



ABOUT THIS REPORT

This supplementary report complements and expands on information in the integrated report 2017 and mineral resources and ore reserves report. It also contains the Global Reporting Initiative (GRI) index. The 2017 suite of reports is published on the Exxaro Resources website (www.exxaro.com). The summarised group annual financial statements for the year ended 31 December 2017 and notice of annual general meeting were sent to shareholders, and are available online.

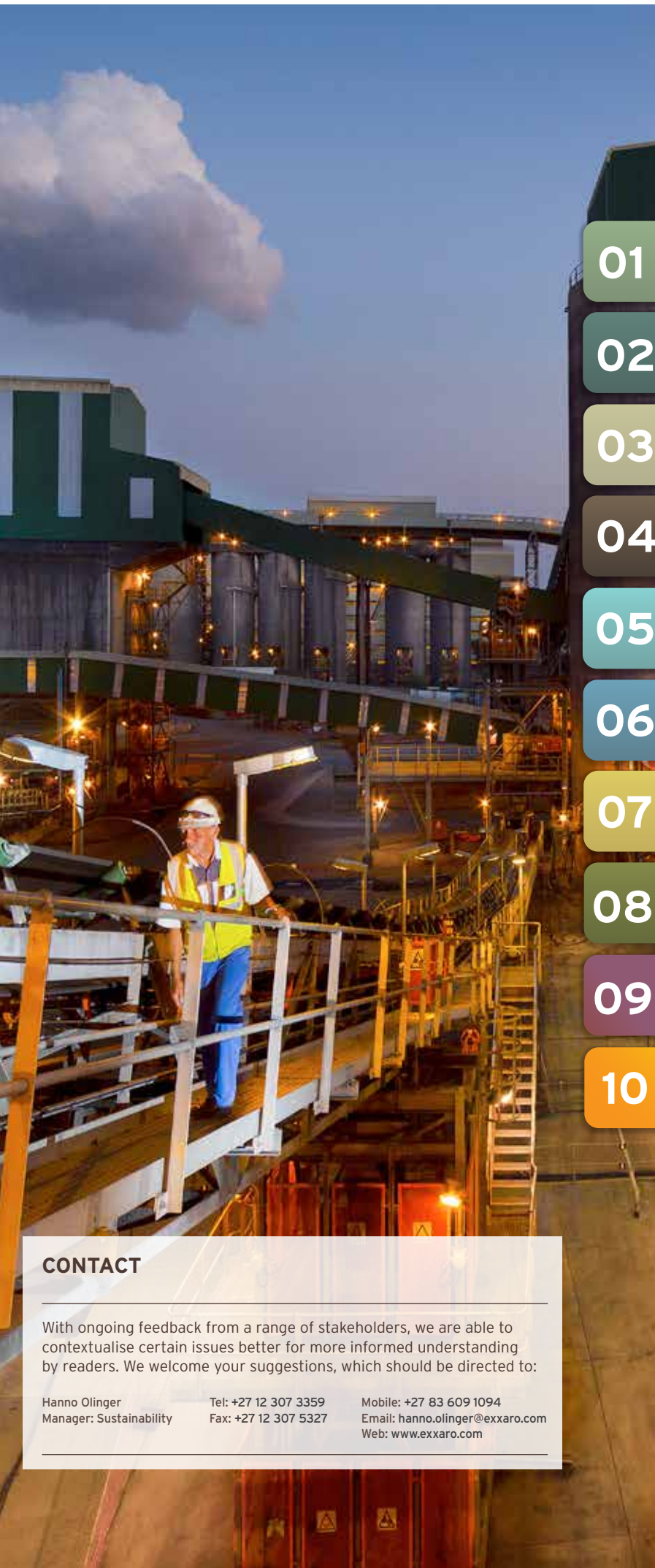
As with the integrated report, content is guided by our strategic objectives, legislative and regulatory requirements, including the Companies Act 71 of 2008, as amended (Companies Act), and the JSE Limited Listings Requirements (Listings Requirements), as well as global best practice standards, including the International Integrated Reporting Council's framework for integrated reporting, United Nations Global Compact, the latest GRI guidelines (Standards) and the King Report on Governance for South Africa 2016 (King IV).

This report includes limited information on operations where we do not have management control but hold a significant equity interest or joint control, namely Cennergi (energy), Sishen Iron Ore Company (a subsidiary of Kumba Iron Ore Limited) and Tronox Limited (titanium dioxide).

DISCLAIMER

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause Exxaro's actual results, plans and objectives to differ materially from those expressed or implied in any forward-looking statements.

Financial forecasts and data in this report are estimates which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. The company and its affiliates, advisers or representatives accept no responsibility for loss arising from the use of any opinion, forecast or data in this report. Forward-looking statements apply only from the date on which they are made and the company does not undertake any obligation to publicly update or revise its opinions or forward-looking statements to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based have not been audited nor reported on by Exxaro's independent external auditors.



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CONTACT

With ongoing feedback from a range of stakeholders, we are able to contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

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STRATEGIC PERFORMANCE DASHBOARD

Our strategy is detailed in our integrated report. Exxaro's strategic dashboard measures our key performance indicators (KPIs) across the sustainability capitals, from governance and compliance to best practice. The board and executive committee monitor the dashboard quarterly to ensure all sustainability-related risks and key metrics remain within our risk appetite.

For Exxaro, an integrated approach to sustainability and value creation for stakeholders lies in distilling every facet of our business (strategy, risk management, compliance KPIs, licence to operate, audits, assurance and performance measurement) into a coherent whole - focused on our stated goals.

Over the past five years, we have refined the way we do business to ensure the way we manage our strategy is both integrated and holistic. Key steps included:

- › Implementing an integrated risk management framework, ensuring everyone clearly understands what is material to the company and why
- › Establishing a sustainability framework
- › Identifying KPIs aligned with material issues, risks and our sustainability framework, each measured against a tolerance level or appetite set by our board
- › Linking the combined assurance plan with risks, material issues and KPIs.

The result of this process is a fully integrated strategic performance dashboard that gives the board and executive committee the most critical information required to measure and manage the company's strategy and performance. It also provides a transparent and consolidated view for stakeholders on our drivers for creating value and ensuring sustainability.

The tool we use to determine whether we are on track to achieve our objectives is the Exxaro strategic performance dashboard. As explained in the board review, this dashboard has built-in risk appetite thresholds to ensure the company's decisions in pursuing its strategic objectives are in line with the risk threshold which, as a whole, makes up the risk appetite of the group.

How to interpret the dashboard

The dashboard lists all KPIs linked to a strategic priority/sustainability capital/strategic objective and material issue. Current performance and the status of the indicator (shown as a bulb) reflects whether the KPI is within our risk appetite thresholds. We aim to be within the target threshold: anything outside worst tolerable and target means we act outside our defined risk appetite in pursuing our strategic objectives. This will require additional controls or improving existing controls.

Example of KPI measure

Exxaro has a strategic objective of improving our portfolio; one of the KPIs linked to this objective is core operating margin. Anything outside of worst tolerable or target will mean that we underperformed or overperformed and appropriate action will be taken.





































KPI current performance

KPI	Current performance	Legend (indicator)
Core operating margin	25%	






KPI threshold

KPI	Threshold				
	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%
Legend	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity (exceeding target)

Changes to a negative
 Changes to a positive
 Information has not changed
 New KPI this period

 Human capital	2017		2016		Trend
	Actual	Indicator	Actual	Indicator	
Number of fatalities	1		0		
Lost-time injury frequency rate (LTIFR) per 200 000 hours	0,12		0,09		
Lost-time injuries (LTIs)	21		15		
Occupational health incident frequency rate (OHIFR) per 200 000 hours – reported	0,33		0,28		
‣ Chronic obstructive airways disease (COAD)					
‣ Noise-induced hearing loss (NIHL)					
‣ Pneumoconiosis					
‣ Silicosis					
‣ Occupational TB					
Occupational health (accepted cases include COAD, pneumoconiosis, NIHL, silicosis and TB)	22		14		
Non-occupational diseases (chronic diseases, eg diabetes, high blood pressure, etc)	17		–	–	
People who received HIV/Aids awareness training (% of group)	90		–	–	
% of employees who received awareness training and voluntarily tested for HIV/Aids	100		–	–	
HIV/Aids prevalence rate (%) compared to country prevalence rate	4,2		–	–	
Skills provision (% of internal appointment of critical skills)	56,1		65		
Scarcity skill retention (% turnover)	5		4,9		
Fraud and corruption/asset destruction (annual % of PPE, inventory, debtors and cash)	0		0,11		
Successful civil and criminal liability claims against Exxaro or other non-compliance penalties (% of revenue)	0		0		

KPI threshold






KPI	Threshold				
	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%
Legend	 Out of appetite	 Worst tolerable	 Best realistic	 Target	 Possible waste/opportunity (exceeding target)

 Changes to a negative
  Changes to a positive
  Information has not changed
  New KPI this period

STRATEGIC PERFORMANCE DASHBOARD (CONTINUED)

 Natural capital	2017		2016		Trend
	Actual	Indicator	Actual	Indicator	
Reportable cases of environmental incidents	1 Level 2 0 Level 3		5 x Level 2 0 x Level 3		
Stoppage directives (including section 54 under MHSA, section 93 under MPRDA and directives under NWA and NEMA)	0		5		
Valid mining rights (in place or not) – current operations (MWP and SLP) (%)	100		98		
Valid mining rights (in place or not) – projects (MWP and SLP)	100		–	–	
Valid authorisations – current operations (EA, IWUL, AEL, EIA and ROD)	100		–	–	
Valid authorisations – projects (EA, IWUL, AEL, EIA and ROD)	100		–	–	
Compliance to valid licences/authorisation in place (%) – current operations (EA, IWUL, AEL, EIA, ROD and reporting)	91,03		–	–	
Compliance to valid licences/authorisation in place (%) – projects (EA, IWUL, AEL, EIA, ROD and reporting)	99,83		–	–	
Environmental liability provisions in place – commercial operations (%) (gap between immediate closure cost and rehabilitation funds available excluding guarantees)	24,2		–	–	
Environmental liability provisions in place – captive operations (%) (gap between immediate closure cost and rehabilitation funds available excluding guarantees)	8,7		–	–	
Carbon footprint (scope 1) (kt CO ₂ e)	324,9		272		
Carbon footprint (scope 2) (kt CO ₂ e)	539		501		
Carbon intensity (kt CO ₂ e/TTM)	5,4		6,0		
Water intensity (kℓ/TTM)	0,18		0,22		






KPI threshold

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Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%
Legend	 Out of appetite	 Worst tolerable	 Best realistic	 Target	 Possible waste/opportunity (exceeding target)

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  Changes to a positive
  Information has not changed
  New KPI this period

















 Social capital	2017		2016		Trend
	Actual	Indicator	Actual	Indicator	
Ownership at group level (%) – mining charter	34,8		52		
Employment equity (%) in top, senior and middle management at business units – mining charter	57,3		58		
People living with disabilities – mining charter	1,0		1,27		
HR development (% payroll excluding levies, including internal and external training) – mining charter	5,1		4,5		
Women in mining (%) (internal target)	20,8		20		
Preferential procurement – capital (%)	69		64		
Preferential procurement – services (%)	78		78		
Preferential procurement – goods (%)	79		76		
BBBEE level (against BEE Act 53 2003)	Level 6		Level 4		
Skills development – learning programmes for black people and people living with disabilities – target as % of payroll excluding mandatory sectoral training – BBBEE codes)	2,3		2,41		
Project delivery measure – LED projects per SLP (time variance from plan) – mining charter (%)	-15		-13		
Project delivery measure – LED projects per SLP (cost variance from plan) – mining charter (%)	-5		-17		























KPI threshold

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 Changes to a negative
  Changes to a positive
  Information has not changed
  New KPI this period

STRATEGIC PERFORMANCE DASHBOARD (CONTINUED)

 Manufactured capital	2017		2016		Trend
	Actual	Indicator	Actual	Indicator	
Capital project delivery measure (time)	0,7		1,2		
Capital project delivery measure (cost)	-1,0		-0,3		
Country risk as per assessment criteria (key drivers physical security and security of tenure)	Done		Done		
Core assets (priority 1 solutions) overall performance against service level agreement	97,1%		99,8%		
Asset availability of enterprise resource planning systems	99,5%		99,6%		

 Financial capital	2017		2016		Trend
	Actual	Indicator	Actual	Indicator	
Core operating margin (%)	25,5		24		
Return on capital employed (ROCE) (%)	25		23		
Return on equity based on core headline earnings (HEPS) (%)	16,6		15		
Core HEPS (cps short-term target)	2 011		1 457		
Net debt to equity (times)	3		12		
Net debt to annualised EBITDA (times)	0,1		0,6		
EBITDA interest cover (times)	15		11		

KPI threshold

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	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
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  Changes to a positive
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  New KPI this period

MATERIAL ISSUES FOR 2017

02

Material issues

Each year, our material issues are distilled from a comprehensive process that includes internal and external stakeholder engagement combined with prudent risk management. Each material issue includes related high-level risks, as indicated.

MATERIAL ISSUE	RELATED RISKS
Key customer dependency	<ul style="list-style-type: none"> › Eskom › ArcelorMittal SA
Our people	<ul style="list-style-type: none"> › Safety › Health › Labour unrest › Fraud and corruption › Unavailability of critical skills
Business resilience	<ul style="list-style-type: none"> › Price and currency volatility › Inability to be innovative › Cost competitiveness of products › Competition and product substitution › Unable to meet production demands › Unavailability of water › Stranded assets › Cyber security threats › Unavailability of energy › Inability of IT systems to support business › Climate change concerns
Social licence to operate	<ul style="list-style-type: none"> › Maintain a social licence to operate › Legal and regulatory non-compliance › Compliance to environmental legislation › Mine rehabilitation › State intervention in the mining sector › Acid mine drainage/decanting › Geopolitical uncertainty › Community unrest
Capital allocation and execution	<ul style="list-style-type: none"> › Capital project execution › Infrastructure access and capacity › Lack of funding for infrastructure › Inability to grow (pipeline shrinkage) › Mergers and acquisition activity

REMUNERATION REPORT

Background statement

Dear shareholder

I am pleased to present the remuneration report and accompanying implementation report for the year to 31 December 2017 (FY17) for the Exxaro group of companies. These reports comply with the King IV Report on Corporate Governance for South Africa 2016 (King IV).

The way Exxaro remunerated its people in the review period reflects the context in which the company operated and the dynamics of the market. The previous reporting period was marked by internal uncertainty during which a new operating model was defined, a number of employees left the group through voluntary and forced separation and a relatively negative external market. In the current reporting period, the new operating model was implemented successfully which lead to more internal stability and the external market improvement lead to a more prosperous future. The setting of stretched targets, during this period at the various levels within the organisation and cascading those down to individuals, is seen in the achievement of the results.

The 2017 report provides an overview of the remuneration policy for all employees, including executive directors and senior management, as well as non-executive directors and prescribed officers. No changes were made to the remuneration policy during the period of review. The remuneration philosophy and policy are publicly available on our website, www.exxaro.com. As its name suggests, the implementation report details how we effected that remuneration policy and related incentive policies.

2016 shareholder vote

The result of voting on the 2016 remuneration report reflects 71,4% approval by shareholders. In response, the committee interacted with shareholders directly or received written comments. The contributions made by shareholders are appreciated as well as the positive way in which these interactions are taking place. A general issue raised was to consider the performance conditions of long-term incentives. The committee evaluated the comments and various proposals, however, decided to remain with the current performance conditions which provide a balance between stakeholder interest and operational focus.

Key remuneration decisions in 2017

Notable matters and key areas of focus for the committee for the review period included:

- › Implementation of the Exxaro improvement project
- › Exxaro Mpower (2012) employee share ownership plan. Dividend payments were made and the scheme was wound up in May 2017
- › Conclusion of three-year wage agreements in July 2017 for Exxaro Coal Proprietary Limited, Exxaro Coal Mpumalanga Proprietary Limited and Ferroland Grondtrust Proprietary Limited
- › Conclusion of a two-year wage agreement for Coastal Coal Proprietary Limited in July 2017

- › Share scheme offers to management for 2017
- › Approving the mandate for the 2017 reward allocation
- › Tracking and assessing cost savings related to the restructuring process
- › Considering changes to the board necessitated by the new black economic empowerment (BEE) transaction and filling vacancies brought about by other possible movements of directors, as well as the need for detailed succession planning for the board and its committees.

Remuneration advice

Exxaro continues to obtain independent and professional advice on remuneration matters. In the review period, Exxaro obtained advice from consultants who, in the view of the committee, can be regarded as fully independent:

- › Deloitte advised the committee on how the Tronox and BEE transactions impacted payment of long-term incentives and associated targets
- › Deloitte advised on the structure and input of this remuneration report.

In addition, remuneration benchmark data was procured from various consultants:

- › Korn Ferry Hay for guaranteed remuneration benchmarks on specific positions
- › PwC and Mercer for non-executive, executive and general staff remuneration benchmarks
- › PwC and EY for non-executive and executive director benchmarks.

Looking ahead

With the unwinding of the Exxaro Mpower (2012) employee share ownership plan a new replacement scheme will be developed during 2018.

Towards the end of 2017, Exxaro concluded a new BEE deal and began disposing of its holding in Tronox. The remuneration committee (remco) believes both transactions will have an impact on our employee long-term incentive plan (LTIP) and deferred bonus plan (DBP).

An independent review considered the impact of these transactions and a number of recommendations were made to ensure scheme participants were not negatively affected by the implementation of either of the two deals. The review sought to ensure that the following objectives were achieved:

- › All proposed changes are allowable under the rules of the LTIP and DBP
- › Proposed changes place participants in a neutral position so that they are not unfairly advantaged or disadvantaged by either of the corporate actions
- › The proposed changes ensure shareholders are not negatively impacted.

In essence, the two corporate actions will:

- › Potentially affect the Exxaro share price. A large portion of the proceeds from the Tronox sale will be returned to shareholders by way of two special dividends. It is

important that long-term incentive participants are not worse off as a result of this dividend and careful attention will have to be paid to 2017 and 2018 grants to ensure participants are compensated for these dividends

- › Impact the headline earnings per share (HEPS) performance metric. Exxaro incurred a significant expense with the BEE deal in 2017, which was outside the control of scheme participants. In addition, a large number shares will be consolidated into treasury shares which will also affect the calculation of HEPS.

The mechanics of these proposed adjustments will be disclosed in more detail in next year's remuneration report as vesting in 2017 was not impacted by either of these actions.

2018 Key performance indicators of the remco

- › Ensure appropriate director appointments as per the BEE transaction
- › Review metrics for annual bonuses to ensure they are aligned with Exxaro's Strategy
- › Consider effectiveness of current remuneration advisers and whether we need to change
- › Review incentive plans to confirm whether or not they are having the desired impact
- › Review skills set on board, and address and refresh, taking into account of representivity and independence
- › Ensure human resources policies, relationships with business and stakeholders are fair, consistent and sustainable.

In the view of the committee, Exxaro's remuneration strategy delivered a sound value proposition to employees in the past year. Our vision for rewards is to provide simple, integrated, holistic solutions, common messages and a package differentiated from the market for Exxaro to attract, retain and energise talented, high-performing people. Remuneration has been fully integrated into other management processes such as performance management, talent management and group human resources policies.

Exxaro understands that remuneration plays a critical role in attracting and retaining high-performing individuals. As such, the committee firmly supports the principle that pay must be aimed at reinforcing, encouraging and promoting superior performance.

I wish to thank my fellow committee members for their support and wise counsel during the year under review, as well as the executive head, human resources and her staff for their hard work and dedication to ensure that Exxaro remains competitive in the market and an employer of choice for all its employees.

Dr CJ Fauconnier

Chairman

Remuneration and nomination committee

Remuneration overview

Introduction

This report elaborates on Exxaro's remuneration policy for non-executive directors, executive directors, prescribed officers, senior management and all other employees. The way Exxaro remunerates employees is aligned to the strategic direction and specific value drivers of the respective businesses, supporting the philosophy of operational excellence, continuous improvement and innovation.

In striving to address fair and responsible remuneration for executive management in the context of overall remuneration, the remuneration policy specifically addresses the economics and ethics of remuneration. Cognisance has therefore been taken of the gap between the general workforce and executive pay. The policy provides for an annual assessment of the wage gap and consideration of any appropriate actions. In addition, the principles of internal parity, reward for performance and market competitiveness apply, facilitating fair and responsible remuneration.

This overview of the remuneration policy and accompanying implementation report will be tabled in two separate resolutions every year for separate non-binding advisory votes by shareholders at the annual general meeting. The resolutions require that shareholders express their views separately on the remuneration policy and its implementation.

The non-binding advisory vote will provide an opportunity for shareholders to influence Exxaro's perspective on remuneration matters, specifically the structure of total remuneration in terms of policy (ie salary, benefits, perks, short-term and long-term incentives) as well as implementation of the policy and how this translates to actual salaries, incentives and benefits. The nature of the advisory vote is therefore feedback on the remuneration policy (forward looking) and implementation of the policy (backward looking).

If either this remuneration policy overview or the accompanying implementation report is voted against by 25% or more of the voting rights exercised, the remco will again engage with major shareholders to ascertain reasons for the dissenting votes. Reasonable and material issues raised will be addressed, including amending the remuneration policy, or clarifying or adjusting remuneration governance and processes.

