



2015

UNITED NATIONS GLOBAL COMPACT  
Communication on Progress

**exxaro**  
POWERING POSSIBILITY

# STATEMENT

## CEO STATEMENT OF SUPPORT

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

In this Communication on Progress for 2015, we draw on Exxaro's Integrated and Supplementary reports for 2015 to describe how the ten UNGC principles are incorporated into our business. The Integrated Report and Supplementary Report are both products of the company's strategic objectives, legislative and regulatory requirements, including the Companies Act of South Africa, 71 of 2008 as amended (Companies Act), the Mining Charter and the JSE Limited Listings Requirements as well as global best practice standards the International Integrated Reporting Council's framework for integrated reporting, the Global Reporting Initiative GRI, UN Global Compact principles and the King Report on Governance for South Africa 2009 (King III) and AccountAbility 1000SES.

A sustainability highlight of 2015 for Exxaro was the implementation of a fully integrated strategic performance dashboard that gives the board and executive the most critical information required to measure and manage the company's strategy and performance. It also provides a transparent and consolidated view to stakeholders on our drivers of value and sustainability and is the result of four key steps in our sustainability journey.

- Implementation of an integrated risk management framework clearly outlining what is material to the company and why
- Establishment of a sustainability framework
- Identification of the key performance indicators (KPIs) aligned with material issues
- The linking of the combined assurance plan with risks, material issues and KPIs.

The Integrated and Supplementary reports can be found at [www.exxaro.com](http://www.exxaro.com)



**Mxolisi Mgojo**

**Chief Executive Officer**

**Exxaro Resources**

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## Human rights

	GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
Human Rights	<b>1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.	Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines. As a signatory to the United Nations 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.	The group's compliance with legislation and international conventions was audited by our internal auditors and confirmed in the prior period.
	<b>2:</b> Make sure that they are not complicit in human rights abuses.	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.	To date Exxaro has not been complicit in the violation of any human rights.

## Labour

	GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
Labour	<b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>As a signatory to the United Nations Global Compact, Exxaro encourages freedom of association and collective bargaining.</p> <p>Throughout the group, our approach to the employment relationship is based on the principles of constructive engagement or regulated cooperation. Accordingly, our engagement structures at all levels continue to function constructively in line with our employee relations strategy. Labour legislation is the broad framework under which related policies, systems and procedures are developed, and employees are managed (individually and collectively) in Exxaro.</p> <p>We concentrate on maintaining sound relations with employees in bargaining units by engaging with their representatives. Negotiations for wages and conditions of employment are</p>	<p>Some 76% of our employees are represented by affiliated unions recognised by Exxaro subsidiaries: primarily National Union of Mineworkers (NUM), Solidarity, Association of Mineworkers and Construction Union (AMCU) and, most recently, Food and Allied Workers Union (FAWU) after concluding a recognition agreement at Ferroland.</p> <p>In 2015, we embarked on negotiations in both forums, with the in-house process concluded in November 2015 without any labour incidents. The Chamber of Mines process was also concluded in 2015 and, despite a related week-long strike that affected the entire coal industry, we engaged positively with our union stakeholders to arrive at an amicable settlement.</p> <p>In consultation with our labour stakeholders, we concluded a number of section 189 closure processes in 2015 at our Inyanda, New Clydesdale and AlloyStream business units and are currently finalising the Tshikondeni mine closure. Although these processes are challenging, our relationships with stakeholders are a key factor in determining their outcome.</p> <p>Confirming the commitment from all parties to build solid relationships, no grievances about labour practices were filed in the reporting period.</p>



