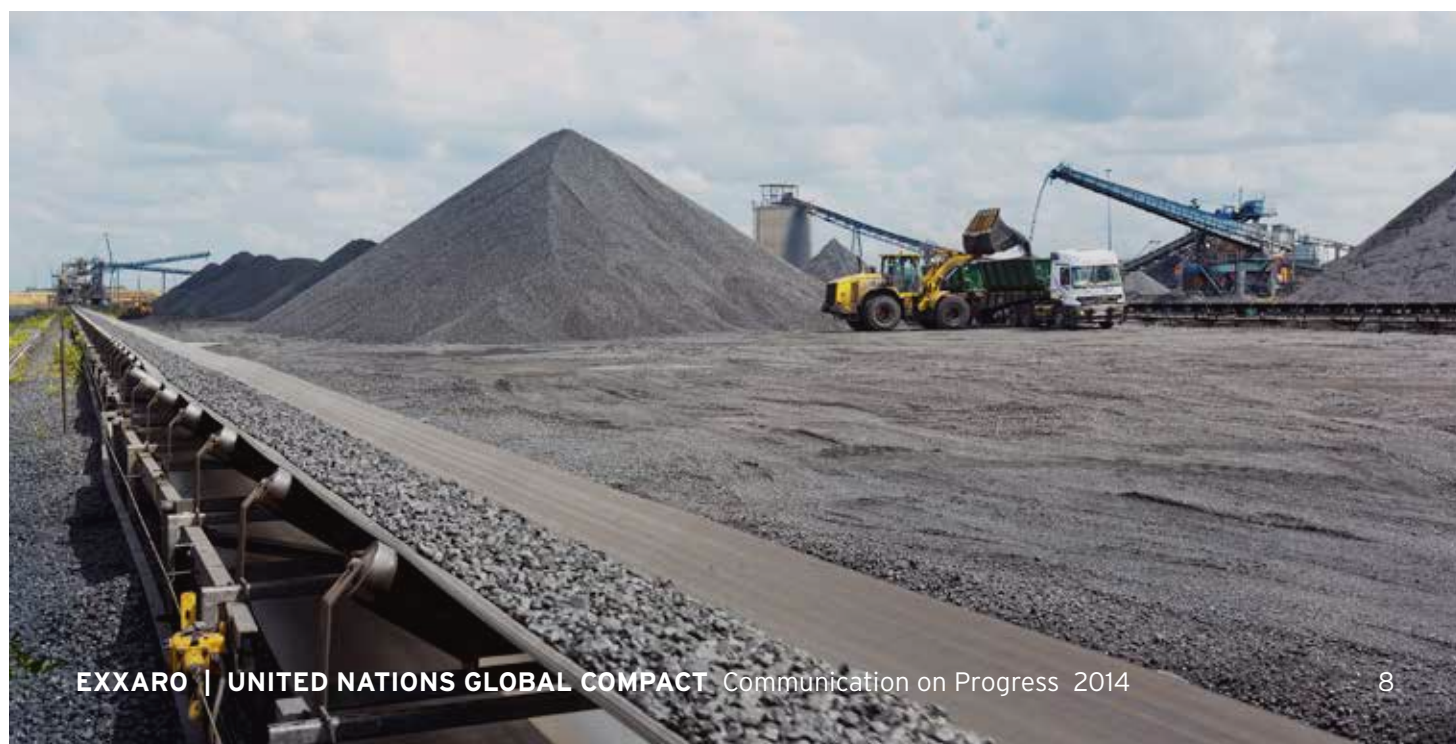
GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
<div>LABOUR</div> <p>6: The elimination of discrimination in respect of employment and occupation.</p>	<p>In 2014, one incident of alleged discrimination (male against female) was reported. A disciplinary inquiry was held and the perpetrator dismissed after being found guilty.</p>	<p>Our corporate values guide the way we do business, and discrimination on any grounds is not tolerated. Managers and supervisors are continuously trained on the appropriate application of disciplinary measures, should the need arise.</p> <p>Our induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. Security personnel are fully trained on human rights aspects relevant to each operation. Refresher courses also cover human rights issues.</p> <p>Women in mining</p> <p>In Exxaro, women make up 19% of the workforce, and we continue to focus on attracting women through our talent pipelines. Although this remains a challenge, women comprise 39% of young professionals-in-training, 23% of our full-time bursars in engineering and mining at universities and 30% of the intake to learnerships and skills programmes.</p>
<div>ENVIRONMENT</div> <p>7: Businesses should support a precautionary approach to environmental challenges.</p>	<p>Investing in our natural world</p> <p>Sustainable development issues, particularly our use of natural resources like water, air, biodiversity and land, are central to our business. As such, we focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment by:</p> <ul style="list-style-type: none"> • Ensuring all activities are properly authorised • Complying with all statutory environmental requirements as a minimum • Using energy and water as efficiently as possible • Exxaro 2014 supplementary report 83 • Ensuring activities are conducted responsibly from the twin perspectives of compliance and natural resource use • Actively participating in voluntary environmental benchmarks such as the global carbon and water disclosure projects, among others • Developing innovative policies and programmes for addressing environmental impacts and use of natural resources 	<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). These are key indicators in ensuring Exxaro remains a sustainable business. We also adopt the precautionary principle entrenched in NEMA in evaluating the environmental impacts of business opportunities.</p> <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>

GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
<p>8: Undertake initiatives to promote greater environmental responsibility.</p> <p>ENVIRONMENT</p>	<p>South African mining companies are heavily regulated with compliance centred on receiving, converting and retaining all mining rights.</p> <p>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. Some EMPs are being updated to align to the MPRDA and to include new developments.</p> <p>Exxaro received no environmental stoppage directives during the review period and no fines were incurred.</p>	<p>Air quality</p> <p>As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other criteria pollutants (eg PM10 and PM2,5) from opencast operations. Accordingly, we focus on:</p> <ul style="list-style-type: none"> • Minimising impact on the receiving environment • Full legislative compliance • Air quality management planning • Risk management • Monitoring, measurement and reporting <p>Emissions from mining operations</p> <p>Daily measurement ensures 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 promulgated in 2013.</p> <p>Although our operations are classified under the non-residential limit in new regulations, some are close to residential areas. As such, we track our compliance against the more stringent residential limit (600mg/m²/day) instead of the non-residential limit (1 200mg/m²/day) to minimise the impact on residents.</p> <p>We continue to concentrate on improving our mitigation measures for operational activities that contribute significantly to dust. This will ensure fallout dust is reduced to the residential limit.</p> <p>Comparing Exxaro's dust fallout rate against the regulated non-residential limit (1 200mg/m²/day), only two operations exceeded the two allowable annual limits in 2014.</p>