REMUNERATION REPORT (CONTINUED)

Feedback from the engagements will continue to be included in the background statement of the remuneration report. An overview of the components of remuneration is tabled below:

Remuneration elements	Sub-element	Employee categories					Bargaining unit
		Management and specialist category					
		Executive management	Senior management	Middle management	Junior management		
		F band	E band	DU and DM band	CU and DL band		
A to CM band							
Guaranteed remuneration							
Guaranteed remuneration	Notional cost of employment or basic salary	Annual adjustments based on: <ul style="list-style-type: none">› Performance› External market› Internal parity› Affordability				Annual adjustments based on: <ul style="list-style-type: none">› Wage negotiations› Mandate on affordability› Industry benchmarking	
	Benefits	<ul style="list-style-type: none">› Retirement fund: employer and employee contributions› Risk benefits› Medical health scheme: employer and employee contributions› Housing: company housing or allowances/subsidies applicable to specific business units					
	Circumstantial remuneration	<ul style="list-style-type: none">› Job-specific› Skills scarcity› Severance payments					
Short-term incentives							
Variable remuneration	Short-term incentives	Special performance reward: <ul style="list-style-type: none">› Based on individual performance: focus on strategic business targets			Not applicable		
		Short-term incentive scheme: <ul style="list-style-type: none">› First tier on achieving budgeted operational target› Second tier above-target improvement incentives› Capped at 20% of Exxaro's above-budget improvement					
Long-term incentives							
	Long-term incentives	Deferred bonus plan (EM and above) <ul style="list-style-type: none">› Share match		Not applicable			
		Long-term incentive scheme (DM and above) <ul style="list-style-type: none">› Performance conditions			Not applicable		
		Share appreciation right scheme (phasing out, no new allocations since 1 April 2012) <ul style="list-style-type: none">› Performance conditions			Not applicable		
		Not applicable				<ul style="list-style-type: none">› Employee share plan Mpower 2012	

Remuneration philosophy

In line with the remuneration policy, our philosophy stipulates:

- › We believe our people are one of our key competitive sources of value and that achieving corporate goals and business objectives must be supported by the way we reward people for their contribution. We primarily remunerate people for the value they add to Exxaro, making remuneration a vital part of the total employee offering.

Remuneration practices continue to:

- › Support the business strategy of Exxaro
- › Support our people strategy
- › Support the importance of skills, knowledge and experience, applied in context
- › Inspire superior performance of the organisation, teams and individuals
- › Encourage the development of skills required for future company needs
- › Be based on the principle of sharing in the success of the company
- › Target attraction of the right talent to fit organisational needs
- › Be designed to retain high-quality talent with the optimum mix of skills
- › Align employee engagement to Exxaro's vision and mission through the total employee offering (both financial and non-financial rewards)
- › Differentiate appropriately through various reward practices and processes, based on job outputs and contribution
- › Comply with clauses prohibiting discrimination in the Constitution of the Republic of South Africa (Act 108 of 1996, as amended), and the Employment Equity Act (Act 55 of 1998, as amended)
- › Allow maximum flexibility in the use and reward of the workforce
- › Provide maximum choice for individuals in structuring their reward
- › Establish accountability and ownership of the reward process with line management
- › Ensure a balance between affordability and quality of life for employees.

This remuneration philosophy and attendant policies are widely shared with employees, and can also be accessed by the public via an electronic link on our website.

The guiding principles on remuneration arrangements for all employees, including executive management, are:

- › **Internal parity:** Exxaro supports the principle of fair and equitable remuneration, equal pay for work of equal value, as per section 6(4) of the Employment Equity Act and the Code of Good Practice on Equal Pay/Remuneration for work of equal value. Employees are remunerated against the outcome of a structured job-evaluation process that determines the relative value of the job. Remuneration may

differ due to individual performance or other justifying factors as indicated in the Code. Remuneration differentiation is monitored and reported as necessary

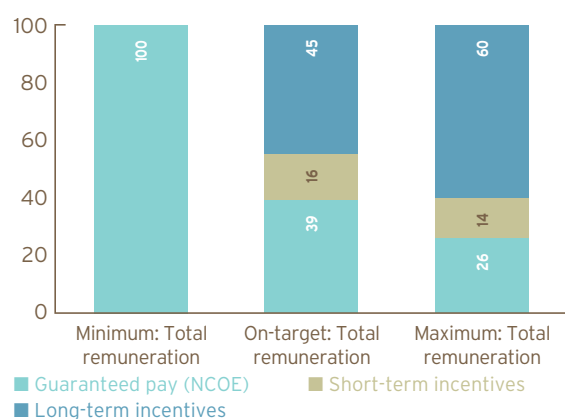
- › **Market competitiveness:** Exxaro manages remuneration to ensure market competitiveness in attracting and retaining individuals with the required knowledge, skills and experience to further its objectives. Remuneration is analysed by annual benchmarking against the appropriate market remuneration value established per job family and grade, applicable to the mining industry and specific business-related industries. It is formulated to be flexible enough to attract and retain the required knowledge, skills and experience throughout business, economic and commodity cycles. Where scarce competencies are identified, individuals are paid in line with relevant specialist markets
- › **Remuneration ranges:** Role levels, job-evaluation results and market medians form the basis of remuneration range structures (pay scales). Broad-band remuneration ranges with minimum and maximum values allow for flexibility, based on market trends and performance. Remuneration ranges are reviewed at least annually to ensure ongoing market competitiveness
- › **Remuneration packages and benefits:** Exxaro manages remuneration on the basis of individual guaranteed total cost to company, to determine market competitiveness. Market remuneration trends inform the design of variable and circumstantial remuneration schemes. All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances. Non-bargaining employees have flexibility in structuring their remuneration within certain company and legislative limitations
- › **Reward for performance:** Organisational and individual performance is the basis for all remuneration, supported by a robust performance management process (only applicable to the management and specialist category and corporate non-management and specialist category of employees). Exxaro remunerates and rewards commitment to both organisational and individual performance. Employees are expected to deliver performance proportionate with the reward offered
- › **Remuneration-setting process:** The executive head, human resources obtains remuneration mandates from exco on behalf of line management. Mandates always consider the ethics of remuneration
- › **Economics and ethics of remuneration:** Pay equity is an increasingly visible ethical and sustainability theme, with the focus on measuring and monitoring the remuneration range between the workforce and executive pay
- › **Company performance and affordability:** Exxaro's ongoing sustainability is key in determining remuneration levels and mandates. Exco and remco assess the performance of the organisation, consequent affordability of mandates, impact of the total labour bill on the cost profile, as well as Exxaro's sustainability. Remco, at its sole discretion, may overrule any of these principles, if necessary, for the sustainability of the organisation

REMUNERATION REPORT (CONTINUED)

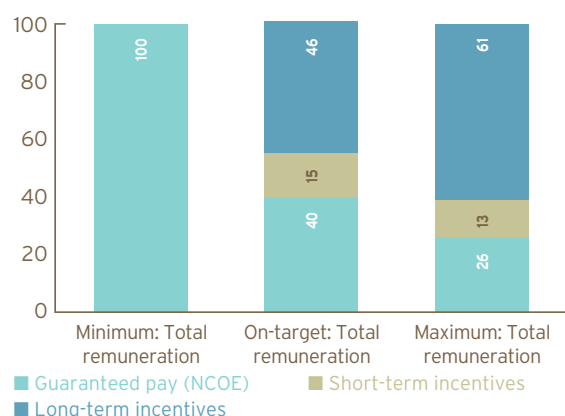
➤ **Communicating remuneration issues:** Remuneration and performance expectations are communicated clearly and frequently to employees and broader stakeholder groups to establish clear reward expectations.

Below we illustrate the potential consequences on the total remuneration pay mix for executive management, applying the remuneration policy under minimum, on-target and maximum performance outcomes:

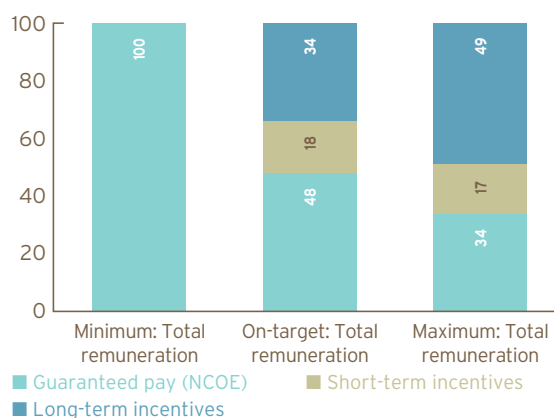
CEO: pay mix (%)



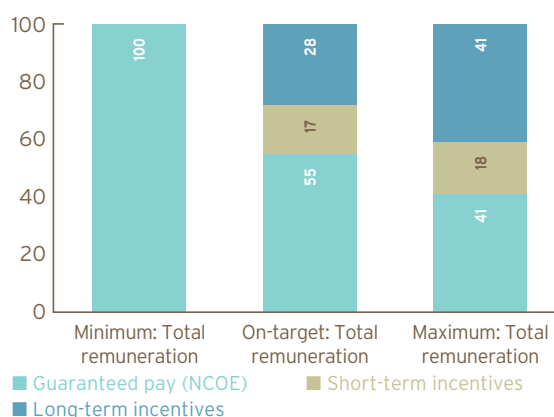
Finance executive: pay mix (%)



Prescribed officer (on Paterson band F-lower): pay mix (%)



Prescribed officer (Paterson band E-upper): pay mix (%)



Short-term incentives

The Exxaro short-term incentives are detailed on page 21. The following schemes, based on individual, business unit and commodity and group-level performance, are in place: Special performance reward (SPR) and the two-tier short-term incentive (STI).

Long-term incentives

The Exxaro long-term incentives are detailed on page 21. Exxaro makes general share offers to participants once a year under the long-term incentive plan (LTIP) and deferred bonus plan (DBP).

Share appreciation right scheme (SARs)

Participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time the rights were granted and the share price when the rights are exercised on condition the shares appreciate in value. This scheme is being phased out and no new allocations have been made since 1 April 2012. The last awards for the period 1 April 2011 to 31 March 2012 were tested, but no vesting took place and participants did not receive any benefit.

Grant limits	Employees on Paterson band DM-FU
Vesting period	Three years. If the performance condition is met, share appreciation rights vest and participants have to exercise their right within seven years from the date of offer
Performance conditions	Headline earnings per share (HEPS) set by the remco
Other	SARs awards not exercised within seven years lapse
Number of participants	Four

Mpower 2012 (Exxaro employee share option scheme)

The Exxaro Mpower 2012, our employee share-ownership scheme is detailed on page 15. This scheme wound up on 31 May 2017. A replacement scheme will be developed in 2018.

Guaranteed remuneration and employee benefits

Exxaro makes extensive use of remuneration benchmarks against appropriate peer groups in our chosen markets. The remuneration policy defines the market as country-specific companies, primarily in the mining industry, and functions attracting premium remuneration. We participate in a number of salary surveys to substantiate remuneration data. The aim is for total remuneration to be on the 50th percentile of the market for full performance.

Guaranteed remuneration adjustments to employees are aligned to fundamental principles:

- › Remuneration is based on performance: Through individual performance contracting and assessment
- › External competitiveness: The market median per job family and level is used to determine remuneration competitiveness
- › Internal equity: Same job with same performance should equate to same pay (excluding circumstantial remuneration)
- › Affordability: All salary account-related mandates are first included in the Exxaro financial forecasting model, to determine affordability.

In 2017, the salary increase for management and specialist categories (which includes all executives) was 7%, effective 1 April. Differentiated increases were given to employees based on performance and contribution.

All employees are members of one of the following retirement funds:

Fund description*	Employee contribution range	Employer contribution range	Total contribution range
Sentinel Fund	7,5% – 13,2%	12,5% – 20,52%	20% – 28,02%
Exxaro Pension and Provident Funds	7% – 8%	10% – 15%	17% – 23%
Iscor Employees Umbrella Provident Fund	7% – 8%	10% – 15%	17% – 23%
Mine Workers Provident Fund	8% – 10,7%	12,5% – 15%	20,5% – 24,65%

* Exxaro-accredited retirement funds are defined-contribution funds.

For bargaining-unit employees, a three-year wage agreement was reached, effective from July 2017 to June 2020, with all unions with collective bargaining rights at Exxaro Coal, Exxaro Coal Mpumalanga and Ferroland Grondtrust. A two-year wage agreement from July 2017 to June 2019 was concluded at Coastal Coal. The average increase for 2017 was 8%. Bargaining-unit employees have received increases of between 0,5% and 1,5% per annum higher than management and specialist category employees over the years to reduce the wage gap.

The committee annually evaluates employee benefits to:

- › Ensure all benefits are justified and correctly valued
- › Obtain assurance on the performance of retirement funds
- › Oversee major changes in employee benefit structures throughout the group
- › Determine the benefits of executive directors.

Benefits

Maternity leave

Exxaro provides four months' paid maternity leave.

Group personal accident cover

All employees qualify for group personal accident cover.

Retirement funds

Retirement fund contributions are made according to specific conditions of employment and fund rules for the different levels and categories of employees. Employer and employee contributions are reflected in note 14.3 of the annual financial statements. Contributions to medical funds, cost against income, are also reflected in note 14.4 of the annual financial statements.

REMUNERATION REPORT (CONTINUED)

Medical health schemes

Employees may annually elect to belong to any of the following medical schemes, as they apply to the relevant employers:

Employer	Exxaro Coal and Exxaro Coal Mpumalanga	Exxaro Resources Limited (including management and specialist employees in subsidiary companies)	Exxaro (other non-management and specialist employees)
Fund names	Bonitas Discovery Sizwe Umvuzo	Bonitas Discovery Sizwe Umvuzo	Bonitas Sizwe Umvuzo
Employer contributions	Main member: 60% Dependants: 50%	(included in net cost of employment (NCOE) package)	60% capped at rand value
Employee contributions	Main member: 40% Dependants: 50%		40%

Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements recognises a past practice (in Eyesizwe) that was discontinued with the creation of Exxaro in November 2006.

Short-term incentives

Special performance reward (SPR)

The scheme applies to Exxaro Resources Limited management and specialist permanent employees. In terms of the scheme, measurable objectives must be set and need to be achievable in one year. Rewards are paid to those who qualify at the end of March following the relevant year. A five-point rating scale is used. An employee who achieves 2 or below does not qualify for an SPR payment. A 3 rating will qualify for 90% of the base payment applicable to the employee's grade. A 4 rating qualifies for 100% of the applicable base payment.

Base payment factors per job grade:

PATERSON GRADE	INDIVIDUAL SPR FACTOR
F upper	37%
F middle	32%
F lower	32%
E upper	25%
E middle	20%
E lower, D upper	15%
D middle	10%

Two-tier short-term incentive scheme (STI)

The scheme applies to the Exxaro group and is based on business performance.

Tier one

The potential value, provided all targets have been achieved for the year, is 8,33% of gross annual remuneration. Required performance is above 90% against the target:

- › 90% achievement of target equates to 0% of potential 8,33% payment
- › 95% achievement equates to 4,165% of potential 8,33% payment.

Tier two

The potential value, provided all targets have been achieved for the year, is 10% of gross annual remuneration. Required performance is above 100% against the target. Business units qualify on a sliding scale between the threshold and a business unit-specific target.

Long-term incentives

Share appreciation right scheme (SARs)

This scheme is being phased out, and the last allocations made were in April 2012. In terms of the scheme, participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time the rights were granted and the share price when the rights are exercised. The vesting period is three years. If the performance condition, being headline earnings per share set by remco is met, participants have to exercise their right within seven years from the date of offer.

Long-term incentive plan (LTIP)

This scheme applies to Exxaro employees in Paterson band DM-FU. In terms of the scheme, remco can make a conditional award to eligible employees. Vesting of such awards occurs after three years subject to fulfilling performance conditions, being:

- › Headline earnings per share (HEPS) 33,33%
- › Environmental, safety and governance (ESG) targets as per risk dashboard 33,34%
- › Total shareholder return (TSR) 33,33%.

Deferred bonus plan (DBP)

This scheme applies to Exxaro employees in Paterson band EM and above. In terms of the scheme, remco can select participants based on seniority and performance. The after-tax portion of the STI and SPR payments are used to acquire pledged shares. The shares are held in an escrow until vesting date after three years. Shares are then matched at the end of the three-year period with an award to the participant of shares equal to the market value of the pledged shares on the vesting date.

Employee share plan

Mpower 2012

The employee share-ownership plan was implemented on 1 July 2012 and unwound on 31 May 2017. A replacement scheme will be developed in 2018. In terms of the scheme, participants each received units (shares) regardless of remuneration level or years of service. New qualifying employees received a pro-rated number of units depending on the number of months in the scheme. All employer companies in the Exxaro group contributed cash to the trust to purchase shares, meaning there is no loan to repay so Mpower 2012 participants enjoy potential growth and profit from the outset.

Employment contracts

Executive employment contracts for management are generally entered into for an indefinite period, with a notice period of three to six months or payment in lieu. The current executive employment contracts do not have a restraint-of-trade clause, but rather provide confidentiality undertakings. Employment contracts provide for the following payments on termination:

- Any amounts due in terms of participating in the SARs, LTIP, DBP and Mpower employee share-ownership plan

- Termination benefits are payable whenever employment is terminated before the normal retirement date at the instance of Exxaro or when the employee accepts voluntary redundancy. Note that there are no special agreements in place on severance packages for executive employees.

Non-executive directors' remuneration

Fees for non-executive directors are reviewed annually and independent data is used for benchmarking. Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with emerging market practice and company culture.

Implementation report

Introduction

This implementation report discloses remuneration outcomes for non-executive directors, executive directors and prescribed officers. This includes a single, total figure of remuneration received for the review period.

In addition, details of all awards made under the Exxaro variable compensation schemes are disclosed under sections for the short-term and long-term incentives. This includes reference to awards under current and prior years that have not yet vested, vesting and expiry dates where applicable, and the fair value at the end of the review year, as well as cash value of awards settled. The performance measures used and their weighting are disclosed.

In the review period, implementation complied fully with the remuneration policy.

Non-executive director fees and basis for fee setting

Details are provided by name and role for 2017 and 2016, with explanations where necessary.

	2017			2016		
	Fees for services	Benefits and allowances ⁴	Total	Fees for services	Benefits and allowances ⁴	Total
Non-executive directors						
S Dakile-Hlongwane	553 756	4 190	557 946	489 022	5 850	494 872
Dr CJ Fauconnier	1 124 340	30 044	1 154 384	1 038 871	32 601	1 071 472
MW Hlahla	387 528	3 931	391 459	281 101	0	281 101
Dr D Konar (chairman)	1 783 803	0	1 783 803	1 618 368	0	1 618 368
S Mayet ¹	372 034	1 100	373 134	337 725	0	337 725
VZ Mntambo	498 967	0	498 967	457 791	0	457 791
EJ Myburgh ²	501 061	9 887	510 948	251 154	0	251 154
V Nkonyeni	532 156	0	532 156	488 553	0	488 553
Dr MF Randera	486 834	10 764	497 598	477 342	12 379	489 721
J van Rooyen	748 806	0	748 806	706 720	0	706 720
PCCH Snyders ³	556 462	31 286	587 748	345 712	23 318	369 030
D Zihlangu	482 848	10 963	493 811	472 298	3 615	475 913
Total	8 028 595	102 165	8 130 760	6 964 657	77 763	7 042 420

¹ Fees paid to employer.

² Appointed on 1 September 2016.

³ Appointed on 1 July 2016.

⁴ Benefits and allowances include travelling and subsistence allowances.

REMUNERATION REPORT (CONTINUED)

Single-figure remuneration of executive management

Total remuneration is disclosed by name and role for 2017 and 2016, with explanations where necessary. Note that in the tables below:

- › The notional cost of employment (NCOE) is the guaranteed remuneration portion and includes basic salary, benefits and retirement funding.
- › Short-term incentives include payments received from the SPR and two-tier STI.
- › Long-term incentive gains consist of those from the Exxaro LTIP and DBP.
- › Total remuneration includes the sum of NCOE, short-term incentives and long-term incentive gains.
- › "Other payments" included long service awards, zero-fatality and LTIFR rewards and ex gratia payments.

MDM Mgojo: chief executive officer

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	5 728 207	225 121	550 135	6 503 463	0	0	6 503 463	
On-target 2017	5 728 207	225 121	550 135	6 503 463	2 707 608	7 511 500	16 722 571	
Maximum 2017	5 728 207	225 121	550 135	6 503 463	3 598 366	15 023 000	25 124 829	
Actual 2017	5 728 207	225 121	550 135	6 503 463	3 598 366	2 585 196	12 687 025	2 530
Actual 2016	5 430 710	211 660	472 235	6 114 605	3 284 193	497 816	9 896 614	66 013
Year-on-year increase				6,4%	9,6%	419,3%	28,2%	

PA Koppeschaar: finance executive

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 930 987	232 161	357 477	4 520 625	0	0	4 520 625	
On-target 2017	3 930 987	232 161	357 477	4 520 625	1 678 659	5 221 322	11 420 606	
Maximum 2017	3 930 987	232 161	357 477	4 520 625	2 275 231	10 442 644	17 238 500	
Actual 2017	3 930 987	232 161	357 477	4 520 625	2 275 231	1 301 286	8 097 142	2 530
Actual 2016	3 244 991	213 965	311 409	3 770 365	1 764 407	222 611	5 757 383	6 400
Year-on-year increase				116,5%	29,0%	4 125,1%	108,5%	

Mr Koppeschaar was appointed CFO on 1 July 2016. The remuneration information provided is for the full year.

V Balgobind: executive head of human resources

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	2 463 772	205 664	238 629	2 908 065	0	0	2 908 065	
On-target 2017	2 463 772	205 664	238 629	2 908 065	896 653	1 468 573	5 273 291	
Maximum 2017	2 463 772	205 664	238 629	2 908 065	1 260 065	2 937 146	7 105 276	
Actual 2017	2 463 772	205 664	238 629	2 908 065	1 260 065	143 678	4 311 808	32 730
Actual 2016	2 379 572	155 601	226 627	2 761 800	1 185 374	28 438	3 975 612	4 400
Year-on-year increase				5,3%	6,3%	405,2%	8,5%	

Ms Balgobind was appointed on 1 January 2016.