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		<p>conducted through in-house forums and the Chamber of Mines.</p> <p>Exxaro’s disciplinary codes are based on the principle of fairness as required by labour law, and our supervisors have the skill to implement the codes. Diversity training is ongoing throughout Exxaro.</p>																																									
	<b>4:</b> The elimination of all forms of forced and compulsory labour.	<b>An extract of the Exxaro Labour and Human Rights Policy states:</b> “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 labour legislation in South Africa and International Labour Organization guidelines. As a signatory to the United Nations 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.																																								
Labour	<b>5:</b> The effective abolition of child labour.	Exxaro complies with labour legislation in South Africa and International Labour Organization guidelines and as a signatory of the UNGC ensures child labour is not tolerated.	<p>No children are in the employ of Exxaro. Below is the breakdown of employees by age:</p> <table><tr><th>Age range</th><th>Bargaining Unit</th><th>Management &amp; Specialist</th><th>Grand Total</th></tr><tr><td>18-25</td><td>333</td><td>43</td><td>376</td></tr><tr><td>26-30</td><td>971</td><td>164</td><td>1 135</td></tr><tr><td>31-35</td><td>1 117</td><td>216</td><td>1 333</td></tr><tr><td>36-40</td><td>868</td><td>227</td><td>1 095</td></tr><tr><td>41-45</td><td>688</td><td>201</td><td>889</td></tr><tr><td>46-50</td><td>638</td><td>192</td><td>830</td></tr><tr><td>51-55</td><td>748</td><td>132</td><td>880</td></tr><tr><td>56-65</td><td>628</td><td>95</td><td>723</td></tr><tr><td><b>Total</b></td><td><b>5 991</b></td><td><b>1 270</b></td><td><b>7 261</b></td></tr></table>	Age range	Bargaining Unit	Management & Specialist	Grand Total	18-25	333	43	376	26-30	971	164	1 135	31-35	1 117	216	1 333	36-40	868	227	1 095	41-45	688	201	889	46-50	638	192	830	51-55	748	132	880	56-65	628	95	723	<b>Total</b>	<b>5 991</b>	<b>1 270</b>	<b>7 261</b>
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<b>6:</b> The elimination of discrimination in respect of employment and occupation.	<p>As an employer, Exxaro is firmly committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual preference or nationality. Our corporate values guide the way we do business, and discrimination on any grounds is not acceptable.</p> <p>A comprehensive suite of policies covers employment, labour relations, occupational health and safety, training and education, diversity and equal opportunity. Our aim is to provide working conditions that are safe and</p>	There is no discrimination between the salaries of men and women in the bargaining unit category as collective agreements determine specific guaranteed minimum salaries. In the management and specialist category, individual salaries are strictly based on contracted performance.																																									

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		healthy, opportunities that are enriching and an environment conducive to performance.	

## Environment

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Environment	<b>7:</b> Businesses should support a precautionary approach to environmental challenges.	<p>Exxaro adopts the precautionary principle, which is entrenched in the National Environmental Management Act (NEMA), when evaluating the environmental impacts of business opportunities.</p> <p>We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:</p> <ul style="list-style-type: none"> <li>• Ensuring all activities are properly authorised</li> <li>• Complying with all statutory environmental requirements as a minimum</li> <li>• Using energy and water as efficiently as possible</li> <li>• Conducting activities responsibly from the twin perspectives of compliance and natural resource use</li> <li>• Actively participating in voluntary benchmarks, such as the global carbon and water disclosure projects</li> <li>• Developing innovative policies and programmes to address environmental impacts and use of natural resources.</li> </ul> <p>Comprehensive group standards have enhanced the implementation of legal requirements and sustainable use of natural resources. These include management standards for air quality, water, energy, rehabilitation and mine closure, and environmental incident management and reporting.</p> <p><b>Legal compliance</b> South African mining companies are heavily regulated, with compliance centred on receiving, converting and retaining all mining rights. To ensure we continue to meet legal requirements as a minimum, compliance across Exxaro is monitored by two board-mandated entities: the sustainability, risk and compliance committee as well as the social and ethics committee.</p> <p>Running all our operations with approved EMPs is fundamental to our sustainability and legal</p>	<p>All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.</p> <p>All our South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and National Environmental Management Act (NEMA). These are key indicators in ensuring Exxaro remains a sustainable business.</p> <p>In 2015, five environmental authorisations (under NEMA) were granted for FerroAlloys expansion, Thabametsi, Belfast Rietkuil siding, Matla mine new shaft and Leeuwpans block OI, and the environmental management plan (MPRDA) approved for Grootegeluk's infrastructure projects.</p> <p>Exxaro received no environmental stoppage directives during the review period. A fine was</p>