GLOBAL COMPACT PRINCIPLE		SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT		<p>Sustainability is integrated into the group strategy. Our operational activities are guided by our climate change response strategy and position statement. The energy and carbon steering committee oversees, reviews and assesses improvement projects and activities, and ensures they are aligned with Exxaro's climate change position statement.</p> <p>This ensures a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enables operations to focus on improving capacity and capability to manage energy, emissions and other climate change-related issues.</p> <p>The Exxaro energy and carbon framework is a guideline for the energy and carbon programme to define and understand how activities and projects contribute to the overall Exxaro strategy, a mechanism to help prioritise projects and initiatives, and a communication tool to ensure consistent effort across various operations.</p>	<p>Climate change and carbon footprint</p> <p><i>Carbon footprint</i></p> <p>Following the notable reduction in carbon intensity and other greenhouse gas emissions from 2010 to 2013, Exxaro remained committed to reducing its carbon intensity in 2014.</p> <p>Our energy and carbon measurement, data management, accounting and reporting is maturing. Exxaro reports carbon emissions through CDP South Africa (the local arm of the international benchmark carbon and water disclosure projects), where we remain among the leading companies by reporting on scope 1, 2 and 3 emissions.</p> <p>We base our accounting and reporting for GHG emissions on the Greenhouse Gas Protocol initiative - corporate accounting and reporting standard. We have also elected to use the operating control accounting approach for emissions.</p> <p>Diesel and electricity remain the primary sources of energy for Exxaro. Total energy consumed increased by 2,5% in 2014 to 4 318 894 giga joules (GJ), reflecting mainly higher electricity use which rose by 6,2%. The bulk of this was due to expansion activities at our Grooteegeluk operation. Energy sourced from diesel consumption decreased 1,2% in 2014.</p> <p><i>Carbon disclosure</i></p> <p>The CDP (formerly the Carbon Disclosure Project) is a UK-based global climate change reporting system. This data provides valuable insights into the strategies of companies and helps channel investment to companies adhering to sustainable carbon and emissions management.</p> <p>Exxaro participates in two CDP programmes: CDP Climate Change and CDP Water. To facilitate our preparation for the climate change programme, we manage a central data repository that records energy consumption, energy intensity performance, carbon emissions measurement and cost performance in each business unit and the group. This database undergoes annual external assurance audits.</p> <p>In 2012, Exxaro was the first South African company and third globally to score 100% on disclosure in the CDP Climate Change programme. In 2014, Exxaro was again included in the JSE 100 Climate Disclosure Leadership Index (CDLI), one of only 11 companies assessed to have met the criteria this year. This clearly demonstrates Exxaro's commitment to transparency, improving disclosure and reducing carbon emissions.</p> <p>In 2013, Exxaro participated in the Business Unity South Africa (BUSA) climate change initiative and industry task team on climate change. Through BUSA, Exxaro supported the Department of Environmental Affairs' investigation into South Africa's emissions potential to 2050: this went beyond submitting just Exxaro's views, to participating in the review of methodology and grid emissions factor calculations. The task team was instrumental in influencing National Treasury to consider refinements to proposed carbon tax legislation.</p>

GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT		<p>Exxaro's energy consumption</p> <p>After divesting of the mineral sands and base metals businesses in recent years, our coal operations now account for almost all energy consumption in the group. As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption. This has included projects to specifically increase the efficiency of diesel and electricity use. This led to a slight decrease in energy consumed through diesel in 2014, on the back of ongoing improvements in diesel consumption.</p> <p>Specific energy-intensity improvement targets were set for each operation in 2014. These targets formed part of relevant managers' remuneration-linked performance contracts and further absolute emission reductions are expected from these initiatives in future.</p> <p>Diesel is the most significant energy source in our coal operations, consuming 2 103 148GJ of energy, slightly ahead of the 2 039 476GJ of energy from electricity consumed in 2014. The electricity and diesel intensity in 2014 per total tonnes mined (TTM) was respectively 4,2MWh/kt and 412l/kt.</p> <p>By focusing on diesel efficiency, we reduced our coal operations' diesel consumption by over 3,3 million litres or 5,4% in 2014 from 2012, despite a 26,9% rise in diesel consumption at Grootegeluk, our largest diesel consumer. Increases at Grootegeluk are a direct result of expansions that include broader pit operations and more processing plants.</p> <p>Exxaro remains focused on reducing its carbon footprint in line with its commitment to reduce energy consumption and improve energy efficiency. For 2014, based on targets to improve energy efficiency across the group, we expected a reduction of scope 1 and scope 2 emissions (defined at the start of this section) of around 5%. In absolute terms, however, our total emissions rose by 3,5% in 2014 due to expanding operations.</p>