AW Diedericks: executive head of business development

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 240 455	127 684	320 484	3 688 623	0	0	3 688 623	
On-target 2017	3 240 455	127 684	320 484	3 688 623	1 137 325	1 862 755	6 688 703	
Maximum 2017	3 240 455	127 684	320 484	3 688 623	1 598 280	3 725 509	9 012 412	
Actual 2017	3 240 455	127 684	320 484	3 688 623	1 598 280	1 058 546	6 345 449	60 323
Actual 2016	3 080 882	121 443	306 003	3 508 328	1 505 787	162 894	5 177 009	3 808
Year-on-year increase				5,1%	6,1%	549,8%	22,6%	

JG Meyer: executive head of projects and technology

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 060 455	307 684	320 484	3 688 623	0	0	3 688 623	
On-target 2017	3 060 455	307 684	320 484	3 688 623	1 137 325	1 862 755	6 688 703	
Maximum 2017	3 060 455	307 684	320 484	3 688 623	1 598 280	3 725 509	9 012 412	
Actual 2017	3 060 455	307 684	320 484	3 688 623	1 598 280	1 063 570	6 350 473	60 330
Actual 2016	2 932 029	283 914	306 003	3 521 946	1 511 635	186 531	5 220 112	4 400
Year-on-year increase				4,7%	5,7%	470,2%	21,7%	

MI Mthenjane: executive head of stakeholder affairs

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 246 788	83 365	282 329	3 612 482	0	0	3 612 482	
On-target 2017	3 246 788	83 365	282 329	3 612 482	1 113 849	1 824 303	6 550 634	
Maximum 2017	3 246 788	83 365	282 329	3 612 482	1 565 289	3 648 607	8 826 378	
Actual 2017	3 246 788	83 365	282 329	3 612 482	1 565 289	889 223	6 066 994	2 530
Actual 2016	3 077 770	79 026	267 632	3 424 428	1 384 159	10 843	4 819 430	695 125
Year-on-year increase				5,5%	13,1%	8 100,9%	25,9%	

REMUNERATION REPORT (CONTINUED)

N Tsengwa: executive head of coal operations

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 376 576	169 004	296 746	3 842 326	0	0	3 842 326	
On-target 2017	3 376 576	169 004	296 746	3 842 326	1 426 784	2 747 263	8 016 373	
Maximum 2017	3 376 576	169 004	296 746	3 842 326	1 933 844	5 494 526	11 270 696	
Actual 2017	3 376 576	169 004	296 746	3 842 326	1 933 844	741 789	6 517 959	2 530
Actual 2016	2 989 232	160 141	263 585	3 412 958	1 614 442	78 669	5 106 069	8 308
Year-on-year increase				12,6%	19,8%	842,9%	27,7%	

SE van Loggerenberg: company secretary

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	1 712 588	120 184	123 228	1 956 000	0	0	1 956 000	
On-target 2017	1 712 588	120 184	123 228	1 956 000	603 100	987 780	3 546 880	
Maximum 2017	1 712 588	120 184	123 228	1 956 000	847 600	1 975 560	4 779 160	
Actual 2017	1 587 963	90 106	113 521	1 791 590	615 239	149 382	2 556 211	7 030
Actual 2016								
Year-on-year increase								

- › SE van Loggerenberg was appointed as company secretary and legal on 1 October 2017. Remuneration information provided is for the full year.
- › Figures are based on the annualised rate of pay for position.

M Vetli: executive head of sustainability

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	3 212 286	41 206	317 698	3 571 190	0	0	3 571 190	
On-target 2017	3 212 286	41 206	317 698	3 571 190	1 101 117	1 803 451	6 475 758	
Maximum 2017	3 212 286	41 206	317 698	3 571 190	1 547 397	3 606 902	8 725 489	
Actual 2017	3 212 286	41 206	317 698	3 571 190	1 547 397	910 083	6 028 670	2 530
Actual 2016	3 067 042	39 343	303 334	3 409 719	1 378 213	53 241	4 841 173	4 400
Year on year increase				12,6%	19,8%	842,9%	27,7%	

CH Wessels: company secretary

	Basic salary	Benefits and allowances	Retirement funding	NCOE	Short-term incentives	Long-term incentive gains	Total remuneration	Other payments
Minimum 2017	2 044 961	79 271	165 808	2 290 040	0	0	2 290 040	
On-target 2017	2 044 961	79 271	165 808	2 290 040	706 096	1 156 470	4 152 606	
Maximum 2017	2 044 961	79 271	165 808	2 290 040	992 351	2 312 940	5 595 331	
Actual 2017	1 533 721	59 453	124 356	1 717 530	94 030	530 227	2 341 787	127 523
Actual 2016	1 912 743	74 146	155 087	2 141 976	812 248	41 131	2 995 355	17 664
Year-on-year increase				(19,8%)	(88,4%)	1 189,1%	(21,8%)	

- › Ms Wessels resigned on 30 September 2017.
- › Figures are based on the annualised rate of pay for position.

Awards under short-term incentive schemes

The following incentives were paid in 2017 under the SPR and STI. In the table below, we disclose the performance rating for each executive director and prescribed officer supporting the SPR as well as tier one and tier two factors achieved under the STI scheme. All payments were made as per policy, and there were no deviations.

Name	NCOE	SPR			STI				Total short-term incentive	Short-term incentive as a % of NCOE
		Rating	SPR factor	Accrual	Tier one factor	Tier two factor	Total factor	Accrual		
MDM Mgojo	6 503 463	4	37,0%	2 406 281	8,3%	10,0%	18,3%	1 192 085	3 598 366	55,3%
PA Koppeschaar	4 520 625	4	32,0%	1 446 600	8,3%	10,0%	18,3%	828 631	2 275 231	50,3%
V Balgobind	2 908 065	4	25,0%	727 016	8,3%	10,0%	18,3%	533 049	1 260 065	43,3%
AW Diedericks	3 688 623	4	25,0%	922 156	8,3%	10,0%	18,3%	676 124	1 598 280	43,3%
JG Meyer	3 688 623	4	25,0%	922 156	8,3%	10,0%	18,3%	676 124	1 598 280	43,3%
MI Mthenjane	3 612 482	4	25,0%	903 121	8,3%	10,0%	18,3%	662 168	1 565 289	43,3%
Dr N Tsengwa	3 842 326	4	32,0%	1 229 544	8,3%	10,0%	18,3%	704 300	1 933 844	50,3%
SE van Loggerenberg ¹	1 791 590	4	25,0%	358 318	8,3%	10,0%	17,9%	256 921	615 239	42,9%
M Vetri	3 571 190	4	25,0%	892 798	8,3%	10,0%	18,3%	654 599	1 547 397	43,3%
CH Wessels ²	1 717 530							94 030	94 030	
Total	35 486 200								16 086 021	

¹ Ms van Loggerenberg received STI payments based on her rate of pay before and after promotion to company secretary.

² Ms Wessels forfeited any SPR payments as a result of her resignation.

REMUNERATION REPORT (CONTINUED)

Below we summarise the personal performance objectives set for each executive director and prescribed officer which led to paying the SPR incentive.

MDM Mgojo: chief executive officer

SPR objectives	Rating*
Finalise Eskom contract	4
Digitisation and innovation strategy	3
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
Business of tomorrow (BOT)	4
Overall rating	4

*Rating scale

4 - 100% achievement of objectives

3 - 90% achievement of objectives

2 and below less than 90% achievement of objectives

PA Koppeschaar: finance executive

SPR objectives	Rating
Ensure a plan is in place to implement replacement BEE structure and unwind	4
Ensure a plan is in place to start monetising the Tronox shareholding	4
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
Overall rating	4

V Balgobind: executive head of human resources

SPR objectives	Rating
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
High-performance culture plan for roll out in 2017	4
Investigate workforce analytics and HR app	4
Overall rating	4

AW Diedericks: executive head of business development

SPR objectives	Rating
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
Progress with Mafube, Moranbah and Chifeng	4
Progress with Arnot/Eskom transformation	3
Overall rating	4

JG Meyer: executive head of projects and technology

SPR objectives	Rating
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
Metallurgical Services closure and Tronox service-level agreement exit implemented	4
Partnerships and contracting in projects and technology	4
Overall rating	4

MI Mthenjane: executive head of stakeholder affairs

SPR objectives	Rating
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
BOT: implement stakeholder engagement plan	3
Exxaro BEE deal: communications plan for implementation phase of deal	4
Establish Exxaro in a leading role in DPI initiative	4
Overall rating	4

N Tsengwa: executive head of coal operations

SPR objectives	Rating
ECC optimisation beyond 2017 achievements	4
Contractor optimisation	4
Digitisation and innovation	3
Overall rating	4

M Vetri: executive head of sustainability

SPR objectives	Rating
Belfast project must begin in 2017	4
Develop and embed mine closure and rehabilitation	4
Implement improvement project (EIP) and excellence in action (XIA) roll-out	4
Overall rating	4

SE van Loggerenberg: company secretary

SPR objectives	Rating
Align strategic dashboard with group and tactical strategy frameworks	4
Further enhance functionality of strategic dashboard	4
Company secretarial and legal assistance to approve BEE transaction	4
Overall rating	4

Below is a summary of the tier one and tier two achievements supporting payment of the STI for each executive director and prescribed officer.

Tier one 8,33%

Commercial business units	Total FY17 achievement
Grootegeeluk	7,65%
Leeuwpan	0,00%
NBC	7,89%
Mafube	8,11%
Operating commodity businesses ¹	8,33%
FerroAlloys	8,33%
Corporate and services ²	8,33%
Ferroland	8,33%
Closure	
Arnot	8,33%
Coastal Coal	8,33%
Tshikondeni	8,33%

Tier two 10,0%

Commercial business units	Total FY17 achievement
Grootegeeluk	9,19%
Leeuwpan	0,00%
NBC	9,47%
Mafube	9,74%
Operating commodity businesses ¹	10,00%
FerroAlloys	10,00%
Corporate and services ²	10,00%
Ferroland	10,00%
Closure	
Arnot	10,00%
Coastal Coal	10,00%
Tshikondeni	10,00%

¹ N Tsengwa was assigned to this business unit.

² The balance of executive directors and prescribed officers was assigned to this business unit.

Awards made under long-term incentive schemes

Below we summarise our three long-term (share-based) incentive schemes:

› The LTIP:

Conditional LTIP awards made between April 2014 and March 2015 vested in FY17. Vesting was subject to the following performance metrics:

• Retention: 30%

Participants had to be employed by the company for the vesting period which ended in April 2017 for 30% of their conditional awards to vest.

• HEPS: 70%

70% of the conditional awards granted to participants is based on a HEPS improvement calculated as consumer price index (CPI) + 2% per annum, compared to HEPS of the base year of December 2013. A 30 to 100% sliding scale between the minimum and maximum will apply when calculating the portion of shares to vest.

The minimum performance condition is that Exxaro's HEPS for FY16 is equal to HEPS for FY13.

The table summarises HEPS performance between the base year of December 2013 and the target year of December 2016.

	HEPS ¹
Base: December 2013 ²	1 463
Target: December 2016 ³	1 819
Actual: December 2016 ⁴	1 199
Lower target met	No
Upper target met	No

¹ HEPS is measured in cents per share.

² Based on actual HEPS achieved for FY13.

³ Based on a targeted performance for FY16 (base multiplied by a cumulative increase of 124,3%).

⁴ Based on the actual HEPS achieved for FY16.

70% of conditional awards made to participants did not vest because the HEPS target was not achieved.

› DBP:

No further performance conditions are applied to this scheme other than continued employment at the time of vesting.

› SARs:

The SARs scheme lapsed in 2017 along with all outstanding rights.

REMUNERATION REPORT (CONTINUED)

LTIP

The table below summarises the rights held by each participant as well options exercised and shares forfeited due to performance conditions not being met in the review period.

	Rights held at 31 December 2017	Exercise period	Pre-tax gain if exercised at 31 December 2017 ¹	Options exercised during the year	Shares forfeited ²	Sale price/market price	Pre-tax gain	Date exercised
MDM Mgojo		01/04/2017		14 354	33 494	118,84	1 705 829	03/04/2017
	68 820	01/04/2018	11 183 250					
	63 889	01/05/2018	10 381 963					
	189 572	01/04/2019	30 805 450					
	128 509	01/04/2020	20 882 713					
	450 790		73 253 376	14 354	33 494		1 705 829	
PA Koppeschaar		01/04/2017		6 911	16 127	118,84	821 303	03/04/2017
	33 137	01/04/2018	5 384 763					
	47 552	01/04/2019	7 727 200					
	33 330	01/09/2019	5 416 125					
	55 780	01/04/2020	9 064 250					
	169 799		27 592 338	6 911	16 127		821 303	
V Balgobind		01/04/2017		1 209	2 820	118,84	143 678	03/04/2017
	6 383	01/04/2018	1 037 238					
	11 982	01/04/2018	1 947 075					
	38 261	01/04/2019	6 217 413					
	19 987	01/04/2019	3 247 888					
	25 108	01/04/2020	4 080 050					
	101 721		16 529 664	1 209	2 820		143 678	
AW Diedericks		01/04/2017		6 024	14 057	118,84	715 892	03/04/2017
	34 387	01/04/2018	5 587 888					
	49 347	01/04/2019	8 018 888					
	31 737	01/04/2020	5 157 263					
	115 471		18 764 039	6 024	14 057		715 892	
JG Meyer		01/04/2017		5 696	13 292	118,84	676 913	03/04/2017
	34 387	01/04/2018	5 587 888					
	49 347	01/04/2019	8 018 888					
	31 737	01/04/2020	5 157 263					
	115 471		18 764 039	5 696	13 292		676 913	
MI Mthenjane		01/04/2017		6 974	16 272	118,84	828 790	03/04/2017
	33 435	01/04/2018	5 433 188					
	47 981	01/04/2019	7 796 913					
	31 152	01/04/2020	5 062 200					
	112 568		18 292 301	6 974	16 272		828 790	
N Tsengwa		01/04/2017		6 033	14 076	118,84	716 962	03/04/2017
	28 922	01/04/2018	4 699 825					
	41 505	01/04/2019	6 744 563					
	24 767	01/05/2019	4 024 638					
	46 952	01/04/2020	7 629 700					
	142 146		23 098 726	6 033	14 076		716 962	
SE van Loggerenberg ³		01/04/2017		1 257	2 933	118,84	149 382	03/04/2017
	6 026	01/04/2018	979 225					
	8 647	01/04/2019	1 405 138					
	5 686	01/04/2020	923 975					
	6 611	01/10/2020	1 074 288					
	26 970		4 382 626	1 257	2 933		149 382	

	Rights held at 31 December 2017	Exercise period	Pre-tax gain if exercised at 31 December 2017 ¹	Options exercised during the year	Shares forfeited ²	Sale price/market price	Pre-tax gain	Date exercised
M Vet		01/04/2017		6 944	16 202	118,84	825 225	03/04/2017
	33 291	01/04/2018	5 409 788					
	47 775	01/04/2019	7 763 438					
	30 726	01/04/2020	4 992 975					
	111 792		18 166 201	6 944	16 202		825 225	
CH Wessels ⁴		01/04/2017		3 283	7 659	118,84	390 152	03/04/2017
		01/04/2018			15 737			
		01/04/2019			22 583			
		01/04/2020			15 061			
				3 283	61 040		390 152	

¹ Based on a share price of R162,50 on 31 December 2017.

² Shares forfeited due to performance conditions not being fully met.

³ Appointed on 1 October 2017.

⁴ Resigned on 30 September 2017.

DBP

The table below summarises rights held by each participant as well options exercised and shares forfeited as a result of resignations in the review period.

	Rights held at 31 December 2017	Exercise period	Pre-tax gain if exercised at 31 December 2017 ¹	Options exercised during the year	Shares forfeited	Sale price/market price	Pre-tax gain	Date exercised
MDM Mgojo		07/03/2017		2 255		107,34	242 052	14/03/2017
		31/03/2017		4 560		118,42	539 995	04/04/2017
		31/08/2017		778		125,09	97 320	04/09/2017
	5 799	04/03/2019	942 338					
	10 511	31/03/2019	1 708 038					
	1 384	31/08/2019	224 900					
	1 047	31/08/2020	170 138					
	18 741		3 045 414	7 593			879 367	
PA Koppeschaar		07/03/2017		1 269		107,34	136 214	14/03/2017
		31/03/2017		2 735		118,42	323 879	04/04/2017
		31/08/2017		159		125,09	19 889	04/09/2017
	1 337	31/08/2018	217 263					
	1 337		217 263	4 163			479 982	
V Balgobind	361	31/08/2018	58 663					
	1 686	04/03/2019	273 975					
	1 873	31/03/2019	304 363					
	354	31/08/2019	57 525					
	913	09/03/2020	148 363					
	1 638	31/03/2020	266 175					
	261	31/08/2020	42 413					
	7 086		1 151 477					

REMUNERATION REPORT (CONTINUED)

	Rights held at 31 December 2017	Exercise period	Pre-tax gain if exercised at 31 December 2017 ¹	Options exercised during the year	Shares forfeited	Sale price/ market price	Pre-tax gain	Date exercised
AW Diedericks		07/03/2017		440		107,34	47 230	17/03/2017
		31/03/2017		2 350		118,42	278 287	04/04/2017
		31/08/2017		137		125,09	17 137	05/09/2017
	649	06/03/2018	105 463					
	3 618	31/03/2018	587 925					
	1 276	31/08/2018	207 350					
	3 352	04/03/2019	544 700					
	4 904	31/03/2019	796 900					
	798	31/08/2019	129 675					
	2 085	09/03/2020	338 813					
	3 785	31/03/2020	615 063					
	596	31/08/2020	96 850					
	21 063		3 422 739	2 927			342 654	
JG Meyer		07/03/2017		1 028		107,34	110 346	17/03/2017
		31/03/2017		2 196		118,42	260 050	03/04/2017
		31/08/2017		130		125,09	16 262	04/09/2017
	614	06/03/2018	99 775					
	3 450	31/03/2018	560 625					
	1 240	31/08/2018	201 500					
	803	31/08/2019	130 488					
	2 090	09/03/2020	339 625					
	3 790	31/03/2020	615 875					
	596	31/08/2020	96 850					
	12 583		2 044 738	3 354			386 658	
MI Mthenjane		07/03/2017		563		107,34	60 432	16/03/2017
	1 129	09/03/2020	183 463					
	580	31/08/2020	94 250					
	1 709		277 713	563			60 432	
N Tsengwa		07/03/2017		46		107,34	4 938	20/03/2017
		31/08/2017		159		125,09	19 889	04/09/2017
	896	06/03/2018	145 600					
	1 812	31/03/2018	294 450					
	532	31/08/2018	86 450					
	2 384	31/03/2019	387 400					
	403	31/08/2019	65 488					
	1 133	09/03/2020	184 113					
	342	31/08/2020	55 575					
	7 502		1 219 076	205			24 827	
M Vetri		07/03/2017		688		107,34	73 850	20/03/2017
		31/08/2017		88		125,09	11 008	11/09/2017
	416	06/03/2018	67 600					
	2 581	13/05/2018	419 413					
	727	31/08/2018	118 138					
	431	31/08/2019	70 038					
	1 101	09/03/2020	178 913					
	319	31/08/2020	51 838					
	5 575		905 940	776			84 858	

	Rights held at 31 December 2017	Exercise period	Pre-tax gain if exercised at 31 December 2017 ¹	Options exercised during the year	Shares forfeited	Sale price/market price	Pre-tax gain	Date exercised
CH Wessels ²		07/03/2017		430		107,34	46 156	17/03/2017
		31/03/2017		735		118,42	87 039	05/04/2017
		31/08/2017		55		125,09	6 880	04/09/2017
		06/03/2018			262			
		31/03/2018			1 163			
		31/08/2019			270			
		09/03/2020			693			
		31/03/2020			1 018			
				1 220	3 406		140 075	

¹ Based on a share price of R162,50 on 31 December 2017.

² Resigned on 30 September 2017.

Share appreciation rights

The management share appreciation rights scheme lapsed in 2017 and all shares were forfeited as performance conditions were not met.

	Rights held at 31 December ¹ 2017	Grant date price	Exercise period	Shares forfeited ²
MDM Mgojo		126,77	01/04/2017	16 358
				16 358
PA Koppeschaar		126,77	01/04/2017	8 134
				8 134
V Balgobind		126,77	01/04/2017	2 772
				2 772
AW Diedericks		126,77	01/04/2017	6 988
				6 988
JG Meyer		126,77	01/04/2017	4 666
				4 666
N Tsengwa		126,77	01/04/2017	8 312
				8 312

¹ Rights in terms of the management SARs scheme are no longer granted.

² Shares forfeited due to performance conditions not being fully met.

INVESTING IN RESEARCH

Stakeholder engagement

External economic, environmental and social standards

In constantly aiming to benchmark itself against global best practice, Exxaro endorses a number of voluntary external standards, charters and principles, including:

- › United Nations Global Compact (signatory)
- › Millennium Development Goals, and new Sustainable Development Goals
- › Carbon and water disclosure projects (CDP)

Broader industry participation

As an active stakeholder in the mining industry, Exxaro participates in shaping appropriate policies in South Africa through many channels, including:

- › The Chamber of Mines of South Africa
- › JSE Limited and Computershare forums
- › National Energy Regulator of South Africa (NERSA)
- › Energy intensive users group (EIUG)
- › National electricity response team (NERT)
- › Energy efficiency accord under the technical committee facilitated by the National Business Institute (NBI)
- › Industry energy policy influence workshops
- › World Wildlife Fund (WWF) roundtable event
- › South African Chamber of Commerce and Industry's (SACCI) electricity dialogue
- › SANBI (South Africa National Biodiversity Institute)
- › National Business Initiative for a coordinated response to issues such as climate change and water, and related national priorities.

› Exxaro is also involved in the initiatives of:

- South African Independent Power Producers Association (SAIPPA)
- Coaltech 2020
- Fossil Fuel Foundation
- Peace Parks Foundation (donated over R12 million to date)
- SA Centre for Carbon Capture and Storage with international and local partners
- Clinton Foundation
- Mpumalanga Coal Producers Community Development Forum.