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		compliance. Some EMPs are being updated to align to the MPRDA and to include new developments.	issued to ECC Tumelo Coal, which has been paid and an environmental authorisation is awaited from the authorities.
	<b>8:</b> Undertake initiatives to promote greater environmental responsibility.	<p>After a strategic review of key environmental risks from Exxaro's operations, the following challenges were identified (dealt with in specific sections of this report):</p> <ul style="list-style-type: none"> <li>• Air quality management</li> <li>• Water quality management, security of supply</li> <li>• Hazardous waste management</li> <li>• Biodiversity management</li> <li>• Ongoing rehabilitation</li> <li>• Cost of, and provision for, environmental liabilities</li> <li>• Lead time for securing environmental authorisations</li> <li>• Improving compliance to granted environmental licences</li> <li>• Increasing statutory and non-statutory environmental requirements.</li> </ul> <p><b>Air quality</b> As a mining group, air quality is a risk to Exxaro on several levels, particularly dust and other pollutants (eg PM<sub>10</sub> and PM<sub>2.5</sub>) from opencast operations. Accordingly, we focus on:</p> <ul style="list-style-type: none"> <li>• Minimising impact on the receiving environment</li> <li>• Full legislative compliance</li> <li>• Air quality management planning</li> <li>• Risk management</li> <li>• Monitoring, measurement and reporting.</li> </ul> <p>Daily measures ensure we address the challenges of Exxaro's dust-generating activities (blasting, drilling, crushing and screening, vehicle entrainment, materials handling and wind erosion of exposed operational areas). These include applying dust-suppressant agents on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material.</p> <p>All mining operations monitor daily dust fallout rates and results are assessed against national regulations. . We track our compliance against the stringent residential limit (600mg/m<sup>2</sup>/day) instead of the non-residential limit (1 200mg/m<sup>2</sup>/day) to minimise the impact on residents. This will ensure fallout dust is reduced to the residential limit.</p>	<p><b>Dust</b> Comparing Exxaro's dust-fallout rate against the regulated non-residential limit (1200mg/m<sup>2</sup>/day), no operation exceeded the two allowable annual limits in 2015.</p>

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		<p><b>Carbon footprint</b> Operational activities are guided by our climate change response strategy. A steering committee oversees related improvement projects and activities, and ensures these are aligned with Exxaro's climate change position statement.</p> <p>This supports a clear understanding of the risks and opportunities presented by energy and emissions in the broader sense, and enables operations to focus on managing energy, emissions and other climate change-related issues.</p> <p>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><b>Carbon disclosure</b> Exxaro participates in two programmes: CDP Climate Change (since 2008) and CDP Water. The CDP (formerly the Carbon Disclosure Project) is a UK-based global climate change reporting system. Our carbon performance is externally assured annually.</p> <p><b>Water management</b> Water is a strategic natural resource for South Africa. It is also key to our business. The Exxaro water management policy therefore defines our commitment to the sustainable use of water, with a strong focus on efficiency through reuse and recycling. This policy is aligned to the legislative environmental framework governed mainly by the National Water Act 36 1998. In support of the act, the Department of Water Affairs has issued an integrated water resource management hierarchy that prioritises mine and waste management decisions and actions. This</p>	<p><b>Carbon emissions</b> Diesel and electricity are Exxaro's primary sources of energy. Total energy consumed increased by 0,8% in 2015 to 4 364 142 giga joules (GJ), mainly on higher electricity use which rose by 10%. The bulk of this was due to expansion activities at Grootegeluk. Energy sourced from diesel consumption decreased 6,8% in 2015.</p> <p><b>Diesel consumption</b> Diesel is the most significant energy source in our coal operations, consuming over 50% of energy alone, slightly ahead of energy from electricity consumed in 2015. The electricity and diesel intensity in 2015 per total tonnes mined was respectively 3 72MWh/kt and 363ℓ/kt.</p> <p>By continuing focusing on diesel efficiency, we have reduced consumption by over 13,5% in 2015 from 2012, despite a significant rise in diesel consumption at Leeuwpan and North Block Complex.</p> <p><b>Energy management</b> Our coal operations account for almost all energy consumption in the group after divesting of the mineral sands and base metals businesses in recent years. As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption, including projects to specifically increase the efficiency of diesel and electricity use. This led to a significant decrease in energy consumed through electricity in 2015, on the back of increased production.</p> <p>Specific energy-intensity improvement targets were set for each operation in 2015. 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><b>Status of integrated water use licences</b> Water use for most Exxaro operations is authorised under the old Water Act (1956). In recent years, after all operations submitted their integrated water use licence (IWUL) applications, we have steadily migrated these authorisations to the National Water Act (1998). By January 2016, 12 IWULs were approved and four pending.</p>