GLOBAL COMPACT PRINCIPLE		SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT		<p>Water use monitoring and measurement</p> <p>Exxaro monitors and reports against the Johannesburg Stock Exchange Socially Responsible Investment index (JSE SRI) reporting categories, which is aligned to the definitions and environmental categories from the GRI's mining and metals sector guidelines. While the accuracy of water measurement, monitoring and reporting has improved significantly in recent years, on-site operational challenges remain.</p>	<p>Water management</p> <p>Water is a strategic natural resource for South Africa. It is also key to our business and must be managed as such. To ensure water use is optimised, initiatives to conserve water are considered at all sites. Under a holistic strategy, we are managing water-related risks, minimising impacts and operating efficiently through reduction, reuse and recycling. Most of our operations have drafted water conservation plans that support the national strategy to ensure equitable distribution of water resources which 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 of the same or better quality 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 will have total capacity to treat 17,5 megalitres per day. The plant at Matla has been commissioned and performance tests are under way. The plant at North Block Complex's Glisa will be commissioned once the water-use licence is approved and is expected to be fully operational by early 2016. The Arnot plant is at feasibility stage. Our prime focus remains on optimising the use of recycled water. We have installed a filtration plant at Matla to treat water for reuse in underground workings. With a maximum capacity of three (3) megalitres a day, this plant operated well during the year and reduced Matla's intake of fresh water slightly.</p> <p>Innovative passive water treatment systems are being evaluated by our R&D department in collaboration with the University of the Free State, as a long-term solution to water management, including post-closure. The pilot plant was commissioned at North Block Complex in the last quarter of 2014 and first results were very promising. This plant treats acid mine water chemically and biologically to create zero waste, provides fresh water and reduces Exxaro's water footprint.</p> <p>The focus in 2014 was on maintaining progress at larger water-withdrawing operations while rolling out initiatives at other operations. To support this, water-withdrawal intensity targets across all types were introduced in 2013. Monitoring and reporting against these targets continued in 2014 and we intend to include these targets in the performance contracts of relevant managers in 2016. Exxaro reduced water withdrawals by 15% in 2014, reflecting the ongoing operational focus in our coal businesses. This is much lower than the 33% reduction in 2013 as we have mines that are either in closure phase or have been sold.</p> <p>In 2014, coal operations accounted for 97% of Exxaro's water withdrawals. Overall withdrawals in coal operations decreased by 14%, as did the intensity of water withdrawals relative to production. This means that while output from our coal operations was similar to 2013, the amount of water required dropped by 14%. This was largely a result of lower withdrawals at Grootegeluk, after establishing conservation measures, and Tshikondeni which is in closure phase. Given the relative scale of Grootegeluk, this reduced water withdrawal intensity across our coal operations. This downward trend in 2014, compared to a 6% increase in 2013, reflects improved management focus and technology, and enhanced monitoring and measurement of water withdrawals across all our operations.</p>

GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT	<p>Programmes are in place for training and awareness on responsible waste handling (generation, storage and disposal) aimed at continuous improvement and applying the cradle-to-grave principle.</p> <p>Currently Exxaro is recycling all general waste such as paper, plastic and plastic bottles, cans, scrap metal and industrial waste, and used oil and old batteries as hazardous waste. We are exploring opportunities with industrial partners and research institutions to use viable solutions in converting waste into renewable energy.</p>	<p>Hazardous waste management</p> <p>Waste management is a core key performance indicator of compliance in terms of Exxaro's social licence to operate. Given that waste is a material risk to our business, Exxaro has developed a group-wide waste management standard for handling hazardous and non-hazardous waste. The intention of this standard is to promote and enforce initiatives such as waste prevention or minimisation, practising reuse, recycling, recovering energy and ensuring safe disposal of waste in accordance with the National Environmental Management: Waste Act 59 2008 and other relevant legislation.</p> <p>The total weight of hazardous waste generated at our managed coal operations in 2014 was 1 541 tonnes (2013: 1 370 tonnes). The increase in volumes removed (11%) reflects a clean-up operation at one of our business units. Significant amounts of hazardous waste were removed and responsibly disposed of over July-November 2014.</p>
	<p>The principles of these guidelines are already being incorporated into our planning. As example, the principles of the best-practice standard were used in revising the Belfast mine layout plan to avoid constructing the coal-washing plant in a sensitive hillslope wetland while the opencast life-of-mine plan was adjusted to exclude mining in a sensitive pan area. These standards were also applied for the proposed Leeuwpan block OI and OL authorisations.</p>	<p>Responsible conservation of biodiversity</p> <p>Our vision is to conserve biodiversity for future generations through the sustainable co-existence of our mining operations and South Africa'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 our commitment to duty-of-care principles.</p> <p>Two years ago, 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 was compiled in 2013 but was not finalised nor approved, pending alignment with new guidelines. The best-practice standard (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)) will be taken into account in finalising Exxaro's wetland policy and management standard.</p> <p>A draft biodiversity offset strategy is being compiled and will be aligned to best-practice guidelines. The approved biodiversity policy and management standard are also currently under review and will be updated in 2015 in line with latest best-practice guidelines to ensure continuous improvement.</p> <p>Performance reviews against biodiversity action plans began in June 2014 and will continue in 2015. Our detailed management standard guides business units in implementing group policy, aiming to:</p> <ul style="list-style-type: none"> • Ensure a cost-effective integrated approach to biodiversity management • Be environmentally responsible in protecting and managing biodiversity • Be ecologically sustainable by ensuring biodiversity-rich areas are contained within mining right areas, to manage and monitor protected and threatened Red Data species, and control declared category 1, 2 and 3 invasive plants <p>Wetland baseline assessments for all business units have been updated in recent years. This data is used to consider biodiversity-sensitive areas as part of our business and mine-planning decisions.</p>

GLOBAL COMPACT PRINCIPLE		SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT			<p>Significant impact of activities</p> <p>While Exxaro is not yet able to quantify its impact on protected sites or areas of high biodiversity value, new industry guidelines have been used to update areas of high biodiversity value for all business units. Please see tables later in this section.</p> <p>Approximately R12million was spent in 2014 on biodiversity management, including wetland offsets, wetland delineation and wetland studies and bio-monitoring.</p>
		<p>Risk-based external reviews</p> <p>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>Environmental liabilities and rehabilitation</p> <p>Internal annual updates</p> <p>All business units annually review and update the quantum of financial provisions. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities contained in the concurrent and final closure rehabilitation programme are being reviewed and adjusted where necessary.</p> <p>Water-related liabilities are calculated as per the Exxaro excess water risks and liability management standard.</p> <p>Concurrent rehabilitation plan</p> <p>All business units have a detailed concurrent rehabilitation plan and supporting material (plan, schedule and budget). These are revised and updated as necessary, but at least annually. The mine manager or person in charge of a site reports on any deviation from the rehabilitation programme (reasons and how this affects future activities; financial provisions; corrective steps to rectify the deviation, especially to prevent financial shortfalls accumulating and closure liabilities rising).