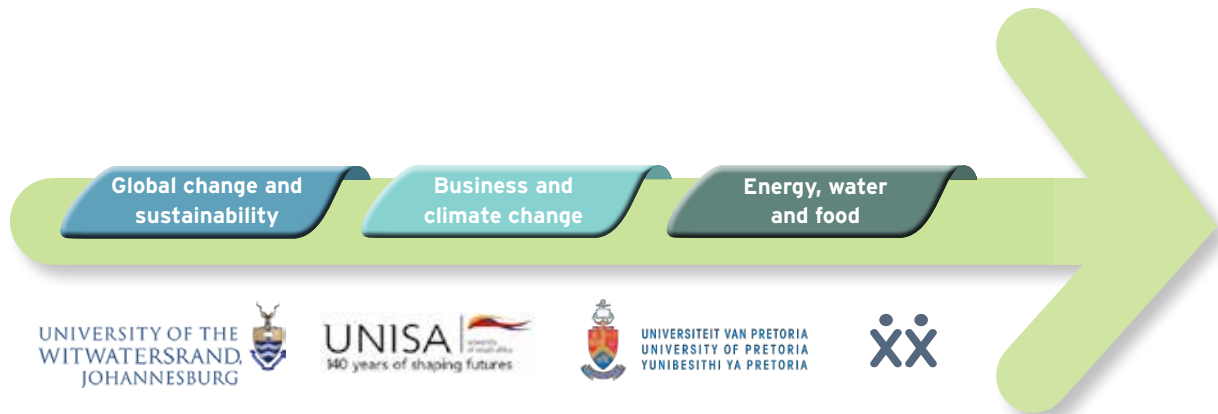
Developing the body of knowledge

In a rapidly changing world, thought leadership is often driven by business strategies to enhance shared value:

- › Business is good at responding to shorter-term challenges, but global change presents longer-term complex problems
- › Long-term business-led research and most fundamental discoveries occur inside specialised schools of excellence embedded in universities
- › Therefore, through strategic investment, business and universities form partnerships that run longer, invest more, look further ahead and hone the competitiveness of companies, universities and regions. This relationship merges the discovery-driven culture of the university with the innovation-driven culture of companies



Over the past decade, Exxaro has invested R24 275 464 in enhancing this shared value. Importantly, our long-standing commitment to developing the body of knowledge at tertiary level is closely aligned to our strategy.



EXXARO CHAIR IN GLOBAL CHANGE AND SUSTAINABILITY	EXXARO CHAIR IN BUSINESS AND CLIMATE CHANGE	EXXARO CHAIR IN ENERGY, WATER AND FOOD	EXXARO BUSINESS STRATEGY
<ul style="list-style-type: none"> › Adaptation pathways for a changing world › Align global change adaptation and mitigation with sustainable development goals › Minimise impact of extractive industries, and maximise post-extractive landscapes for sustainable communities 	<ul style="list-style-type: none"> › Climate governance and negotiations › Sustainable development goals domestication and localisation › Climate change mitigation and adaptation (including green building) 	<ul style="list-style-type: none"> › Energy efficiency and demand-side management › Industrial energy system › Building energy systems › Energy-water nexus › Energy-water-food nexus 	<ul style="list-style-type: none"> › Diversify into energy, water and food › Global sustainability, climate change, land and energy security have direct impact on our strategy › Proactive risk mitigation and building internal capabilities through university chairs is critical

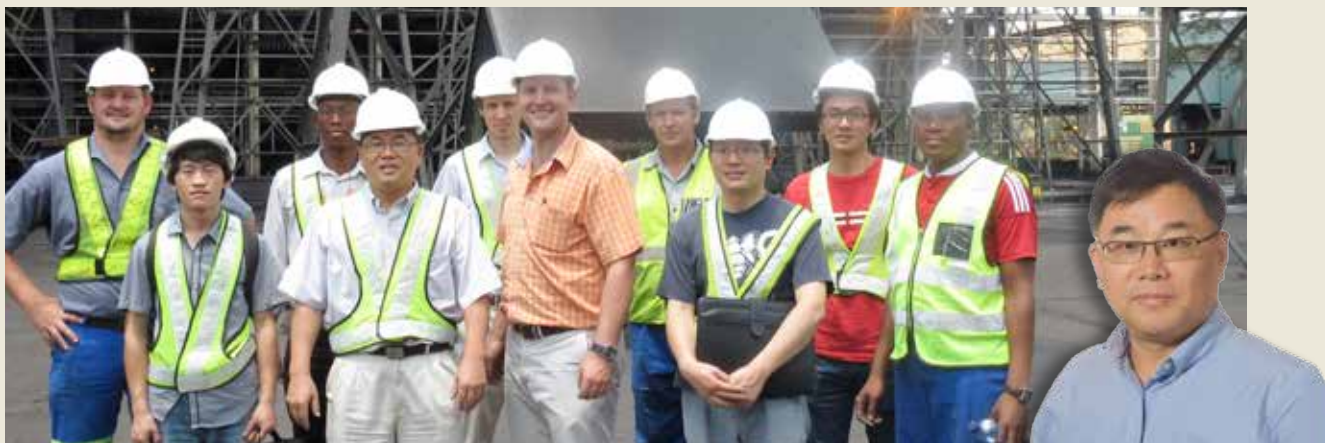
Co-sponsorships

- › **Pretoria:** chair in the centre of excellence for maintenance engineering – equips engineering students to address maintenance challenges in industry, and ensure outstanding quality in maintenance-related science and engineering
- › **Pretoria:** Exxaro/Kumba chair in geology enhances undergraduate, honours and post-graduate training of geoscientists, as well as research activities
- › **South African Minerals to Metals Research Institute (SAMMRI)**, a collaboration between mining industry members and the Department of Science and Technology to develop high-level technical skills for the extractive industry by sponsoring research projects at tertiary institutions aimed at industry needs
- › **The Mineral Education Trust Fund** was founded by the Chamber of Mines to attract, retain and develop undergraduate teaching staff, create academic centres of excellence, focus on departments that deliver in terms of quality and foster collaboration. It focuses on metallurgy, chemical mining engineering and geology. Exxaro contributes annually to the fund.

INVESTING IN RESEARCH (CONTINUED)

R24 275 464 spent on **chairs (Unisa, Wits, UP)** over five years

Case study: Exxaro energy-efficiency chair programme (University of Pretoria)



Professor Xiaohua Xia

The chair was established in 2012, headed by Professor Xiaohua Xia, an NRF A-rated scientist, and has since delivered productive outputs:

- › Research and development - over 100 articles on the energy-efficiency improvement of mining processes, directly relevant to Exxaro's business, were published in leading international journals and at conferences
- › Providing high-quality services to our business on energy-efficiency initiatives. Examples include developing two toolkits on motor resizing and multi-drive conveyor belt design and simulation to save energy; eight energy-efficiency specifications for our core energy consuming systems; and a technical report on energy-efficiency initiatives in South Africa
- › Significant contribution to enhancing Exxaro's public image in energy efficiency and clean development, and strengthening relations with government as a key stakeholder
- › Skills development and promoting public visibility of Exxaro through student training and published books. To date, 28 postgraduate students, including nine doctoral and eight master's candidates, have graduated through the chair programme. Over 80% of these were from previously disadvantaged groups and 26% were women
- › The chair published the world's first book on the measurement and verification (M&V) of energy savings, with Exxaro listed as a brand sponsor. This book was used for related training nationally
- › Capitalising on tax incentives for our process energy-saving projects. To date, total tax deductions exceed R5 million, recouping our total investment in the chair programme over five years.

Case study: Exxaro chair in business and climate change at Unisa

This chair was established in 2008 with a lifespan of three years. Following its success, Exxaro renewed the mandate for five years from 2011 to 2015, and its life was extended to 2018 after Unisa assumed the staff remuneration.

It is mandated to operate in key thematic areas: research, development and innovation as well as advocacy-oriented community engagement.

Since 2013, the chair has graduated nine doctoral candidates, with some addressing the South African situation specifically such as the coal mining sector's response to climate change adaption demands, a decision-making framework for corporate climate change response and green procurement practices in metropolitan municipalities. Current doctoral work include topics on South Africa's policy response to climate change in the context of sustainable development goals, and corporate South Africa's readiness to implement the climate change sustainable development goal.

The chair also hosted nine postdoctoral fellows from across Africa, resulting in articles in leading journals. Since publishing remains central to its mandate, seven books and over 60 journal articles have been published since 2009.

Case study: Exxaro chair in global change and sustainability at Wits University

With funding from Exxaro, this unit has made excellent progress against its goals. Most importantly, its research focus to 2022 complements Exxaro's longer-term strategy:



Professor Barend Erasmus

Adapting to and mitigating climate change	<ul style="list-style-type: none"> › Identify, co-develop and test adaptation pathways in a changing world › Reduce the risk of climate-related risks in rural and urban contexts through knowledge and innovation › Align the objectives of global change adaptation and mitigation with other sustainable development goals, like eliminating poverty and stemming the loss of biodiversity
Coupling ecosystem integrity and human wellbeing	<ul style="list-style-type: none"> › The nexus of land use, food and water security, nutrition, biodiversity and human health › Causes and consequences of long-term trajectories in ecosystem goods and services › Minimising the negative consequences of extractive industries and maximising the rehabilitation of post-extractive landscapes for sustainable communities
People, practice and policies	<ul style="list-style-type: none"> › Action research on environmental policies and justice in relation to sustainable development goals › Transdisciplinary approaches to promoting positive change in the presence of diverse knowledge systems, social value and power
Building resilience	<ul style="list-style-type: none"> › Looking beyond trying to sustain the unsustainable: transform coupled human and ecological systems to satisfy core needs indefinitely, adapt to unforeseen future changes, and provide options for future › Sustainable urban living through improved water, waste and energy management › Understanding, building and maintaining ecosystem function and diversity in cities, the landscapes on which they depend, and the area influenced by their wastes › Migration into and out of urban areas, and the integration of migrant populations



Professor Godwell Nhamo

Building on this outstanding work, as reflected in many awards and recognitions, the chair will continue creating shared value for broader society and Exxaro by focusing on climate change adaptation and mitigation, climate governance, sustainable development goals' domestication and localisation in the context of the national development plan and Africa's agenda 2063, Global Reporting Initiative (GRI) sustainability standards and green economy, particularly green buildings evolution.

> SAFETY AND HEALTH

Our business depends on the safety of our people, and we will not rest until we consistently achieve our vision of zero harm through collective responsibility, commitment and ongoing focus. As part of this focus, all operational business units have international health and safety accreditation (OHSAS 18001).

Our ultimate target remains zero injuries and fatalities. To reach this goal, we review our LTIFR target annually based on prior performance, and apply stringent management protocols, programmes and systems. Every LTI is investigated by the business unit management team, while all fatalities and high-potential incidents are investigated by a skilled committee, headed by an independent chairperson. Findings are reported to the executive committee and sustainability, risk and compliance committee and escalated to the board. Each business unit tracks its adherence to standards and legislation through a safety improvement plan of self-assessments and corporate audits.

In risk-specific terms, the leading cause of injury remains fall-of-ground, lifting, materials handling and vehicle safety. While key risks differ by operation, our major challenges are vehicle incidents, energy and machinery isolation, and risk awareness and discipline at all levels. We concentrate on training on the job to ensure sufficient trained people are in appropriate positions in our work areas.

Operations falling under the Mine Health and Safety Act (1996) have elected representatives on safety and health committees from management and operator level. Health topics included in formal agreements with trade unions cover HIV/Aids, occupational TB, NIHL and dust.

Our vision for health and hygiene is to create a workplace with no adverse effects on our employees and surrounding communities. We understand the health risks posed by the mining industry, and the importance of programmes to reduce new cases of occupational diseases and ensure a healthy workforce:

- › A healthy workforce enables Exxaro to achieve its strategic objectives. Employees are able to access healthcare services through their medical aid schemes, occupational health services, HIV/Aids and TB programmes
- › Workplace hazards that could affect the health of employees are identified, detected early, prioritised and prevention programmes implemented
- › Our medical surveillance programmes are continually strengthened to ensure our employees remain healthy and productive.



Highlights

- › Only one high-potential incident recorded at Grootegeluk compared to five in 2016
- › Six of 11 operations worked a calendar year without an LTI, and eight business units achieved the LTIFR target of 0,11.

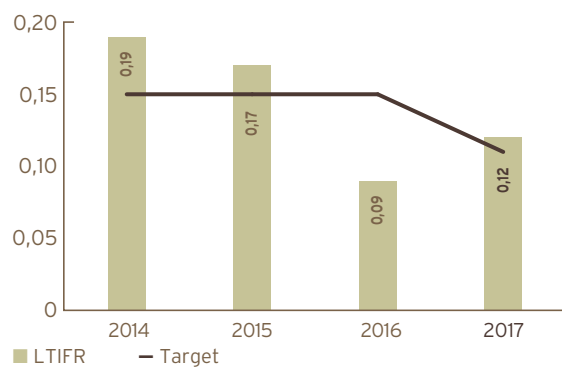
Lowlight

- › An employee was fatally injured at Matla. Prior to this tragic incident, Exxaro had achieved a fatality-free period of 32 months.

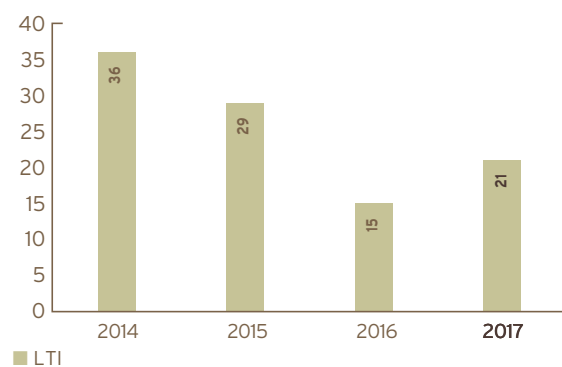
Safety performance

Our target was zero fatalities and an LTIFR (per 200 000 hours worked) of 0,11 for 2017. Mr Sihle Majozi regrettably died in a load-haul-dump incident on 1 March 2017 at Matla. The actual LTIFR of 0,12 for the period is 8% above target.

LTIFR trend - 2014 to 2017



LTI trend - 2014 to 2017

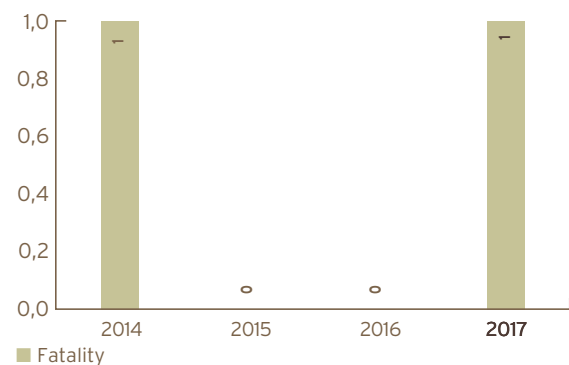


The group safety strategy was revised, with several focus areas identified by leadership:

- › Following the Global Minerals Industry Risk Management (GMIRM) course for top and senior management two years ago, we have implemented associated safety improvement plans
- › Using visible felt leadership (VFL) as a tool to increase management's presence in the workplace has improved communication with employees
- › Safety communication, especially safety indabas at business units
- › Managing high-risk and non-routine tasks, as well as work over weekends and holidays
- › Using innovation and technology to improve safety.

In 2017, the group was served with five section 54 notices, all amicably resolved with the authorities.

Fatality trend - 2014 to 2017



OCCUPATIONAL HEALTH AND HYGIENE

Highlights

- › Health peer educator programme in Emakhazeni community
- › Partnership programme with government to roll out chronic care management at our business units.

Lowlight

- › Potential impact of chronic diseases of lifestyle on people's health and safety in the workplace.

Occupational diseases

Reported occupational diseases

Reported cases are those newly diagnosed and submitted to the authorities to confirm whether they are work-related and eligible for compensation under related legislation.

In 2017, Exxaro reported 57 cases of occupational diseases (2016: 52): 26 of TB, 12 NIHL, 18 pneumoconiosis and one chronic obstructive airways disease (COAD). While the number of cases is higher, it reflects our focus on occupational risk exposure profiles to further reduce the incidence of occupational diseases.

Exxaro - reported occupational diseases (cumulative)

	2017	2016	2015	2014	2013
NIHL	12	17	15	16	8
Pneumoconiosis	18	5	15	12	37
Silicosis		–	–	–	–
COAD	1	4	1	4	2
Occupational TB	26	26	18	20	40
Dermatitis		–	–	–	–
Asbestosis		–	1	–	–
Work-related upper limb disorders		–	–	–	–
Total	57	52	60	52	87

Accepted occupational diseases

These are cases where the condition is demonstrably work-related and accepted for compensation. In 2017, Exxaro had 22 occupational disease cases accepted for compensation: 16 for TB and six for pneumoconiosis.

Mining sector targets on noise and silicosis

In 2003, the mining sector set targets to eliminate silicosis and NIHL.

NOISE	SILICOSIS	CURRENT STATUS
<ul style="list-style-type: none"> › Reduce NIHL to less than 10% per individual by 2008 › Reduce noise from equipment to under 110dB(A) by 2013 	<ul style="list-style-type: none"> › By December 2008, 95% of all exposure measurement results <0,1mg/m³ for respirable crystalline silica › Eliminate silicosis by 2013 	<p>In 2017, Exxaro had:</p> <ul style="list-style-type: none"> › No cases of silicosis accepted › 12 cases of employees with hearing loss (including ECC)

We continue to implement hearing conservation and dust control programmes to reduce the number of new occupational diseases.

Chronic diseases of lifestyle

Occupational health programmes seek to prevent and mitigate related risks for both permanent employees and contractors. These programmes facilitate the analysis, monitoring and management of exposure, and provide preventive measures for a range of occupational health risks. Exxaro focuses on effective employee communication on risk and prevention, and provides rehabilitation and return-to-work programmes.

We promote a healthy workforce through integrated health and wellness programmes. Wellness programmes, emphasising lifestyle diseases, aim to reduce health risks, provide access to healthcare, and educate, inform and empower employees to take responsibility for their own wellbeing. Focus is on reducing lifestyle diseases (such as hypertension, diabetes and cholesterol levels), managing the risks of human immunodeficiency virus (HIV) infection, and effectively managing mental health conditions.

Apart from HIV, chronic diseases are fast becoming the primary cause of death. In a survey covering the Exxaro group, the following conditions were identified:

- › Diabetes
- › Hypertension
- › Heart disease.

Based on the survey information, we integrated the prevention and control of chronic diseases into our workplace

health programmes. This is supported by case management and monitoring the progress of individuals with chronic diseases. Awareness programmes on healthy living are ongoing.

As part of embedding the health operating model, we focused on our ability to address lifestyle health risks, particularly through our health centres. All operations in Mpumalanga and Limpopo have signed memorandums with provincial health departments to provide medication for these conditions on site.

For the review period, medical surveillance identified 90 new diabetes cases and 274 hypertensive employees and contractors.

HIV/Aids and TB

The prevalence of HIV/Aids across Exxaro is currently estimated at 4,2%, well below the industry and national average. With appropriate education, counselling and support, 90% of our workforce (excluding contractors) voluntarily tested between 2014 and 2017, and more are seeking treatment.

We recorded a significant improvement in the number of employees and contractors enrolled on the HIV/Aids programme to 5 553 in 2017 (2016: 1 978), with 4 547 employees and contractors on antiretroviral treatment (ART).

Between January 2013 and December 2017 we have made headway in slowing the spread of HIV/Aids (see table below):

HIV/Aids awareness

Year	Attended information session	Tested	% tested	Employees testing positive	Enrolled at December (cumulative)	On ARVs
2013	5 853	3 756	64	314	545	521
2014	5 732	2 804	49	261	675	481
2015*	11 759	4 158	35	252	453	452
2016*	18 845	6 497	34	80	221	1 675
2017*	16 788	3513		188	350	4 547
Total						

* Includes contractors.

> OCCUPATIONAL HEALTH AND HYGIENE (CONTINUED)

Tuberculosis

President Cyril Ramaphosa launched a national campaign on World TB day in March, themed as Ending South Africa's TB epidemic: accelerating our response in key populations.

The national initiative ties in with the major TB screening campaign launched late in 2015 by the departments of health and of mineral resources, the four primary mining unions (AMCU, NUM, Solidarity, UASA) and the Chamber of Mines.

Known as Masoyise iTB, the goal is to reduce TB incidence in mines and in mining regions, working towards specific targets:

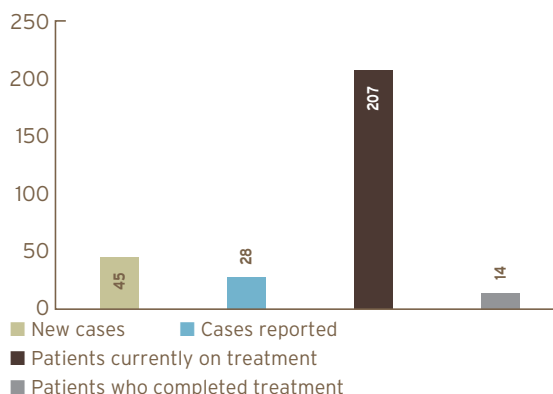
- › **Target 1:** Every mine employee to be screened for TB each year
- › **Target 2:** Every mine employee to be offered voluntary counselling and testing (VCT) for HIV each year
- › **Target 3:** Extend contact tracing into mining communities
- › **Target 4:** Support to small mines
- › **Target 5:** Support to mine contractors.

Exxaro's aim is to provide all employees with information, diagnosis and treatment of TB. Our focus on preventing TB infection and disease by:

- › Improving identification of new TB cases
- › TB infection control
- › Workplace policies on TB and HIV
- › Prevention of drug-resistant TB
- › Reducing TB-related stigma
- › Addressing related lifestyle changes, eg nutrition, alcohol, smoking and stress.