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		<p>hierarchy informs both our policy and strategy on mine and waste water management as:</p> <ul style="list-style-type: none"> <li>• Pollution prevention</li> <li>• Minimise environmental impacts</li> <li>• Maximise water reuse and reclamation</li> <li>• Responsible water discharge and disposal</li> <li>• Water treatment.</li> </ul> <p>Translating policy into action, our management standard on water for mining and industrial use articulates our commitment to develop and implement an effective integrated water and waste management plan across the lifecycle of a mine. This includes planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard reflects management's vision to:</p> <ul style="list-style-type: none"> <li>• Ensure a cost-effective integrated approach to water management</li> <li>• Be environmentally responsible</li> <li>• Be ecologically sustainable.</li> </ul> <p>These management standards are enacted by adhering to the Department of Water and Sanitation's best practice guidelines on:</p> <ul style="list-style-type: none"> <li>• The integrated water and waste management plan</li> <li>• Stormwater management planning</li> <li>• Water and salt balances</li> <li>• Water monitoring systems</li> <li>• Water reuse and reclamation</li> <li>• Pollution control dams</li> <li>• Environmental performance indicators.</li> </ul> <p>Water management is integral to our licence to operate and, in recent years, we have made considerable progress on our focus areas, notably:</p> <ul style="list-style-type: none"> <li>• Our vision, strategy and policy for water management</li> <li>• Data management that facilitates water accounting and reporting</li> <li>• Regulatory compliance</li> <li>• Improving skills and knowledge in water management</li> <li>• Water and related technology solutions</li> <li>• Water business opportunities</li> <li>• Stakeholder engagement</li> <li>• Communications.</li> </ul> <p>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</p>	<p><b>Water withdrawal performance</b></p> <p>Exxaro increased water withdrawals by 20% in 2015 compared to 2014. This is mainly due to Grooteegeluk, where the two new plants (GG7</p>



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		<p>water conservation plans that support the national strategy to ensure equitable distribution of water resources that allows for business growth and protection (sustainable use).</p> <p>We are also committed to protecting and improving water quality by ensuring the water we discharge is the same or better than the original. Central to this are the three water treatment plants planned for our Mpumalanga region as part of our long-term water management strategy. These plants 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 (case study). The second plant is being commissioned at North Block Complex, and is expected to be fully operational later in 2016. For the plant at Arnot, a pre-feasibility study has been completed, and a bankable feasibility is under way. This plant is expected to be in operation by 2017.</p> <p>Our prime focus is 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 3 mega litres a day, this plant operated well during the year and reduced Matla's intake of fresh water slightly.</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. Two technologies were successfully tested ahead of scaling up and implementation.</p> <p><b>Hazardous waste management</b> Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group-wide standard enforces use of the waste management hierarchy, which in turn promotes waste prevention or minimisation, reuse, recycling, recovering energy and ensuring safe disposal of waste in line with the National Environmental Management: Waste Act 59 2008 and supporting legislation.</p> <p>We are setting up recycling stations in selected business units to divert all recyclable wastes currently being sent to landfill sites for potential and practical reuse options that make economic sense. We are also exploring opportunities with industrial partners and</p>	<p>and 8) are now fully operational. Other business units, including head office, show a slight reduction in water withdrawals, reflecting the ongoing commitment to operational efficiency.</p> <p>In 2015, coal operations accounted for 99% of our water withdrawals. Total withdrawals by these operations rose by 20% in tandem with higher production, leading to a slight increase in water intensity (water withdrawals relative to production). Water intensity for 2015, albeit higher, is still better than 2013 and underscores our commitment to water stewardship. The increase is largely due to higher withdrawals at Grooteegeluk. Given the relative scale of this mine, water withdrawal intensity rose across our coal operations. Water withdrawals at mines in closure are reducing significantly, as expected.</p> <p><b>Hazardous waste</b> The total weight of hazardous waste generated at our managed coal operations in 2015 was 1 814 tonnes (2014: 1 541 tonnes). The increase in volumes removed (18%) for 2015 reflects the planned clean-up operation conducted at a business unit to increase efficiency in the sewage treatment plant. This activity contributed to the increase in volumes (429 tonnes) in November 2015, as it involved removal of the sludge from the treatment plant by an external contractor and responsible disposal into a registered landfill. ECC operations produced small amounts of waste in 2015 (60 tonnes hazardous waste and 58 tonnes general waste).</p>