</p> <p>Liabilities</p> <p>At 31 December 2014, total land disturbed was 9 311ha and total rehabilitated 2 247ha. The Exxaro Environmental Rehabilitation Fund (EERF) provides for most 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 Department of Mineral Resources (DMR).</p> <p>Exxaro contributed R24million to the environmental trust fund in 2014 and had R753million in its trust fund at year end for mine-closure activities (2013: R92million and R673million respectively). In addition, the group had bank guarantees of R1 153million in place by December 2014. Updating these provisions bi-annually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.</p> <p>External closure-cost reviews were completed at three operations during the year. Performance assessments against the objectives of EMP reports were completed for four operations and submitted to the DMR. In line with the growing government focus on rehabilitation, all our business units have reviewed their rehabilitation plans (with appropriate schedules and budgets).</p>

GLOBAL COMPACT PRINCIPLE		SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
ENVIRONMENT			<p>Mine closure</p> <p>Mine closure is a process, not a discrete event: best practice requires that closure planning starts from mine feasibility stage. Exxaro, as a world-class minerals producer, acknowledges its moral and legal obligation to ensure responsible and sound mine-closure management, from cradle-to-grave.</p> <p>We use an integrated planning approach to mine closure throughout the life cycle of our operations. As such, mine closure is risk-based, with emphasis on the sustainable implementation of final land use and socio-economic benefits and adequate financial provisioning for the closure process of all its operations.</p> <p>The closure-planning process and management actions are developed to:</p> <ul style="list-style-type: none"> • Ensure compliance with all relevant legislation and guidelines • Minimise risks from possible changes to legislation and optimise opportunities that may be presented by such changes • Minimise risks on grey areas of law, including common law (damages) • Correctly identify relevant risks by conducting a risk assessment every three years • Identify the most significant liability risks early to enable the identification and implementation of preventative measures wherever possible, to avoid or minimise those risks • Ensure there is a consistent and defensible procedure for identifying and assessing mine closure risks, reducing uncertainties in the assessment and determining the financial provisions required to address the risks • Ensure that identified impacts or risks are prioritised for attention • Ensure a quantitative environmental risk assessment is done five years prior to planned closure



GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
<p>9: And encourage the development and diffusion of environmentally friendly technologies.</p> <p>ENVIRONMENT</p>	<p>Exxaro is recycling all general waste such as paper, plastic and plastic bottles, cans, scrap metal and industrial waste, and used oil and old batteries as hazardous waste. We are exploring opportunities with industrial partners and research institutions to use viable solutions in converting waste into renewable energy.</p> <p>In recent years, Exxaro has clarified its approach to environmental management by ensuring an integrated and strategic focus on key issues. This holistic view is now paying off, with significant reductions in key impact areas such as energy, water and waste. By concentrating on intensity factors (i.e. the amount of any resource consumed to deliver a specified amount of product), we ensure we are consuming resources responsibly, reducing waste and using renewable resources wherever possible.</p>	<p>One of our strategic goals is to diversify our portfolio in the energy-generation environment. This is reflected in becoming a preferred partner in joint ventures with Tata Power of India (renewable energy through Cennergi), GDF Suez (independent power production supplied by our Thabametsi mine) and Linc Energy (underground coal gasification in sub-Saharan Africa, currently postponed because of market conditions).</p> <p>Our Belfast project is a good example of Exxaro's environmental stewardship, particularly in the areas of water and wetland management. The redesign of the plant around various wetland areas illustrates a particularly innovative approach to project management and plant design, with a letter of commendation from the Department of Water and Sanitation. Other innovative approaches include the zero-effluent plant and energy efficient discard handling by return-of-belt of the overland conveyor system. All these elements are aligned with our sustainability strategy.