Each of our business units will have an ongoing education and awareness programme spanning TB, HIV and other lifestyle health issues. It will be rolled out in formal training sessions, induction programmes as well as awareness campaigns.

TB cases - 2017



Employee wellness

Exxaro's employee assistance programme ensures that any of our people facing difficulties have access to an external counselling service. This is a preventive measure that helps employees manage personal concerns, and assists management in minimising productivity issues.

During the year, our people again used this service for:

- › Financial issues
- › Personal and emotional difficulties
- › Family matters
- › Work-related challenges
- › Dependency on substances.



Highlights

- › Exxaro's talent pipeline and feeder schemes enabled over 900 jobless youth to obtain occupational qualifications, in-service training and employment
- › Ensuring Exxaro receives tax benefits and SETA grant benefits of over R40 million for training and development programmes
- › Three-year wage agreements for Exxaro Coal, Exxaro Coal Mpumalanga and Ferroland Grondtrust, and two-year agreement at Coastal Coal.

Lowlights

- › Eight-day strike at Grootegeluk Complex and Leeuwpan
- › Unprotected five-day strike at Matla.

Our people are our greatest source of value and Exxaro's regular inclusion in various top-employer rankings illustrates the depth of our commitment to enriching their lives.

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.

Supported by the leading practices developed in recent years, Exxaro concentrates on exceeding compliance targets in South Africa through training and development to optimise individual potential, maximise equality and safety in the workplace, meet our employment equity targets and improve living standards in our stakeholder communities. Collectively, our initiatives contribute to reducing the shortage of skills in our industry.

The shortage of specific skills in South Africa remains a particular challenge. A mining sector-specific and national plan aim to address critical or scarce competencies. As such, attracting, developing and retaining these skills is a priority for Exxaro as a mining company, and a competitive advantage. This is the driving force behind our feeder schemes, currently benefiting over 950 people.

Specific strategies ensure the accelerated learning and development of black people, women and people with disabilities, including:

- › Fast tracking those with leadership and management potential
- › Occupation-based skills programmes
- › Formal study assistance
- › Adult education
- › People and self-management skills
- › Learnerships
- › Bursaries and internships.

Skills development

Given the importance of skills in our industry, we endeavour to invest an appropriate amount of total salaries and wages each year on developing our people. In 2017, we spent R224 million on training, or 6,2% of payroll (2016: 5,4% or R178 million):

- › R129 million was for job-related operational and technical training at business units, including operator training and mobile equipment licences. Some 164 300 training sessions were completed using our e-learning platform, classroom and practical on-the-job training to satisfy mainly core training needs directly linked to operations, as well as the requirements of the Mine Health and Safety Act (MHSA). This includes training contractors as required by the MHSA, as well as section 101 of the Mineral and Petroleum Resources Development Act (MPRDA)
- › R90 million was spent on the talent pipeline, comprising bursaries, internships, learnerships and skills programmes based on our need for core and key skills. Viewed from the perspective of outcomes, we examine key areas across the skills value chain to determine which actions will ensure the right skills are available at the right time. Over half the talent pipeline spend is on artisan and miner learnership development
- › R4,6 million goes to developing targeted employees in management development programmes, leadership development, postgraduate studies and support function development.

We encourage our people to take joint responsibility for managing their career growth. We provide financial assistance to permanent employees with potential to further their education through part-time studies of recognised, approved courses. When we nominate people to attend programmes, these are fully sponsored (tuition, examinations, travel, accommodation and study leave).

Skills and human resources development

Rm	2017	2016	2015	2014	2013	2012
Total training	224	178	184	221	200	177
HDSA training	185	150	152	180	161	134
HDSA training as % of total payroll	5,1	4,5	5,0	6,8	6,5	5,5

Current and future skills requirements

To meet our current and future skills requirements, we invest in our existing employees, future employees, and in the communities that provide our labour. At present, 99% of Exxaro's labour is sourced in South Africa and, at any operation, over 70% is sourced from host communities. Our education, bursar and skills development initiatives are geared to empower local communities to compete for positions in the company.

Graduate programme

Our three-year professionals in training programme blends academic theory with the work environment. Each graduate has a mentor who supervises exposure to operational, leadership and management training on the job. Mentors also assist with registration requirements for relevant governing bodies and professional associations. In 2017, there were 61 professionals in training (2016: 51) across Exxaro in a R24,9 million programme. Of these interns, 36% are women and 62% are black, and over 88% were placed throughout the group after completing their programme.

Bursary programme

There are currently 58 bursars studying at South African institutions at a cost of R5,6 million per annum: 62% are black South Africans and 29% are women.

The Exxaro people development initiative awards bursaries to school leavers from our communities interested in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, industrial, mining or civil), mine surveying and geology. These have been incorporated in the full-time bursar programme to align with the five-year BEng programme from the University of Pretoria.

Training

Training and development initiatives across the group are based on a comprehensive needs analysis, incorporating business strategy, identified skills gaps, succession planning, employee career progression and employment equity plans.

We offer sponsored engineering learnerships at our acclaimed Grovos training centre in Lephalale. We also sponsor engineering and mining learnerships at Colliery Training College (CTC, where Exxaro is a shareholder) in eMalahleni, Mpumalanga. As part of our feeder schemes, we provide sponsored formal and practical training in core skills programmes including operators for plant, maintenance and mobile equipment.

Our Grooteegeluk and Matla mines are accredited (Mines Qualifications Authority or MQA) training providers in

selective mining and engineering disciplines. This enables our people to be trained, declared competent and obtain their MQA certification in-house.

Literacy and numeracy

Functional literacy is an important issue in an industry where communicating on safety is often in written form. All employees with qualifications below NQF level 1 are given the opportunity to become functionally literate. Candidates are screened and counselled to ensure informed decisions, and where employees complete training in their own time, there is an incentive scheme for each level completed.

Exxaro pays for voluntary adult education and training (AET) programmes at all operations, investing almost R1 million in 2017 (2016: R1,8 million). We have accredited AET training centres at Grooteegeluk (partnership with external provider) and Matla, while accredited external providers are used by other business units.

In 2017, 30 employees and 103 non-employees or people from our communities enrolled in AET programmes. Over 1 300 employees have passed one or more AET levels since the inception of this programme.

As 90% of our total workforce now holds a qualification of NQF level 1 and above, communication is more effective, particularly on safety issues.

Scholarships

In 2017, two medical students from our communities continued their studies on Exxaro scholarships. At the end of their academic programme, these students are expected to practise in communities where Exxaro operates for a specified period.

Talent management

As talent management is a strategic priority for Exxaro, there is significant focus on achieving operational excellence by aligning and integrating talent management practices to our strategy.

To remain sustainable, we have implemented talent management strategies to ensure a consistent supply of the right people at the right time in the right positions, and to develop a steady supply of internal talent for leadership positions. The number of internal placements (including professionals in training and learners) made up 48% of appointments in Exxaro in 2017 against the target of 75%. The focus from 2018 is to continue our skills and leadership development to improve our internal leadership pipeline. For positions advertised externally, 75% of senior management roles were filled by employment equity candidates.

Exxaro has started a strategic workforce planning process to ensure our human capital requirements are aligned to its strategy. Using both internal factors (like talent bench strength, talent profiles and succession planning outcomes) and external factors (economic, political, social and global challenges), we aim to have a clearer view on how to plan our resources for future growth initiatives. The strategic workforce plan will focus on aligning to the Exxaro 2026 strategy of traditional mining and the new businesses of energy, water and food.

Leadership development

Our integrated leadership strategy aims to equip managers with the essential knowledge and skills required to improve their effectiveness and capabilities through initiatives like management development, coaching, mentoring, leadership training and self-leadership.

In 2017, we trained 96 employees on the basic management programme, 56 on the first-line management programme and 28 on the middle management programme. In addition, 20 first-line managers and 20 middle and senior leaders have completed leadership programmes that familiarise them with leading business and management principles.

Employee engagement

Our culture is the essence of our organisation. In line with our strategy and vision, we have begun a process to enhance and energise our culture by grounding ourselves in our purpose and the responsibility we have to our communities and society. This will build trust and ownership across our businesses, enhance our ways of working and engaging, cultivate the right skills and mindsets, and enable agility and adaptability.

We are enhancing our culture together by co-creating and collaborating across our business, engaging with our people at every level to truly understand our culture today and collaboratively co-create the vision for our future culture.

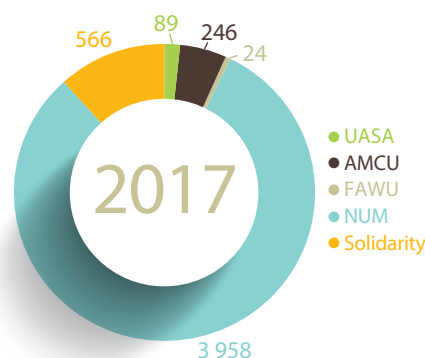
Employee/management relations

Constructive engagement remains the cornerstone of our approach to organised labour. All our trade union engagement structures are functioning well and are a vital conduit for managing issues. In addition, our employee relations strategy provides an effective framework for maintaining a healthy workplace climate.

Our policies and procedures are developed within the framework of relevant labour legislation, and employees are managed individually and collectively.

Some 87% 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), UASA (formerly United Association of South Africa) and the Food and Allied Workers Union (FAWU).

Recognised unions



We concentrate on maintaining sound relations with employees in bargaining units by engaging with their representatives. This is based on a pluralist approach to trade union recognition through formal agreements. Negotiations for wages and conditions of employment are conducted through in-house forums and the Chamber of Mines.

In 2017, we concluded multi-year wage agreements for a number of subsidiaries without any negative labour implications, except Exxaro Coal where we had a strike that lasted for eight days.

Our disciplinary codes are based on the principle of fairness as required by labour law, and our supervisors have the skill to implement the codes. A key focus for 2017 was to build employee relations' competency among all stakeholders to foster a healthy climate. Various skills workshops and training were conducted with employee relations managers and line leaders, confirming the commitment from all parties to build solid relationships.

Share ownership

Mpower 2012, our employee share ownership plan, was implemented in July 2012: 7 290 participants each received 387 units worth R75 000 at the time, regardless of remuneration level or years of service. All employer companies in the group contributed cash to the trust to purchase shares, meaning there was no loan to repay so Mpower 2012 participants enjoyed potential growth and profit from the outset. New qualifying employees received a pro-rated number of units.

The shares held by Mpower 2012 vested on 31 May 2017 and were sold, on the instructions of participants, in June 2017 and paid to employees in July 2017. Distributions varied depending on participants' years of service. Employees who participated for the full term received a pre-tax benefit of R43 384, comprising R8 399 in dividends over the five-year period and R34 985 as proceeds when the shares were sold.

Employment equity

Eleven years into our journey as one of the largest black-owned mining companies in South Africa, we continue to benefit from developing the skill levels of our workforce and enabling progress as the cornerstone of our commitment to meeting our transformation objectives. Employment equity is just one way to realise this commitment, supported by continuous diversity programmes and engagement at our business units.

Our employment equity strategy is founded on detailed plans developed by each business unit in consultation with its

employees and unions. By following these plans, each unit ensures that recruitment and skills development are managed responsibly, advancing transformation without affecting existing positions. Each business unit has a dedicated senior manager for employment equity, as well as an employment equity forum that is actively involved in developing, monitoring and communicating employment plans.

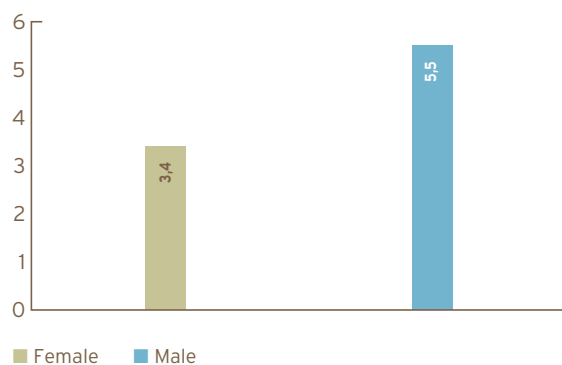
Looking at our progress over the last five years, we have achieved our targets. New targets for 2018 are being set.

The breakdown of our annual employment equity reports, as submitted to the Department of Labour, is shown below.

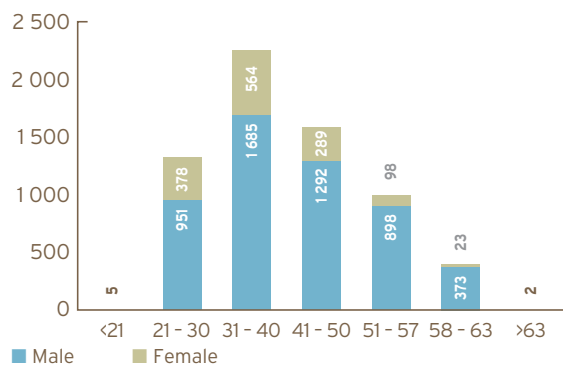
Exxaro Resources targets December 2017

Management category	Male		Female		Total		% target	Total % HDSA	HDSA
	% black male	No	% black female	No	% black	No			
Top management	33,33	1	33,33	1	66,67	2	50,00	66,67	2
Senior management	29,55	26	7,95	7	30,68	27	31,00	42,05	37
Middle management	32,56	196	15,28	92	44,35	267	50,00	63,12	380
Junior management	48,17	1 134	16,14	380	63,98	1 506	61,00	72,01	1 695
Women						1 350	10,00	20,79	
People living with disabilities						66	2,00	1,02	

Breakdown of turnover by gender (%)



Current workforce by age group and gender



Exxaro workforce by category and region

Our staff complement was 6 561 at 31 December 2017 (2016: 6 648), split into employees in bargaining units (82%) and the management and specialist category (18%).

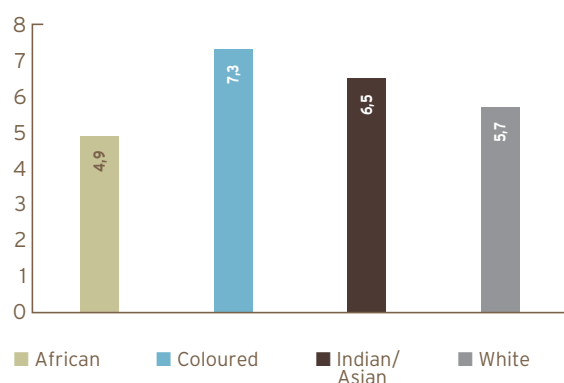
Region	Bargaining unit					Management and specialist				
	Male	% of workforce	Female	% of workforce	Total	Male	% of workforce	Female	% of workforce	Total
Foreign	53	4,53	2	0,03	55	8	0,12	3	0,05	11
Gauteng	59	0,90	12	0,18	71	247	3,76	203	3,09	450
KZN	37	0,56	16	0,24	53	3	0,05	0	0,00	3
Limpopo	2 090	31,85	456	6,95	2 546	346	5,27	84	1,28	430
Mpumalanga	2 160	32,92	506	7,71	2 666	203	3,09	73	1,11	276
Grand total	4 399	67,05	992	15,12	5 391	807	12,30	363	5,53	1 170

For 2017, Exxaro's average employee turnover rate was 5,5% (2016: 5,1%), due to death, resignation and dismissal. The turnover rate by employee group is shown below:

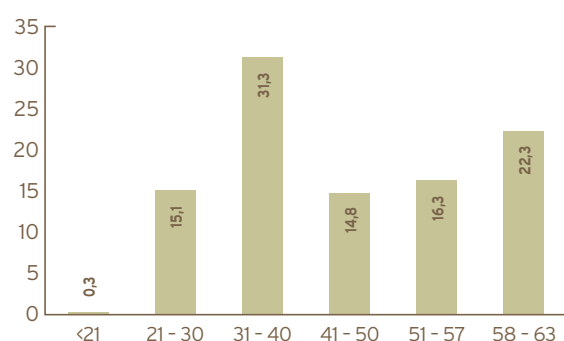
Breakdown of turnover by level

	Terminations January to December 2017	
	Number	% of workforce
Top management	0	0,00
Senior management	8	0,12
Middle management	52	0,79
Junior management/skilled	114	1,74
Semi-skilled	165	2,51
Unskilled	25	0,38
Total	364	5,00

Breakdown of turnover by race (%)



Turnover per age group (%)



Remuneration

Our remuneration philosophy (page 8) includes guaranteed and variable components. These are critical to attract, motivate and retain the high-performing and talented individuals required to build a sustainable business.

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.

Eliminating discrimination and resolving grievances

As an employer, Exxaro is firmly committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual orientation or nationality.

Our corporate values guide the way we do business, and discrimination on any grounds is not acceptable. Managers and supervisors are continuously trained on appropriately applying disciplinary measures should the need arise.

Human rights

Exxaro complies with labour legislation in South Africa and International Labour Organisation 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 practiced.

The group's compliance with legislation and international conventions was audited by our internal auditors and confirmed in the prior period.

PEOPLE (CONTINUED)

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.

Women in mining

In Exxaro, women make up 21% of the workforce, and we focus on attracting women through our talent pipelines. Although this is a challenge, women comprise 36% of young professionals in training, and 29% of our full-time bursars in engineering and mining at universities.

Housing

In line with our mining charter obligations and our business needs, we have focused on homeownership under a long-term housing strategy.

Since introducing a mortgage repayment subsidy for first-time homebuyers who are permanent employees in 2009 – a period marked by the unprecedented scarcity of bank mortgage finance – 312 employees have benefited.

The first-time homeownership capital assistance programme has proven to be a key enabler of homeownership among our employees. Our R125 000 capital assistance allows employees to significantly reduce the amount of their mortgage, improving affordability. This has assisted employees on specific salary grades to become homeowners, with 159 benefiting to date.

To comply with the mining charter Exxaro has converted all its hostels into single-quarter accommodation or family units, improving the quality of life for over 920 employees.

While our housing policy focuses on homeownership, bargaining unit employees receive a housing or living-out allowance. The housing allowance is paid to 1 366 employees with a registered bond (2016: 1 246) and the living-out allowance to 3 654 renting accommodation (2016: 3 739).

Community education

In 2017, 103 community members were enrolled for ABET programmes through Exxaro initiatives.



Highlights

- › Strategy revised to align with Exxaro vision
- › Education approach refocused to concentrate on early childhood development.

Lowlight

- › Community unrest.

In 2017, Exxaro reviewed its socio-economic development (SED) strategy, which included revising our education and enterprise and supplier development strategies to align with the company's vision. Through collaboration and partnerships, Exxaro will continue to invest in initiatives that build sustainable communities based on proactive engagement, developing a deeper understanding of societal needs and better application of best practices in corporate citizenship. To ensure measurable benefits, our social return on investment (SROI) methodology evaluates the impact of these initiatives in beneficiary communities.

Exxaro plays a significant role in South Africa as an employer, offering direct and indirect jobs, skills development as well as enterprise and supplier development opportunities.

Our priority SED areas aim to maximise value creation and self-empowerment for communities by supporting education, health and the natural environment, applicable infrastructure development and enterprise and supplier development.

Education

The Exxaro people development initiative is an internal framework that governs and tracks all education and skills

initiatives for our employees and community development in areas where Exxaro operates. Since inception, we have invested an average 37% of our total community spend per annum on education.

We have contributed to development programmes for grade 11 and 12 learners, as well as teachers and principals and school governance, resourcing and infrastructural development projects.

In 2017, we completed the construction of a TVET college in Delmas, Mpumalanga in partnership with Universal Coal, at a total cost of R8,6 million. SROIs for the college and associated education programmes have been calculated at 2,2, which means a social and economic return of R2,20 for every R1 invested.

Our new education strategy has been informed by the Department of Education's strategy which recognises early childhood development as fundamental to creating a solid foundation in a child's early years of learning. We have engaged various stakeholders who will assist in implementing this new strategy.

Case study: Honouring SLP commitments



At Arnot (which is in unplanned closure), Exxaro supported three schools with their mathematics and physical science programmes, including Kwazamokuhle Secondary School. This school's pass rate increased from 81% in 2016 to 90% in 2017, while maths and physical science marks rose by 29 and 19 percentage points respectively. The school's top student achieved five distinctions in matric and is studying chemical engineering at Wits University.

Health, environment, agriculture, water and energy

Prevailing socio-economic challenges expose disadvantaged communities most to the risk of food shortages, access to energy, potable water and proper sanitation, making them particularly vulnerable to illness. Leveraging our business capabilities, we will respond effectively by collaborating with other businesses, specialists and government in applying appropriate technologies to improve access.

In 2017, we began refurbishing the Ga-nala landfill site near Matla to reduce the cost of refuse removal for the municipality. Earlier, we bought two waste compactor removal trucks for the municipality. In Emakhazeni local municipality, we completed upgrading the water reticulation system, which is benefiting five farm communities near our Belfast project.

We concluded a memorandum of understanding in 2017 with the Department of Health to begin constructing a clinic in Rietkuil township, near Arnot, at a total cost of R12 million.

These projects are expected to generate an SROI of over 2.

Enterprise and supplier development (ESD)

Exxaro's ESD strategy is intended to develop entrepreneurs and suppliers across the priority investment areas and any other opportunities. A hybrid model underpinning the ESD strategy has four pillars:

- › Providing ESD grants and loans (ie ESD funding)
- › Training and developing ESD beneficiaries (incubation)
- › Equity investment fund management
- › Crowd-sourcing business ideas.

In all our operations, ESD centres are being established to provide business training and support, hands-on mentoring and coaching. SROIs for these projects have been calculated at 2,5 to 3,0.

One example of our ESD strategy in action: Exxaro donated infrastructure and equipment to a former department that was rationalised in our restructuring programme. The metallurgical services department established a 50% black-owned legal enterprise, LightDeepEarth (LDE), where each employee benefits from their shareholding in the company through a trust.

The enterprise supplies metallurgical and technical services to Tronox.