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		<p>research institutions to use viable solutions in converting waste into renewable energy.</p> <p>Exxaro is working with the Department of Environmental Affairs to adhere to regulations that eliminate the use of polychlorinated biphenyl (PCBs) materials in all equipment used by our operations by 2023.</p> <p><b>Responsible conservation of biodiversity</b> 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>We have 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 not finalised nor approved, given that Exxaro needed to align this 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>Performance reviews against biodiversity action plans continued in 2015. Our detailed management standard guides business units in implementing group policy, aiming to:</p> <ul style="list-style-type: none"> <li>• Ensure a cost-effective integrated approach to biodiversity management</li> <li>• Be environmentally responsible in protecting and managing biodiversity</li> <li>• 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.</li> </ul> <p>Wetland baseline assessments for all business units were updated in recent years and wetland maps for all business units compiled. These include: desktop NFEPA (national freshwater ecosystem priority areas) maps, Mpumalanga biodiversity sector plans (2014), site-specific wetland types and their</p>	

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		<p>distribution, present ecological status (PES) of each identified wetland and wetland type, and the ecological importance and sensitivity (EIS) of each identified wetland and wetland type. This data is used to consider biodiversity-sensitive areas as part of our business and mine-planning decisions. During mine planning, we consider the hierarchy of avoidance, minimisation, rehabilitation and, finally offsets.</p> <p><b>Biodiversity across the Exxaro group 2015</b> According to the latest national spatial biodiversity assessment report (2011) shape files of national protected areas, none of Exxaro's business units fall within these areas. Only Tshikondeni is next to a protected area (Kruger National Park), although several business units fall within protected vegetation types.</p> <p><b>Risk-based external reviews</b> In the first quarter each year, our sustainability department and each business unit perform a risk analysis based on the group environment and risk assurance process, with risks reported to appropriate management in terms of Exxaro's governance process. Where mines are eligible for an external review, these are conducted under commercial agreements with competent third parties.</p> <p><b>Concurrent rehabilitation plan</b> 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><b>Environmental liabilities and rehabilitation</b> All business units annually review their financial provisions. They also consider amendments to rehabilitation plans and closure objectives based on regular EMP performance assessments. The cost estimates of activities in the concurrent and final-closure rehabilitation programme are reviewed and adjusted where necessary.</p> <p>Water-related liabilities are calculated as per the Exxaro excess water risks and liability</p>	<p><b>Biodiversity</b> Exxaro has evaluated and identified all protected vegetation units with important conservation targets and listed as protected by the national spatial biodiversity assessment report (2011).</p> <p>Funds were spent on biodiversity management, including wetland offsets, wetland delineation and wetland studies and biomonitoring.</p> <p><b>Liabilities</b> At 31 December 2015, total land disturbed was 9 311ha and total rehabilitated 2 247ha. Exxaro's direct contingent liability for environmental rehabilitation has increased 37,9% after its commitments to the Department of Mineral Resources to address shortfalls on financial provisions for our operative mines. The company has committed to radical improvements to close the gap on concurrent rehabilitation, which will contribute to reducing these contingent liabilities by end</p>

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		<p>management standard.</p> <p><b>The Exxaro Environmental Rehabilitation Fund (EERF)</b> 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>The promulgation of regulation 1147 under NEMA on the financial provision for prospecting, exploration, mining or production operations will require a fundamental change in how we manage these in future. Exxaro continues to comply with effective MPRDA and NEMA regulations on environmental management.</p> <p><b>Mine closure</b> All closure activities are executed against risk-based principles. As several Exxaro mines are nearing their end of life, mine-closure planning is already in place to ensure the closure process complies with the latest legislative requirements.</p>	<p>2016.</p> <p><b>EERF</b> The EERF earned R66,2 million in 2015, which includes cash contributions, interest earned on investments and fair value adjustments. The fund has recorded 8,8% growth from an opening balance of R753 million in January 2015 to R819 million in December 2015. In addition, the group had bank guarantees of R1 457 million in place at year end. Updating these provisions biannually 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.</p> <p>In line with the growing government focus on rehabilitation, all our business units have reviewed their rehabilitation plans (with appropriate schedules and budgets).</p> <p><b>Mine closure</b> Exxaro had three operations in active closure in 2015 – Tshikondeni, Durnacol and Hlobane. Their closure environmental plans are being reviewed by the authorities.</p>
	<p><b>9:</b> Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Exxaro sponsors academic chair positions at universities in order to broaden the body of knowledge on sustainable development initiatives.</p> <p>Sixteen strategic initiatives have been identified to reach specific five-year goals, our strategy also articulates aspirational goals that include becoming self-sufficient in our operational water requirements and becoming a leader in water technology solutions.</p> <p>We are also committed to protecting and improving water quality by ensuring the water we discharge is the same or better than the original. Central to this are the three water treatment plants planned for our Mpumalanga region as part of our long-term water management strategy. These plants will have total capacity to treat 17,5 mega litres per day.</p> <p>We are also focused on optimising the use of <b>recycled water</b>. Innovative passive water</p>	<p>During 2015, Exxaro supported the following university research positions: initiatives:</p> <ul style="list-style-type: none"> <li>• The Global Change and Sustainability chair at the University of the Witwatersrand which focuses on water, sustainability and social interventions.</li> <li>• The Chair in Business and Climate Change at the University of South Africa</li> <li>• The Exxaro chair in energy efficiency at the University of Pretoria. Key research themes include mining system components, design efficiency in capital projects, mine engineering for energy efficiency, cogeneration (using waste heat to produce electricity for the same or related processes in those operations, smelter technology and efficiency, clean development mechanism (CDM) and carbon trading (carbon footprint and carbon-neutral study), as well as the low-carbon economy, and energy efficiency measurement, verification, baseline determination and evaluation.</li> </ul> <p><b>Recycled water</b> We have installed a filtration plant at Matla to</p>