</p> <p>We are committed to protecting and improving water quality by ensuring the water we discharge is of the same or better quality 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 will have total capacity to treat 17,5 mega litres per day. The plant at Matla has been commissioned and performance tests are under way. The plant at North Block Complex's Glisa will be commissioned once the water-use licence is approved and is expected to be fully operational by early 2016. The Arnot plant is at feasibility stage.</p> <p>Our prime focus remains the optimal use of recycled water. We have installed a filtration plant at Matla to treat water for reuse in underground workings. With a maximum capacity of three (3) megalitres a day, this plant operated well during the year and reduced Matla's intake of fresh water slightly.</p> <p>Innovative passive water treatment systems are being evaluated by our R&D department in collaboration with the University of the Free State, as a long-term solution to water management, including post-closure. The pilot plant was commissioned at North Block Complex in the last quarter of 2014 and first results were very promising. This plant treats acid mine water chemically and biologically to create zero waste, provides fresh water and reduces Exxaro's water footprint.</p> <p>We continue to collaborate with other mining houses through a local research institution on a project to develop appropriate technology to deal with waste from planned water treatment plants. This will enhance the efficiency of the waste treatment process and mitigate potential exposure linked to waste management.</p>

GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
<p>10: Businesses should work against all forms of corruption, including extortion and bribery.</p> <p>ANTI-CORRUPTION</p>	<p>Fraud and corruption</p> <p>Exxaro has established policies on which employees are regularly trained. The policies are frequently reviewed and include:</p> <ul style="list-style-type: none"> • Code of ethics • Whistleblowing • Conflicts of interest • Fraud investigation • Fraud prevention • Fraud response • Gifts and benefits from suppliers <p>In 2014, a bespoke anti-bribery and corruption policy was implemented to ensure full compliance with principle 10 of the Global Compact on anti-corruption, OECD recommendations on corruption and international legislation and best practice.</p>	<p>In 2014, we focused on anti-bribery and corruption, giving rise to a tailored policy supported by dedicated training that started with the board and executive committee. Refresher training is being rolled out across the workforce via e-learning and covers theft, fraud, bribery and corruption.</p> <p>Exxaro has a zero-tolerance approach to corruption, enforced by an active fraud and ethics committee. Communicating this approach to employees includes a visible statement of zero tolerance, signed by the CEO, at all operations, supported by posters with details of the anonymous reporting line. Renewed theft, fraud and corruption awareness included six articles in the quarterly internal newsletter, which also disclosed the results of forensic investigations to serve as a deterrent.</p> <p>After training all employees on the new anti-bribery and corruption policy, specific fraud and corruption risk assessment workshops have been planned for 2015 to compile a fraud and corruption risk register in addition to the ERM risk registers already in place. High-risk jurisdictions and activities were identified independently from the planned workshops. Based on this, customised training and awareness was conducted and internal controls enhanced to assist with risk mitigation.</p> <p>Incidents of unethical behaviour</p> <p>At Exxaro, reports of alleged unethical behaviour are received through the 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. The ethics committee comprises executives, senior management and the chief audit executive. Chaired by the chief audit executive, it meets either monthly or as required to consider issues of non-compliance to the group code of ethics or conflicts-of-interest policy, as well as matters reported on the ethics hotline or to management.</p> <p>In 2014, 448 cases of alleged unethical behaviour (2013: 400) were reported for investigation, 49 of these via the ethics line (2013: 45). In total, 156 people were subjected to disciplinary hearings, with 164 arrests made by the South African Police Service (SAPS) for criminal prosecution based on the results of referred investigations (2013: 132). The direct monetary value of cases reported and investigated was R16 619 805 (2013: R11 497 926) with R10 491 166 being recovered/saved due to the investigations.</p>