Infrastructure development

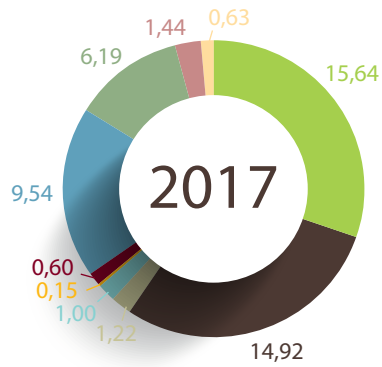
Infrastructure such as housing, community and cultural centres, and roads provide shelter and mobility, essential elements for a better community life.

In Limpopo (Waterberg region), we are constructing a 36km road in partnership with Roads Agency Limpopo at a cost of R260 million. We are also refurbishing employee accommodation at a cost of R300 million. In developing these projects, we have incorporated local skills development, employment and SMMEs.

In 2017, Exxaro handed over the Klarinet sports field, valued at R12,3 million, to the eMalahleni municipality and the Department of Sport, Arts and Culture. Thirty-three houses were also handed over to the Steve Tshwete local municipality in this district.

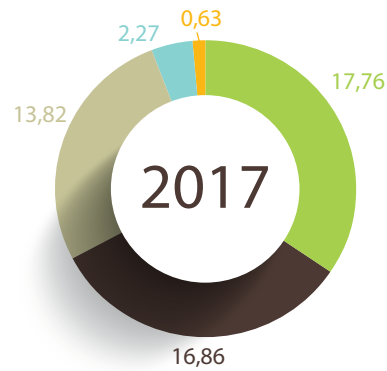
Investment per focus area - total: R51,3 million.

SLP and CSI contributions (R million)



- Education
- Enterprise development
- Supplier development
- Environment
- Governance
- Health
- Infrastructure development
- Skills development
- Welfare
- Agriculture

Social contributions per region (R million)



- Gauteng
- Mpumalanga
- Limpopo
- National
- KwaZulu-Natal



OUR ENVIRONMENT

Highlights

- › Belfast, Thabametsi and Leeuwpán expansion projects receive all requisite environmental licences
- › Submissions to CDP for water and climate change (2017) reflect significant improvements
- › Water strategy approved by exco - with business unit-specific reduction targets.

Lowlight

- › Matla water-treatment plant not performing as expected.

Natural resources like water, air, biodiversity and land are central to our business. We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment through:

- › Ensuring all activities are properly authorised
- › Complying with all statutory environmental requirements as a minimum
- › Using energy and water as efficiently as possible
- › Conducting activities responsibly from the twin perspectives of compliance and natural resource use
- › Actively participating in voluntary benchmarks, such as the global carbon and water disclosure projects
- › Developing innovative policies and programmes to address environmental impacts and use of natural resources.

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.

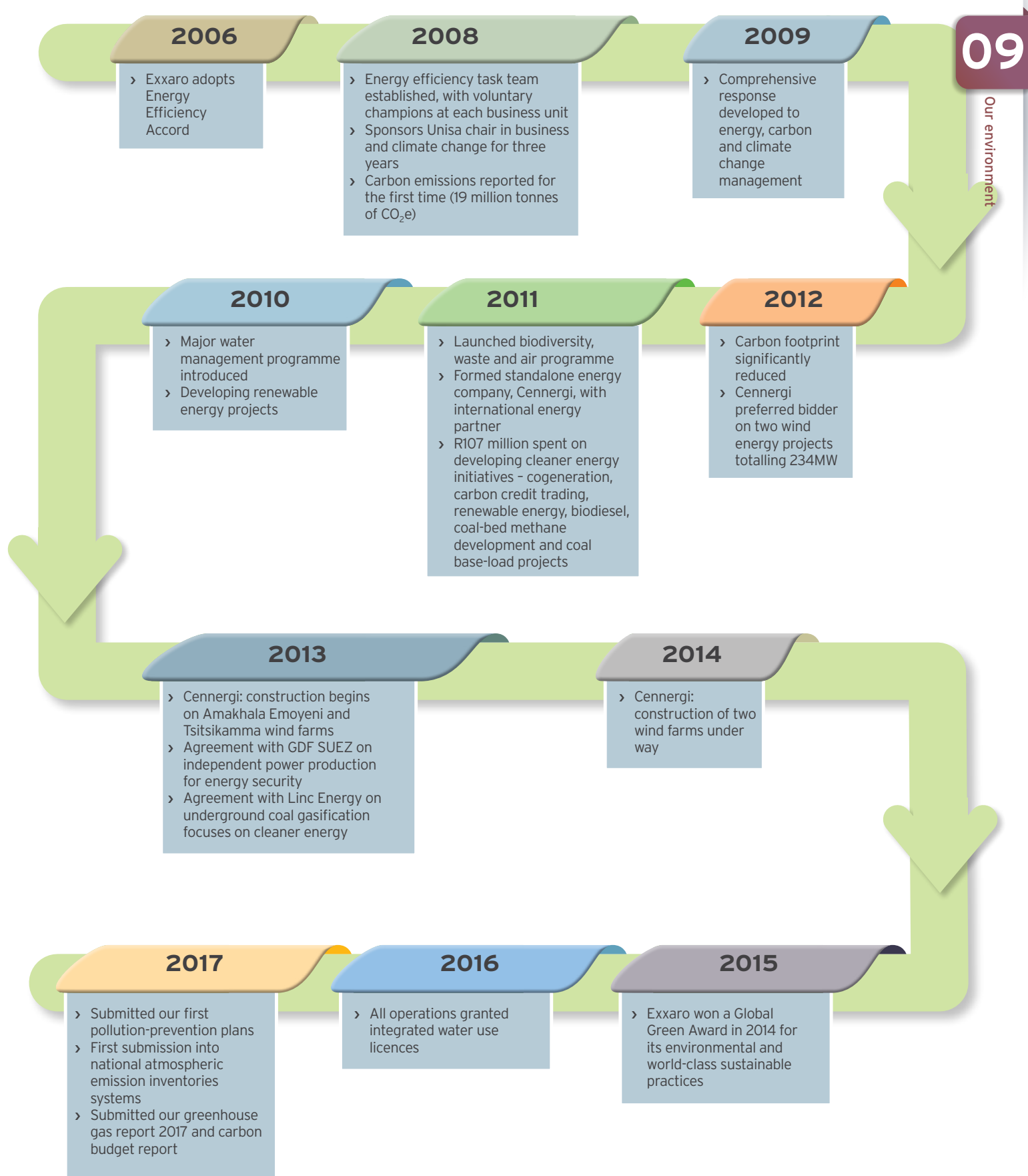
All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.

All our South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and 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.

All our operations have now been granted integrated water use licences (most Exxaro business units need more than one licence).

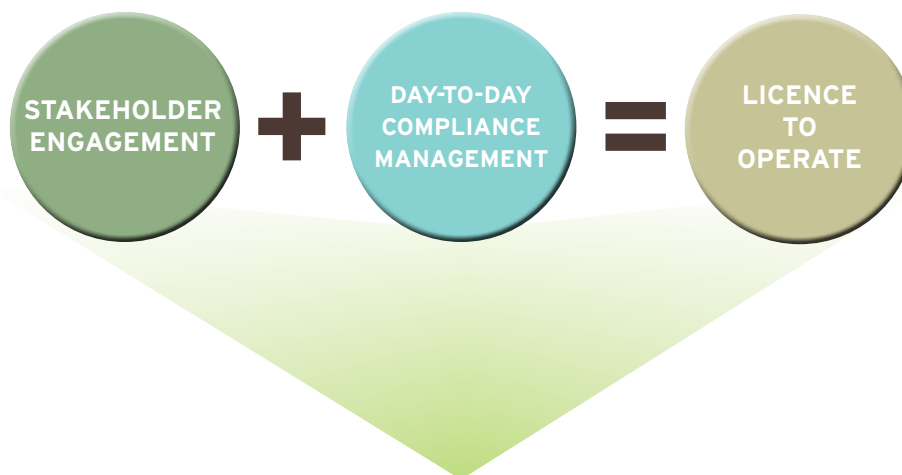


Exxaro's green timeline



OUR ENVIRONMENT (CONTINUED)

Our procedures



ENERGY	WATER	WASTE
<ul style="list-style-type: none"> › Energy management procedure › Energy efficiency plans › CO₂ emissions reports › Responsive resource use › Targets › Climate change › Energy-efficiency reports 	<ul style="list-style-type: none"> › Water management procedure › Water management plans › Water-related risk assessment › Water efficiency plans › Water authorisation › Financial impact of water management/treatment. Water monitoring and reporting 	<ul style="list-style-type: none"> › Waste management procedure (including classification) › Waste authorisation › Waste handling, transportation and disposal procedure › Waste management and reporting › Waste efficiency reports

ECOLOGY	CLOSURE AND ONGOING REHABILITATION	LAND MANAGEMENT	AIR
<ul style="list-style-type: none"> › Biodiversity management procedure › Biodiversity impact management › Biodiversity management plans › Ecological effect impact procedure › ECR authorisation › Biodiversity monitoring and reporting › Ecology efficiency reporting 	<ul style="list-style-type: none"> › Mine closure and ongoing rehabilitation procedure › Integrated mine closure plan › Financial provision › Closure objectives - management plans › Mine closure impact assessment › Ongoing rehabilitation monitoring and reporting › Closure and ongoing efficiency reports 	<ul style="list-style-type: none"> › Land management procedure › Operational land management plan › Land disposal strategy › Land management efficiency reports 	<ul style="list-style-type: none"> › Air quality authorisations (AEL) › Air quality management procedure › Air quality impact assessment › Air quality management plans › Air quality monitoring and reporting › Stakeholder forum › Energy-efficiency reports

Building blocks to exceed compliance levels

After a strategic review of key environmental risks from Exxaro's operations, we have identified the building blocks required to ensure consistent compliance and, in time, to exceed regulatory minimums where possible.

Legal compliance

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.

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. As applications for various projects are at different stages of regulatory assessment, we continuously engage with the relevant authorities, agencies and other stakeholders to expedite these licences.

In 2016, one environmental authorisation (under NEMA) was granted for Grootegeluk while the amended integrated water use licence was received in June 2017. The amendment of the infrastructure environmental authorisation for phase 1 and phase 2 of the short-term strategic stockyards was also received in the review period.

Exxaro received no environmental stoppage directives during the review period. No fines were issued.

Status of integrated water use licences

In 2016, we completed the lengthy process of migrating our authorisations to the National Water Act (1998). All Exxaro operations now have the required integrated water use licence.

Incident reporting

Using a standardised reporting system, all business units manage incidents effectively, resulting in a safer and more sustainable work environment. In 2017, one level 2 incident occurred and was reported to the relevant authorities. Corrective actions to prevent recurrence were approved by authorities prior to implementation. There were no significant (level 3) incidents in 2017.

Environmental incidents - group

Business unit	Level 1		Level 2		Level 3	
	2017	2016	2017	2016	2017	2016
Annot	14	16		3	–	–
Char plant	–	–			–	–
Durnacol	–	–			–	–
Grootegeluk	16	23		1	–	–
Hlobane	–	–			–	–
Leeuwpan	20	25			–	–
Matla	29	156	1		–	–
North Block Complex	4	6			–	–
ECC	1	–	–		–	–
Tshikondeni	1	2		1	–	–
Total	85	228	1	5	0	0

Level 1: Minor impact and/or non-compliance.

Level 2: Intermediate impact and/or non-compliance.

Level 3: Major impact and/or non-compliance.



OUR ENVIRONMENT (CONTINUED)

Environmental incidents - level 2

BUSINESS UNIT	DESCRIPTION	RECEIVING ENVIRONMENT	RESPONSE
Matla	Excavator removing soil in the river	Altering the bed, banks or characteristics of a watercourse	Activity stopped immediately

Air quality

As a mining group, air quality remains a risk to Exxaro on several levels, particularly dust and other pollutants such as particulate matter (PM) including PM10 and PM2,5 from open-cast operations. Accordingly, we focus on:

- › Minimising impact on the receiving environment
- › Full legislative compliance
- › Air quality management planning
- › Risk management
- › Monitoring, measurement and reporting.

Air quality management initiatives

OBJECTIVES	CRITICAL SUCCESS FACTORS	WHAT	WHEN	PROGRESS
› Compliant, sustainable air quality management system, operated and controlled by trained specialists at business units	› Integrated air quality management planning in core operational processes	› Baseline assessments › Impact assessments › Optimise monitoring programme	› Third quarter 2018	› Baseline assessments, impact assessments and ambient monitoring review completed in business units as part of the group-wide air quality management initiative

Long and short-term goals for air quality management

GOALS	TARGET	PROGRESS
Initiating PM10 and PM2,5 monitoring for all our business units (operational and greenfield projects for baseline data)	Second quarter 2019	Monitoring initiated as a priority in some business units and greenfield projects such as Belfast
Initiating PM10 and PM2,5 monitoring for all our business units (operational and greenfield projects for baseline data)	Fourth quarter 2018	Dust fallout networks redesigned in all business units and greenfield sites
Meteorological monitoring to ensure availability of surface data for temperature, wind direction, wind speed, and more. This data will be used for dispersion modelling, baseline characterisation, ambient monitoring, including dust fallout monitoring and reporting, etc	Second quarter 2019	Meteorological stations purchased for some business units and greenfield projects such as Thabametsi, with a commitment to purchase more
Ensuring compliance to air quality standards and guidelines in the country	Ongoing	Most business units currently monitor dust fallout and PM10. Results are assessed for compliance to national dust control regulations and ambient air quality standards for PM10

Emissions from mining operations

Mining is generally associated with generating dust. However, daily mitigation measures ensure we address challenges associated with dust generating activities (blasting, drilling, crushing and screening, vehicle convoys, materials handling and wind erosion of exposed operational areas). These measures include applying chemical dust suppressants on haul roads, watering secondary unpaved operational roads, vegetating topsoil stockpiles and overburden material.

All our mining operations monitor dust fallout rates and results are assessed against residential and non-residential limits in national dust control regulations. Although our operations are classified under the non-residential limit, some are close to residential areas or sensitive receptor

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.

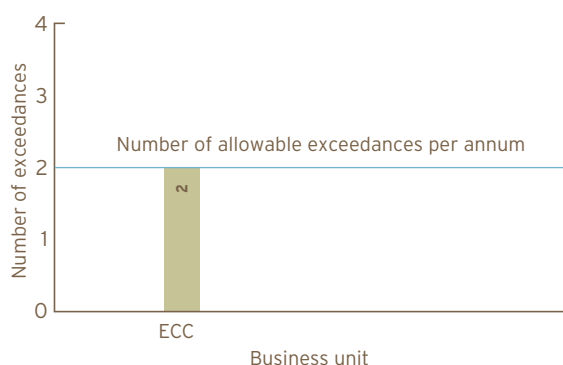
We continue to concentrate on improving our mitigation measures for operational activities that contribute significantly to dust. This will reduce dust impacts on sensitive receptors and ensure compliance.

Comparing Exxaro's dust as fallout rate against the regulated non-residential and residential limit, no operation exceeded the two allowable annual limits in 2017.

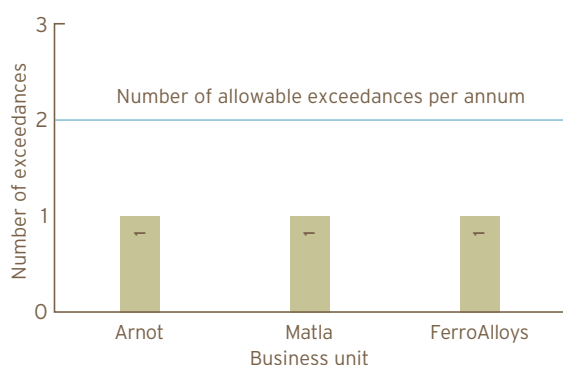
Dust fallout - 2017

Target	2017	2016	2015	2014	2013	2012
Coal: 300mg/m ² /day	172	169	173	335	351	480

Residential limit (600mg/m²/day) - January to December 2017



Non-residential limit (1 200mg/m²/day) - January to December 2017



Climate change and carbon footprint

Definitions and context

Scope 1: Direct greenhouse gas (GHG) emissions, measured in tons of carbon dioxide equivalent (tCO₂e) from sources owned or controlled by Exxaro, eg emissions from diesel, petrol, gas and anthracite combusted in day-to-day mining operations.

Scope 2: GHG emissions from electricity generation by Eskom, purchased by Exxaro.

Scope 3: Emissions outside our control but emanating from our products or activities, eg customer burning coal sold by Exxaro.

The scope 1, 2 and 3 emission protocol provides a common measurement platform to compare firms, aggregate data to national level and compare countries. South Africa has set arguably the most aggressive carbon abatement targets of any developing country: to reduce emissions by 34% below business as usual by 2020, and 42% by 2025.

Carbon footprint

Operational activities are guided by our climate change response strategy. A dedicated steering committee oversees related improvement projects and activities, and ensures these are aligned with Exxaro's climate change position statement.

OUR ENVIRONMENT (CONTINUED)

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.

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.

We base our accounting and reporting for GHG emissions on the Greenhouse Gas Protocol (www.exxaro.com), and have elected to use the operating control accounting approach for emissions.

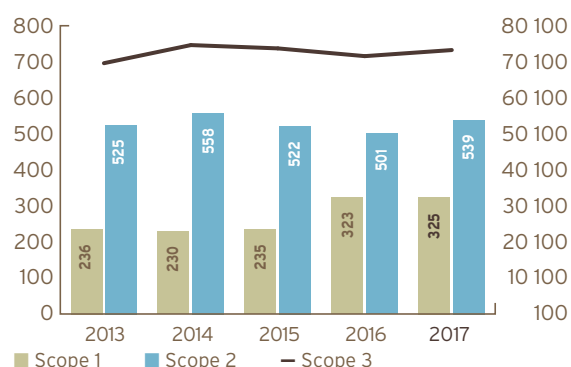
GHG emissions

(kt CO ₂ e)	2017	2016	2015	2014	2013
Scope 1	324,9	323,0	235,2	229,8	236
Scope 2*	539,0	501,0	521,9	557,6	525
Total scope 1 and 2	864,0	824,0	757,1	787,4	761,0
Year-on-year change (%)	4,9	8,8	(3,8)	3,5	(48,0)
Scope 3**	76 462	71 697	73 847	74 768	69 737
Year-on-year change (%)	2,7	(2,9)	(1,2)	7,2	(1,3)

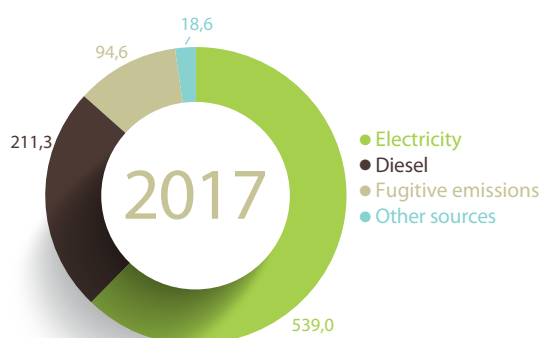
* Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa (0,96tCO₂e/MWh).

** Scope 3: Reported emissions are based on emissions from the use of product sold by Exxaro plus transmission and distribution losses from the SA grid derived from Eskom's emissions factor for electricity sold (1,06tCO₂e/MWh) and the grid emission factor for SA (0,96tCO₂e/MWh). Reported emissions represent over 96% of Exxaro's scope 3 emissions.

Greenhouse gas emissions (kt CO₂e) – scope 1, 2 and 3: 2013 to 2017



Greenhouse gas emissions by source (kt CO₂e) – 2017



Carbon emissions by source

(kt CO ₂ e)	2017	2016	2015	2014	2013
Electricity	539,0	501,0	521,9	557,6	525,3
Year-on-year change (%)	7,5	(4,0)	(6,8)	6,1	1,2
Source proportion (%)	62	66,5	68,9	70,7	68,8
Diesel	211,3	168,2	174,8	155,9	157,8
Year-on-year change (%)	25	(3,0)	10,8	(1,2)	(4,2)
Source proportion (%)	24	22,1	23,1	20,0	20,8
Fugitive emissions	94,6	84,9	56,6	67,6	77,9
Year-on-year change (%)	11	50,0	(19,4)	(5,8)	(7,8)
Source proportion (%)	11	11,0	7,5	8,6	9,4
Other sources	18,6	3,7	3,7	6,2	2,4
Year-on-year change (%)		1,0	(40)	6,9	147,3
Source proportion (%)	3	0,5	0,5	0,8	0,8

Carbon disclosure

The CDP is a UK-based global climate change reporting system. This data provides valuable insights into corporate strategies and helps channel investment to companies adhering to sustainable carbon and emissions management.

Exxaro participates in two programmes: CDP Climate Change (since 2008) and CDP Water (since 2010). To facilitate our reporting under 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 is externally audited and assured each year.

We remain focused on reducing Exxaro's carbon footprint in line with our commitment to reduce energy consumption and improve energy efficiency. Given the fast changing legislative environment and the coming into effect of the carbon budgets and carbon tax, reduction of GHGs is a business imperative as it has the potential to impact the financial performance of the organisation.

2017 total GHG emissions by scope (tCO₂e)

Arrows indicate year-on-year movement

	Scope 1	Scope 2	Scope 3	Total
Business unit	↑ 324 925	↑ 539 040	↓ 76 461 530	↑ 77 325 494
Arnot	3 583	25 889	2 562	32 034
Durnacol*	72	95	9	176
Grooteegeluk	147 757	343 777	48 458 340	48 949 874
Hlobane*	113	20	2	135
Leeuwpan	58 483	24 232	6 165 925	6 248 640
Mafube	34 469	19 384	2 830 752	2 884 605
Matla	39 073	103 168	13 455 407	13 597 648
North Block Complex	40 976	7 446	5 326 667	5 375 090
Reductants	215	0	220 378	220 593
Tshikondeni*	64	1 952	193	2 209
AlloyStream**	0	407	40	448
Corporate centre	6	4 430	438	4 875
FerroAlloys	112	7 613	753	8 479
R&D**	0	625	62	687

* Operations in closure.