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		<p>treatment systems are being evaluated by our R&amp;D department in collaboration with the University of the Free State and the Technology Innovation Agency as part of a long-term solution to water management including post-closure.</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. Two technologies were successfully tested ahead of scaling up and implementation.</p>	<p>treat water for reuse in underground workings. With a maximum capacity of 3 mega litres a day, this plant operated well during the year and reduced Matla's intake of fresh water slightly.</p> <p>Exxaro has developed a new treatment plant for acid mine drainage. Based in Belfast, the plant effectively treats major contaminants found in acid mining wastewater using a low-cost and low-maintenance passive water treatment system. This patented technology has treated over 1,8 million litres of acid mine drainage to date, producing water of a quality accepted for drinking purposes by the South African National Standards (SANS) 241:2006 and 2011 regulation. The pilot plant exploration is now complete and techno-economic studies for upscaling are under way.</p>

## Anti-corruption

	GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
Anti-corruption	<b>10:</b> Businesses should work against all forms of corruption, including extortion and bribery.	<p>We are driven by our desire to always operate as a responsible corporate citizen and recognise that an ethical culture underpins corporate governance and contributes to our licence to operate. Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices, guided by our values. Our values are captured in our ethics and related policies, which are approved by the social and ethics (SE) committee on behalf of the board. Our ethics management practices (including anti-bribery and corruption initiatives) and processes are aligned with international best practice.</p> <p>Ethics processes and policies are managed either by the general manager: risk, compliance and assurance or the group company secretary.</p> <p>Established policies, on which employees are regularly trained and which are frequently reviewed, include:</p> <ul style="list-style-type: none"> <li>• Code of ethics</li> <li>• Whistleblowing</li> <li>• Conflicts of interest</li> <li>• Fraud investigation</li> <li>• Fraud prevention</li> <li>• Fraud response</li> <li>• Gifts and benefits from suppliers.</li> </ul>	<p>In 2015, 457 cases of alleged unethical behaviour (2014: 448) were reported for investigation. In total, 201 people were subjected to disciplinary hearings, with 175 arrests made by the South African Police Service (SAPS) for criminal prosecution based on the results of referred investigations (2014: 164). The direct monetary value of cases reported and investigated was R18,5 million (2014: R16,7 million), with R11,0 million (2014: R10,5 million) recovered/saved.</p> <p>Copper cable theft has increased dramatically and affected Exxaro's loss-recovery rate, despite successes in concluding investigations and disciplinary actions.</p>

	GLOBAL COMPACT PRINCIPLE	SUMMARY OF ACTIONS TAKEN AND IMPACT ACHIEVED	MEASUREMENT OF RESULTS
		<p>We are confident that our robust policies and processes ensure full compliance with principle 10 of the United Nations Global compact on anti-corruption, OECD recommendations on corruption, and international legislation and best practice.</p> <p><b>Incidents of unethical behaviour</b> At Exxaro, reports of alleged unethical behaviour are received through the anonymous reporting hotline and other mechanisms. All reports are periodically reviewed by the 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>	