** Closed operations.

Energy management

Diesel and electricity are the primary sources of energy for all our business units, at 57% and 43% respectively. Total energy consumed increased by 9% in 2017 to 4 584 170 gigajoules (GJ). This reflects increased diesel consumption for concurrent rehabilitation at operating mines and higher production at Grooteegeluk and North Block Complex, as well as more haul roads at Leeuwpan. For Leeuwpan and North Block Complex the increase in production or change in mining has a direct impact on diesel consumption since this respectively accounts for 87% and 93% of total energy consumed.

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. The

head office technology department has initiated a project to reduce diesel consumption at all our operations.

To facilitate energy-saving initiatives, energy-intensity targets are set annually based to the prior two-year performance for each operation, and monitored monthly. These targets were reviewed at the end of the 2017 and long-term (five years) targets have been proposed. These will be implemented in the second half of 2018.

Although the electricity and diesel consumption figure increased in 2017, the trend was not necessarily the same for electricity intensity and diesel intensity.

Based on production tonnes in 2017, electricity intensity of 13,8MWh/kt was up 7,5% while diesel intensity was 1 655/kt, a decline of 11,6%.

OUR ENVIRONMENT (CONTINUED)

Electricity consumption in coal operations - 2017

	Electricity (MWh)				Production (kt)				Electricity intensity (MWh/kt)			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Coal	527 688	518 376	566 521	566 521	39 312	37 030	40 969	37 203	13,83	12,86	13,83	15,95
Change (%)	1,8	(6,0)	(3,2)	6,0					7,5	1,0	(13,0)	11,5
Arnot	26 967	29 394	49 742	52 377	–	–	1 401	1 440	–	–	35,5	36,4
Char plant	–	–	–	–	86	54	48	127	–	–	–	–
Durnacol	99	114	139	153	–	–	–	–	–	–	–	–
Grootegeeluk	358 101	335 041	341 932	328 614	25 538	22 601	25 554	18 838	14,02	14,8	13,4	17,4
Hlobane	21	20	19	33	–	–	–	–	–	–	–	–
Leeuwpans	25 242	25 951	27 037	25 031	3 355	3 774	2 202	24 434	7,52	6,9	12,3	10,2
Matla	107 467	109 710	108 185	124 859	7 400	7 900	7 858	9 513	14,52	13,9	13,8	13,1
North Block Complex	7 757	6 791	7 860	7 526	2 665	2 701	2 871	2 602	2,91	2,4	2,7	2,9
Tshikondeni	2 034	2 747	4 538	15 761	–	–	–	154	–	–	–	102,5

Diesel consumption in coal operations for 2017

	Diesel (kℓ)				Production (kt)				Diesel consumption intensity (ℓ/kt)			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Coal	72 101	65 052	64 520	57 477	39 312	37 030	40 969	37 203	1 655	1 756	1 574	1 547
Change (%)	10,8	1,0	10,9	(1,3)					(5,8)	11,6	1,7	(0,83)
Arnot	1 311	1 243	1 043	444	–	–	1 401	1 440	–	–	744	309
Char plant	79	55	142	124	56	54	48	127	1 411	1 019	2 897	979
Durnacol	25	38	43	47	–	–	–	–	–	–	–	–
Grootegeeluk	40 846	30 231	35 521	28 833	25 538	22 601	25 554	18 838	1 599	1 338	1 390	1 531
Hlobane	40	39	36	37	–	–	–	–	–	–	–	–
Leeuwpans	16 768	16 371	17 043	16 292	3 355	3 774	2 202	2 444	4 998	4 337	7 736	6 666
Matla	2 550	3 071	2 677	2 942	7 400	7 900	7 859	9 513	345	389	341	309
North Block Complex	10 462	9 867	8 121	4 867	2 962	2 701	2 871	2 602	3 956	3 653	2 828	1 870
Tshikondeni	22	35	134	1 058	–	–	–	154	–	–	–	6 875

Water management

Water is a strategic natural resource for South Africa and 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 No 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 hierarchy informs both our policy and strategy on mine and waste water management as:

- › Pollution prevention
- › Minimise environmental impacts
- › Maximise water reuse and reclamation
- › Responsible water discharge and disposal
- › Water treatment.

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:

- › Ensure a cost-effective integrated approach to water management
- › Be environmentally responsible
- › Be ecologically sustainable.

These management standards adhere to the Department of Water and Sanitation's best practice guidelines on:

- › The integrated water and waste management plan
- › Stormwater management planning
- › Water and salt balances
- › Water monitoring systems
- › Water reuse and reclamation
- › Pollution control dams
- › Environmental performance indicators.

Progress

Water management is integral to our licence to operate. The group water strategy was approved towards the end of 2017 and identifies the following focus areas:

- › Excellence in compliance
- › Excellence in operational water efficiency
- › Excellence in policies, standards and processes
- › Excellence in water technologies
- › Excellence in stakeholder partnerships.

A comprehensive programme is entrenching responsible and sustainable water management across Exxaro. It concentrates on relevant water-use and related risk issues – from security of supply to water efficiency and water-cost management – and manages these within current and anticipated regulatory compliance requirements. This is supported by continually enhancing our competence in water-management issues through company-wide research and skills development. We also reinforce awareness of water issues through ongoing communication and training.

While numerous 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.

We are managing water-related risks, minimising impacts, and operating efficiently through reduction, reuse and recycling. Most of our operations have water conservation plans that support the national strategy to ensure equitable distribution of water resources that allows for business growth and protection (sustainable use).

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 megalitres per day. The plant at Matla has been operational for two years. The second plant at North Block Complex has been operational since January 2017 (case study on page 60), while the plant at Arnot is being planned as part of mine-closure activities.

Our prime focus is optimising the use of recycled water. The plants at Matla and North Block Complex are already supplying potable water to their respective mines.

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.

Water-use monitoring and measurement

Exxaro monitors and reports against the ESG reporting categories of global stock exchanges, in turn aligned to definitions and environmental categories in the GRI's mining and metals sector guidelines. Our data also correlates to the reporting format of the annual submission to the CDP-Water, where we remain among the leaders in disclosure (www.exxaro.com).

To facilitate disclosure, we maintain a centralised database. Our water accounting methodology includes measuring water volumes and water quality against efficiency and intensity targets, water-use permit conditions and internal benchmarks and trends. While the accuracy of water measurement, monitoring and reporting has improved significantly in recent years, on-site operational challenges remain.

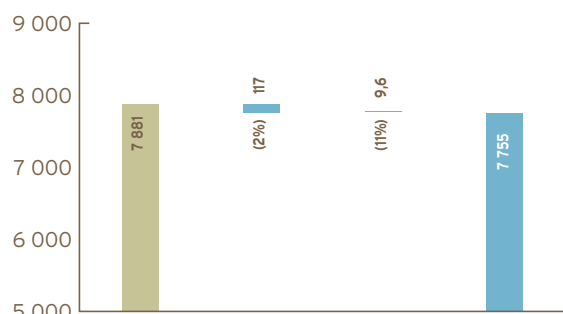
The focus in 2017 was on maintaining progress at larger water-withdrawing operations while rolling out initiatives at other operations. Short-term year-on-year water withdrawal intensity targets were introduced in 2013. As monitoring and reporting against these targets matures, we have developed five-year water saving targets that will be introduced at the beginning of 2018.

Water withdrawal performance

Exxaro decreased water withdrawals by 2% in 2017. Matla and North Block Complex are now using potable water from their water-treatment plant, reducing their withdrawals. We also have operations in closure. The corporate office reduced its water use by about 11% in 2017 following restructuring in the prior year.

OUR ENVIRONMENT (CONTINUED)

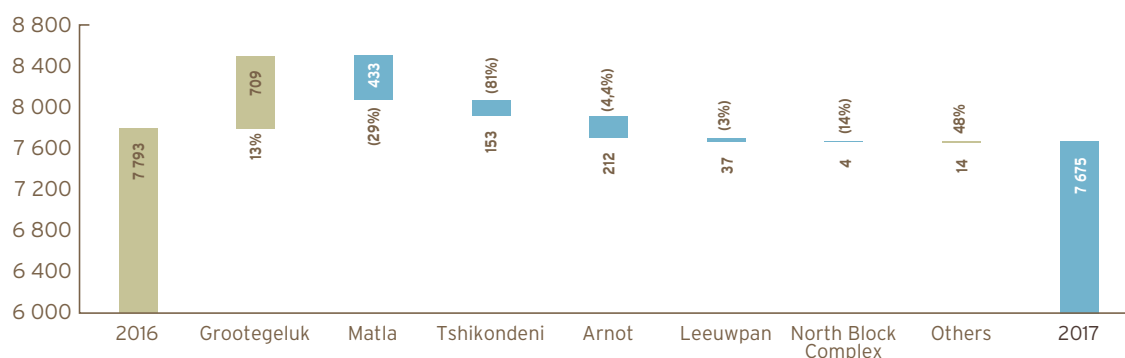
Water withdrawal performance 2017 versus 2016 (megalitres)



Coal - Arnot, Grootegeluk, reductants, Matla, Leeuwpan, NBC, Tshikondeni, Durnacol and Hlobane.
Corporate centre - head office, R&D, AlloyStream and FerroAlloys.

In 2017, coal operations accounted for 99% of our water withdrawals. As noted, total withdrawals by these operations decreased 2% from 2016. Production increased in 2017, leading to a decrease in water intensity of 7%. This takes water intensity for 2017 to the level of 2014, despite increased production, underscoring our commitment to water stewardship.

Water withdrawals at coal operations 2017 versus 2016 (megalitres)



Water withdrawal performance

Business unit	Water source	Water withdrawals (kℓ)				Production (kt)				Water withdrawal intensity (ℓ/t)			
		2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Coal		7 675 314	7 792 576	8 372 045	6 912 951	39 312	37 030	40 969	37 611	195	217	205	184
Year-on-year change (%)		(2)	(4)	21	(14)					(7)	6,1	11,2	(14,5)
Arnot	Potable water supplier	129 115	341 773	532 320	562 110	-	-	1 401	1 440	-	-	380	391
Char plant	Supplied by Grootegeluk	43 642	29 335	29 343	89 939	56	54	48	127	777	541	614	750
Durnacol*	Municipal supply: potable	789	439	24 120	24 787	-	-	-	-	-	-	-	-
Grootegeluk*	Potable water supplier	6 255 089	5 589 988	5 870 059	3 871 449	25 538	22 601	25 554	18 838	247	247	230	192
Hlobane*	Municipal supply: potable	580	675	612	819	-	-	-	-	-	-	-	-
Leeuwpan	Water abstraction: borehole	79 778	117 134	185 984	114 907	3 355	3 774	2 202	2 444	24	31	84	47
Matla	Potable water supplier	1 059 982	1 493 114	1 316 137	1 305 935	7 400	7 900	7 858	10 374	143	189	167	126
North Block Complex	Municipal supply: potable	27 271	31 685	29 057	26 648	2 962	2 701	2 871	2 602	9	12	13	10
Tshikondeni	Water abstraction: river and dam	35 426	188 433	159 150	567 845	-	-	-	154	-	-	-	2 707

* Mines in closure.

Water withdrawal performance (non-mining sites)

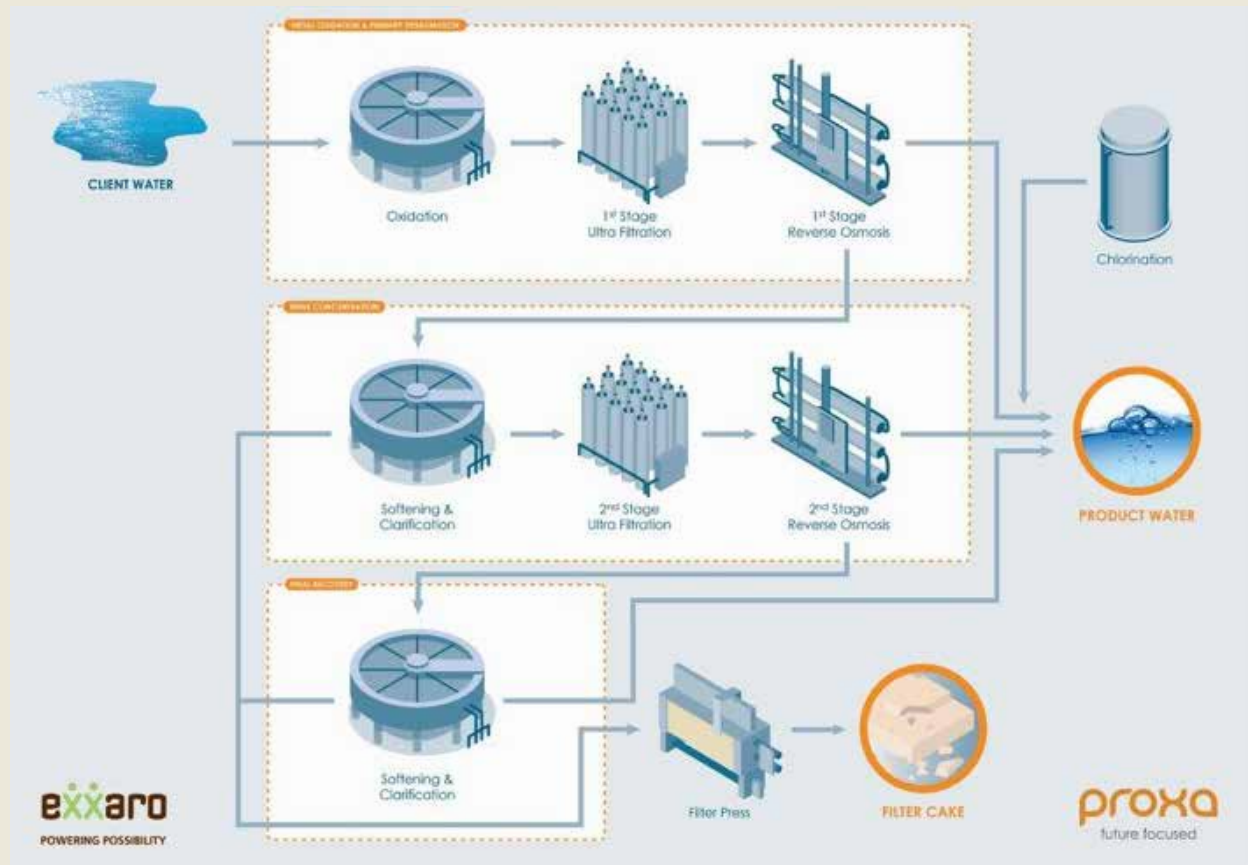
Business unit	Water source	Water withdrawals (kℓ)			
		2017	2016	2015	2014
Corporate office		79 229	88 873	93 863	156 006
Year-on-year change (%)		(11)	(5)	(40)	1
AlloyStream	Municipal: potable – invoiced	12 493	13 507		69 907
FerroAlloys	Municipal: potable – invoiced	21 896	23 006	32 841	18 560
Head office	Municipal: potable – invoiced	43 567	49 521	56 560	62 806
R&D	Municipal: potable – invoiced	1 273	2 839	4 462	4 733
Total		7 754 543	8 114 325	8 465 908	7 068 957
Year-on-year change (%)		(2)	(4)	20	(14)

Water management reporting from business units is not subject to audit review.



Case study: North Block Colliery protects environment by installing zero-waste mine-water treatment plant

As part of its water management strategy, North Block Complex (NBC) commissioned a state-of-the-art R88 million zero-waste water-treatment plant to treat an average of 1,5Mℓ/day of excess mine water. This innovative solution uses non-thermal technology known as the Cascade process, developed by Proxa, to recover multivalent by-product salts and potable water with zero waste. Below is a simplified Cascade process flow diagram.



The process uses a number of key innovations such as an advanced chemical reactor and proprietary point-to-point process control systems to enable reliable and robust performance in challenging low monovalent mine-water applications. The final filter cake, composed of calcium and magnesium salt product, has applications in the agriculture sector. This combination of technologies uses less energy than normal plants as a result of:

- › Minimised pumping by using gravity flow where possible
- › Minimised tankage and associated repumping costs
- › Variable speed drives as opposed to flow-control valves for control purposes
- › Energy-efficient motors
- › Low-pressure drop membranes
- › Monitoring pressure drops and performing preventive cleaning to save energy
- › Minimising recycles and associated reprocessing costs.

This has reduced specific energy input per volume water by around 40%.



The Cascade process also removes the long-term legacy of brine ponds and salt disposal to landfill sites traditionally associated with mine-water treatment. The process saved the mine over 30% in capital and 30% in operating costs to treat and dispose of waste brines and salts typically associated with treating excess mine waters.

This plant will protect the environment at the Glisa site long after mine closure, with the benefit of providing the local community with safe drinking water in a water-scarce country.

Since commissioning, the plant has produced over 200Mℓ of potable water (SANS 241 specification) and 340 tonnes of by-product salt have been removed from the site.

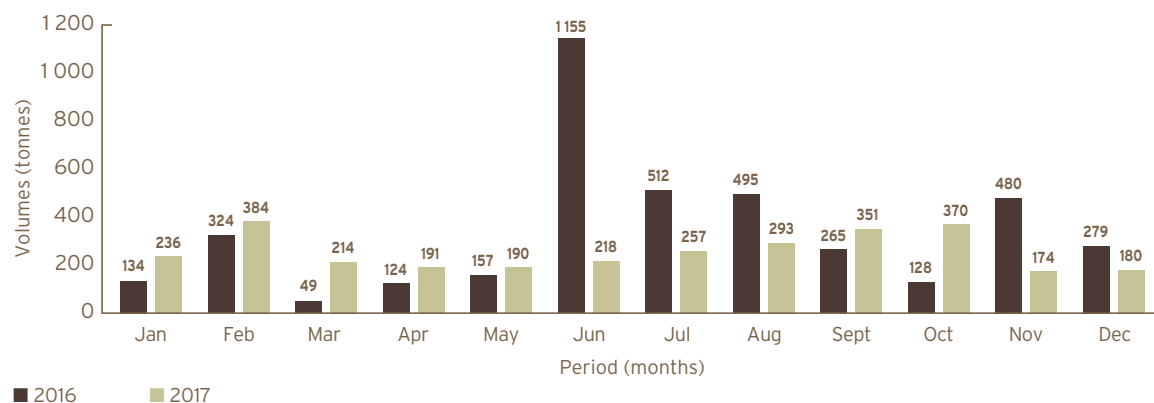
As is the policy with all such projects, we have employed eight operators from the local community who are receiving training and skills development in operating this world-class plant.

Hazardous waste management

Waste management is a key compliance indicator in Exxaro's social licence to operate. Our group 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 No 59 2008 and supporting legislation.

The total weight of hazardous waste generated at our managed coal operations in 2017 dropped 25% to 3 058 tonnes (2016: 4 101 tonnes). There were no unplanned clean-up projects, normally due to oil spillages and soil contamination which ultimately need to be removed to registered hazardous waste facilities.

Hazardous waste removal (tonnes)



Exxaro is developing abatement plans for waste-tyre stockpiles as per requirements issued by the Department of Environmental Affairs (effective date: September 2017).

Biodiversity

Biodiversity means species diversity and species richness in an ecological environment. In Exxaro, our goal is to conserve biodiversity for future generations by sustainably using the resources of our mining operations and South Africa's natural resources.

To reach this goal, we have developed biodiversity action plans for our business units. In addition, our comprehensive biodiversity management standard was revised in 2017 and will be approved in 2018. The guiding principles include the best-practice standard on wetland offsets (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).

Approximately R7 million was spent in 2016 on biodiversity. Some R12 million was spent in 2016 on biodiversity management, including wetland offsets, delineation and wetland studies, as well as biomonitoring.

In addition to complying with legislation and best practice, we aim to develop a competitive advantage through conservation and re-establishing resilient ecosystems that underscore our commitment to duty-of-care principles.

The principles of these guidelines are already incorporated into our planning and execution phases. As example, the principles of best-practice standard were used in several projects to avoid constructing infrastructure in a sensitive wetland area.

Our detailed management standard guides business units in developing infrastructure, aiming to:

- › 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.

Exxaro has evaluated and identified all protected vegetation units with important conservation targets and listed as protected by the national spatial biodiversity assessment report.

Exxaro also references the mining and biodiversity guideline (M&BG, 2013), the Mpumalanga biodiversity sector plan (2014), and the national freshwater ecosystem priority areas (NFEPA 2011) guidelines during proposed expansion and new projects. Information from these guidelines is considered during desktop ecological and wetland studies and includes detailed site-specific assessments to confirm the accuracy of the guidelines.

Any negative impact on biodiversity reduces the ability of communities to gather biological resources, produce biomass, decompose and recycle essential nutrients. There is increasing evidence that biodiversity increases the stability of ecosystem functions through time.

Climate change is also a major threat to global biodiversity: rising atmospheric carbon dioxide and therefore temperatures will affect species ranges, seasonal growth cycles and weather. Major extinctions are predicted as climate change drastically alters the biology of many species.

Environmental liabilities and rehabilitation

Internal annual updates

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.

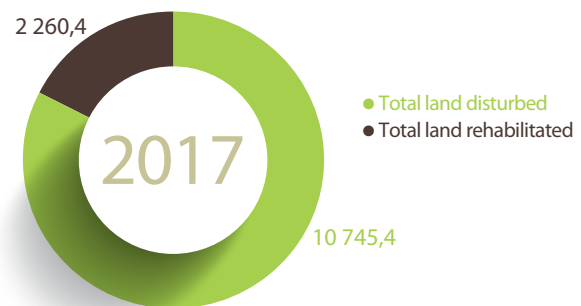
The financial provisioning regulations were republished in November 2017 for comment and major favourable changes from the original December 2015 publication are proposed. The latest version (NEMA Financial Provisioning Regulations, GNR 1228) will have less of an impact on Exxaro. In principle, we are already compliant with most requirements.

Concurrent rehabilitation plans

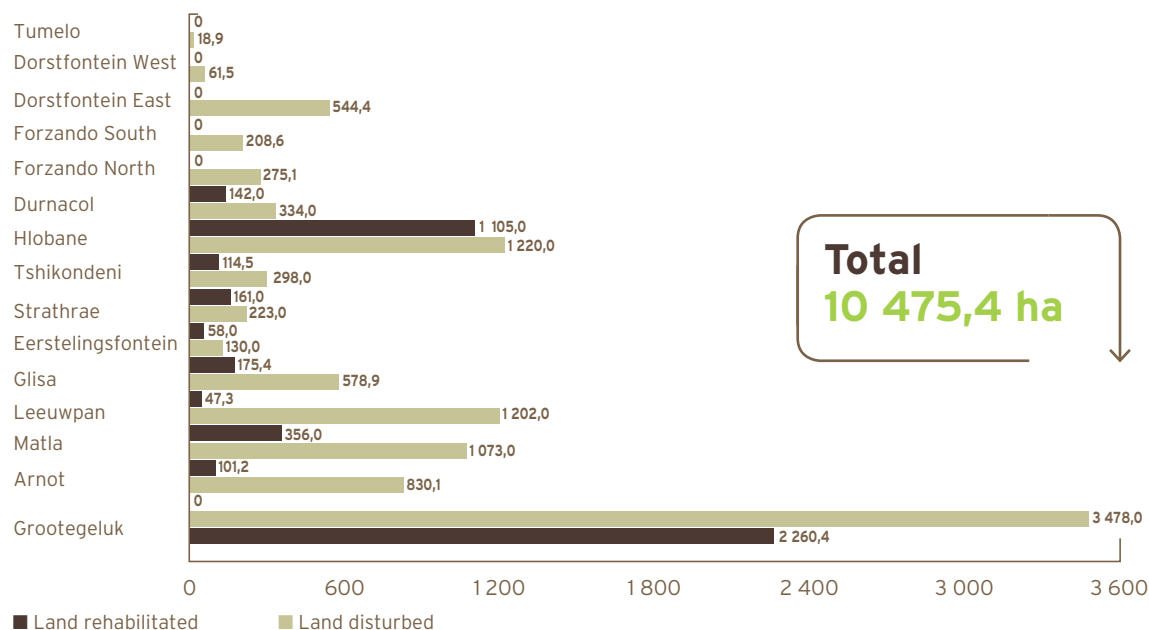
All business units have a five-year concurrent rehabilitation schedule and associated budget:

- › The schedules set measurable targets for each mine
- › Schedules prevent backlogs building up, increasing liabilities
- › Budgets enable managers to implement plans without cash flow constraints
- › Concurrent rehabilitation forms part of operational tracking.

Land disturbed versus land rehabilitated (ha)



Land disturbed versus land rehabilitated (ha)



OUR ENVIRONMENT (CONTINUED)

Liabilities

At 31 December 2017, total land disturbed was 10 785ha and total rehabilitated 2 685ha. The Exxaro Environmental Rehabilitation Fund (EERF) and ECC trust fund provide for a portion of these 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 DMR.

Estimated closure costs per mine (Rm)

The quantum for environmental contributions is calculated, based on relevant legislation, by both internal and external specialists:

- › The Exxaro team comprises members of our sustainability department with expertise and experience in various fields of environmental management, as well as members of our finance department
- › We often use independent external technical and financial specialists. In 2017, the quantum of 12 of our operations was calculated by these specialists.

Mines as per AFS at 31 December 2017	DMR office	Estimated immediate closure cost Rm	Estimated residual liability Rm	Trust fund balance Rm	Guarantee Rm	Immediate shortfall to be covered over remaining life of mine Rm	Remaining life in years at 31 December 2017
Grootegeeluk mine (including reductants area)	Limpopo	2 778 949 937	198 164 821	418 937 371	1 225 555 232	1 332 622 156	30
Thabametsi	Limpopo	–	–	–	885 334 883	(885 334 883)	30
Glisa	Mpumalanga	169 655 077	90 230 869	216 189 067	20 200	43 676 679	1
Eerstelingsfontein	Mpumalanga	6 546 768	9 583 066	–	3 104 950	13 024 884	1
Paardeplaats	Mpumalanga	–	–	–	87 727 305	(87 727 305)	–
Belfast	Mpumalanga	–	–	–	80 000 000	(80 000 000)	30
Leeuwpan MR 157 and 171	Mpumalanga	454 506 658	5 726 193	87 562 446	276 803 745	95 866 660	13
Dorstfontein East	Mpumalanga	642 460 392	79 193 659	91 827 005	55 099 000	574 728 046	13
Dorstfontein West	Mpumalanga	75 749 327	156 576 000	56 412 822	–	175 912 505	15
Forzando North	Mpumalanga	53 419 281	81 759 143	69 516 071	58 919 000	6 743 353	5
Forzando South	Mpumalanga	161 044 634	1 003 580	49 907 157	–	112 141 057	22
Tumelo	Mpumalanga	8 138 900	1 041 589	11 432 281	3 000 000	(5 251 792)	–
Operational mines		4 350 470 975	623 278 920	1 001 784 220	2 675 564 316	1 296 401 360	
Arnot	Mpumalanga	1 118 209 118	708 840 384	261 118 123	27 755 234	1 538 176 145	–
Matla	Mpumalanga	318 000 799	45 113 227	78 709 848	130 000 000	154 404 178	23
Eskom tied mines		1 436 209 917	753 953 611	339 827 971	157 755 234	1 692 580 323	
Durnacol	KZN	97 780 116	6 125 977	–	–	103 906 093	–
Hlobane	KZN	45 332 218	51 140 836	–	–	96 473 053	–
Tshikondeni	Limpopo	85 405 583	13 689 732	174 303 594	49 061 510	(124 269 789)	–
Strathrae	Mpumalanga	27 737 584	63 093 152	90 468 892	20 000	341 844	–
Newcastle	KZN	202 021	2 020 205	–	–	2 222 226	–
Gravelotte	Limpopo	716 921	–	–	35 149 158	(34 432 237)	–
HQ – inactive sites		33 915 527	9 072 884	30 140 633	–	12 847 778	–
Closed operations		291 089 970	145 142 786	294 913 119	84 230 668	57 088 969	
Total Exxaro		6 077 770 862	1 522 375 317	1 636 525 310	2 917 550 218	3 046 070 651	

The trust funds earned R588 million in 2017, including cash contributions, interest earned on investments and fair-value adjustments. The fund has recorded 36% growth from an opening balance of R1 059 million in January 2017 to

R1 647 million in December 2017. In addition, the group had bank guarantees of R2 917 million in place at year end. Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

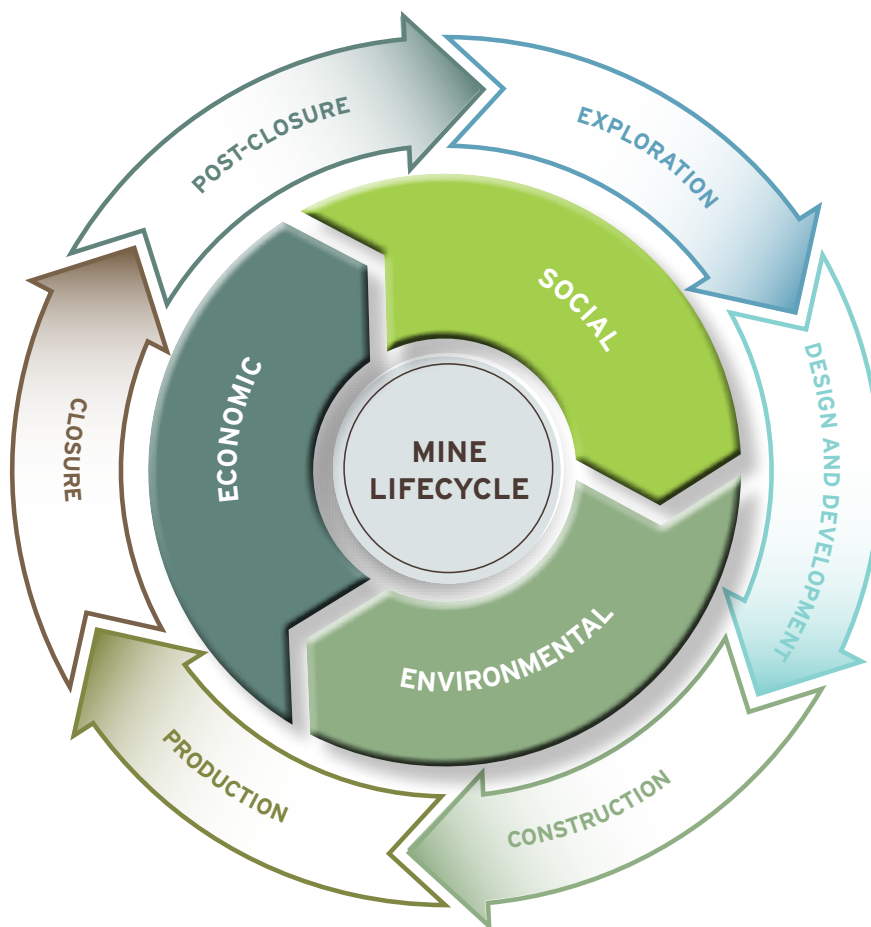
Mine closure

Exxaro had six operations in active closure in 2017 – Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte. Understanding that operational closure, concurrent rehabilitation and land management activities directly link employees, community, environment, government and infrastructure, we are committed to:

- › Ensure the operational closure process is conducted inclusively and within the legal framework

- › Proactively manage environmental impacts to minimise residual liabilities
- › Leave behind a positive legacy for our employees and local communities
- › Allocate required financial resources to ensure this process is concluded
- › Manage Exxaro land according to an agreed strategy.

The following closure-planning process is used:

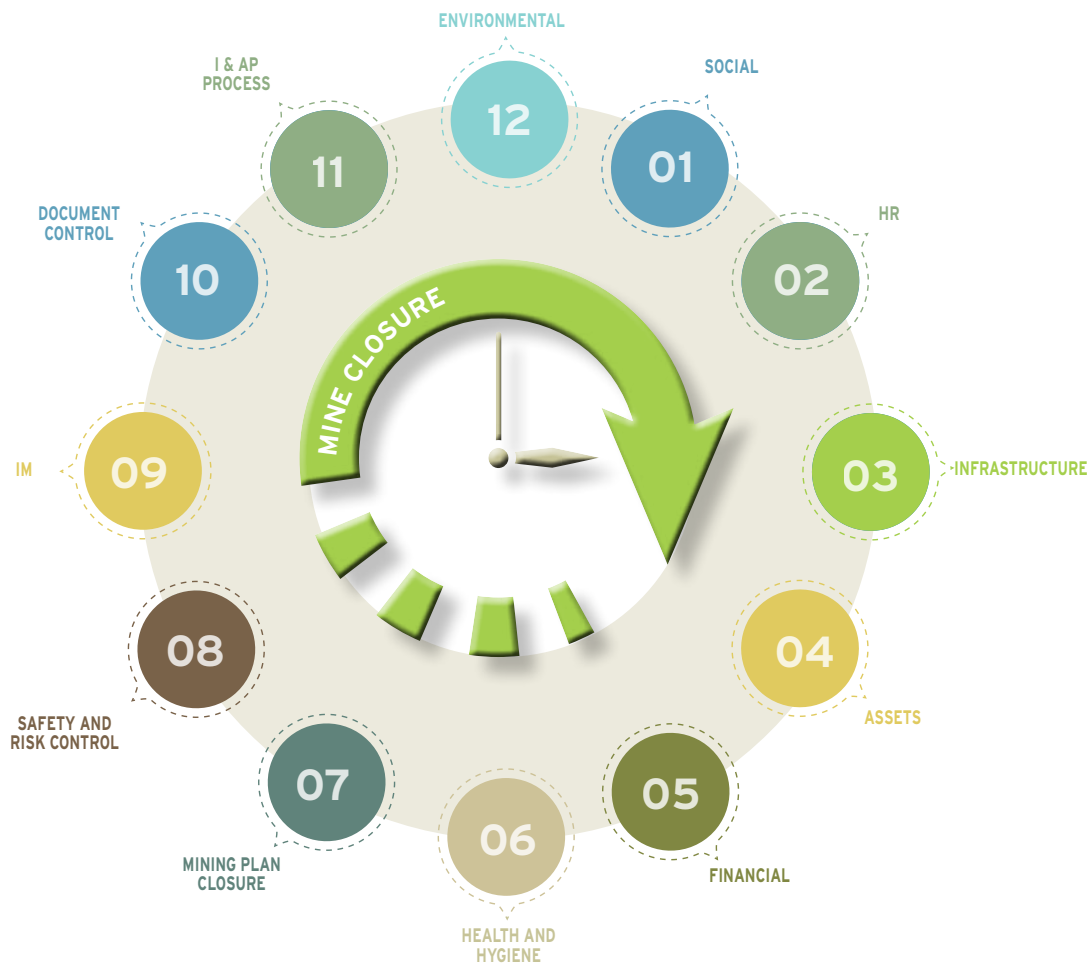


Integrating stages of mining and mine-closure planning

Operational closure, concurrent rehabilitation and managing the land where our operations are currently located is part of our operating philosophy and based on moral responsibility. We actively plan our operations with closure in mind and ensure we have adequate financial resources to meet our rehabilitation commitments.

We strive to integrate land, rehabilitation and liability management in day-to-day mine planning, aiming to minimise final closure costs for each operation and optimise final land use after closure.

OUR ENVIRONMENT (CONTINUED)



Social closure principles

While most closure planning relates to technical or engineering issues and the associated financial planning, social aspects are the most important part of mine closure. This includes aspects such as:

- › Equipping employees with portable skills to pursue alternative employment and participate in meaningful economic activity
- › Develop and implement a communication plan for employees
- › Effective training for staff on their roles and responsibilities in implementing and managing the mine closure plan
- › Communities will be affected by mine closure - while they may not be directly affected by environmental management strategies, health and safety issues and possible employment opportunities related to proposed strategies should be considered
- › Socio-economic activities around the mine need to continue in its absence

- › Conducting socio-economic impact assessments to identify the needs and expectations of all relevant stakeholders as well as economic impacts
- › Assisting members of host communities affected by closure to acquire skills to participate in economic activities and provide the opportunity to use infrastructure not needed by the mining operation for their benefit
- › Ensure communities have the opportunity to maintain, but preferably improve, their quality of life
- › Align the closure process with community expectations. The closure plan must be in line with the requirements of that mine's social and labour plan, developed in terms of section 25 of the MPRDA
- › Develop and implement an engagement plan for all relevant stakeholders (community, government, NGOs and others)
- › Assist mine owners/operators achieve liability-free closure within a reasonable timeframe
- › Effective implementation of the closure plan requires company and management commitment.

Case study: Tshikondeni mine closure

Our Tshikondeni mine stopped operating in late 2014 when the coal resources were exhausted. This followed three decades of mining metallurgical coal to supply the steel-manufacturing requirements of ArcelorMittal SA (AMSA).

As required by law, each mine with a legal mining right has to implement social and labour plans in their surrounding communities. This allows the mine to contribute to the long-term sustainability of its communities.

In 2017, Tshikondeni appointed Southern African Wildlife College (SAWC) in 2017 to conduct a situational analysis of surrounding communities. The objective was to verify if projects included in the 2013 to 2017 social and labour plan are still relevant and address the current needs of the community to improve the quality of their lives, even after the mine has closed. The analysis encompassed the needs and expectations of all relevant stakeholders as well as economic impacts.

Although enterprise and supplier development, included in the social and labour plan, was recognised as an initiative that would improve the lives of the community, access to water was ranked as the most critical need in all three villages (Mukomawabani, Mutele B and Sanari).

This informed our decision to begin the process of amending the social and labour plan by replacing enterprise and supplier development and tourism centres with a water project.

We are in engaging with key stakeholders, including Musina and Thulamela local municipalities, Vhembe district municipality and the Department of Water and Sanitation. Their involvement will ensure effective implementation and maintenance of infrastructure.

Tshikondeni's social and labour plans (SLPs) include building:

- › 56 SLP houses: 20 houses in Mukomawabani village, 18 houses in Sanari village, 18 houses in Mutele B village
- › Three crèches: one in each village
- › One hall in Mukomawabani village.

The first house was completed in January 2018 and served as a showhouse for identified recipients. After they expressed satisfaction with the quality standards, and gave consent for the rest of the houses to be built, construction is under way and the remaining houses will be completed by the end of 2018.

Mineral resources and reserves

Please refer to Exxaro's comprehensive mineral resources and reserves report on this website (www.exxaro.com).

GRI REFERENCE TABLE

This index includes the latest GRI guidelines (Standards) and excludes a mining-specific supplement, which is still being developed. Indicators are cross-referenced to either the integrated report or supplementary report and those externally assured are marked.

GRI content index - GRI standards 2017

STANDARD				PAGE
GRI 102	General disclosures	102-1	Name of the organisation	△ Cover
		102-2	Activities, brands, products and service	△ IFC
		102-3	Location of headquarters	△ IBC
		102-4	Location of operations	△ 10
		102-5	Ownership and legal form	△ IFC
		102-6	Markets served	△ 10
		102-7	Scale of the organisation	△ IFC
		102-8	Information on employees and other workers	△ 32 ○ 39
		102-9	Supply chain	○ 39, 46
		102-10	Significant changes to the organisation and its supply chain	Zero
		102-11	Precautionary principle or approach	○ 48
		102-12	External initiatives	○ 30
		102-13	Membership of associations	○ 30
		102-14	Statement from senior decision maker	△ 69
		102-15	Key impacts, risks and opportunities	△ 54
		102-16	Values, principles, standards and norms of behaviour	△ Business model
		102-17	Mechanisms for advice and concerns about ethics	△ 103
		102-18	Governance structure	△ 100
		102-19	Delegating authority	△ 100
		102-20	Executive level responsibility for economic, environmental and social topics	△ 122
		102-21	Consulting stakeholders on economic, environmental and social topics	△ 22
		102-22	Composition of board and its committees	△ 109
		102-23	Chair of board	△ 111
		102-24	Nominating and selecting the board	△ 114
		102-25	Conflicts of interest	△ 111
		102-26	Role of board in setting purpose, values and strategy	△ 103
		102-27	Collective knowledge of board	△ 110

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STANDARD				PAGE
		102-28	Evaluating the board's performance	△ 114
		102-29	Identifying and managing economic, environmental and social impacts	△ 5, 54
		102-30	Effectiveness of risk management processes	△ 58
		102-31	Review of economic, environmental and social topics	△ 30
		102-32	Board's role in sustainability reporting	△ 124
		102-33	Communicating critical concerns	△ 22
		102-34	Nature and total number of critical concerns	△ 30, 54
		102-35	Remuneration policies	○ 6
		102-36	Process for determining remuneration	○ 6
		102-37	Stakeholders' involvement in remuneration	○ 8
		102-38	Annual total compensation ratio	○ 11
		102-39	Percentage increase in annual total compensation ratio	Not disclosed
		102-40	List of stakeholder groups	Not disclosed
		102-41	Collective bargaining agreements	○ 41
		102-42	Identifying and selecting stakeholders	△ 22
		102-43	Approach to stakeholder engagement	△ 22
		102-44	Key topics and concerns raised	△ 22
		102-45	Entities included in the consolidated financial statements	△ About this report
		102-46	Defining report content and topic boundaries	△ About this report
		102-47	List of material topics	△ 30
		102-48	Restatements of information	□ Note 18.3 pages 154 and 155
		102-49	Changes in reporting	□ Note 18.2 pages 152 and 153
		102-50	Reporting period	△ About this report
		102-51	Date of most recent report	△ About this report
		102-52	Reporting cycle	△ About this report
		102-53	Contact point for questions on the report	△ Contents
		102-54	Claims of reporting in accordance with the GRI standards	△ About this report
		102-55	GRI content index	○ 58

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		103-2	Management approach and its components	△ 30
		103-3	Evaluation of the management approach	△ 30
GRI 201	Economic performance		Management approach disclosures	△ 47
		201-1	Direct economic value generated and distributed	△ 14
		201-2	Financial implications and other risks and opportunities due to climate change	○ 30
		201-3	Defined benefit plan obligations and other retirement plans	□ Notes 14.3 pages 150 to 155
		201-4	Financial assistance received from government	Zero
GRI 202	Market presence		Management approach disclosures	○ 39
		202-1	Ratios of standard entry level wage by gender compared to local minimum wage	○ 9
		202-2	Proportion of senior management hired from the local community	○ 40
GRI 203	Indirect economic impacts		Management approach disclosures	○ 45
		203-1	Infrastructure investments and services supported	○ 46
		203-2	Significant indirect economic impacts	○ 47
GRI 204	Procurement practices		Management approach disclosures	△ 39
		204-1	Proportion of spending on local suppliers	△ 39
GRI 205	Anti-corruption		Management approach disclosures	△ 122
		205-1	Operations assessed for risks related to corruption	△ 122
		205-2	Communication and training about anti-corruption policies and procedures	△ 122
		205-3	Confirmed incidents of corruption and actions taken	△ 122
GRI 206	Anti-competitive behaviour		Management approach disclosures	△ 12
		206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Zero

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STANDARD				PAGE
GRI 300	Environmental		Management approach disclosures	△ 35
GRI 301	Materials	301-1	Materials used by weight or volume	Not disclosed
		301-2	Recycled input materials used	Not disclosed
		301-3	Reclaimed products and their packaging materials	Not disclosed
GRI 302	Energy	302-1	Energy consumption within the organisation	○ 53
		302-2	Energy consumption outside of the organisation	○ 53
		302-3	Energy intensity	△ 37
		302-4	Reduction of energy consumption	△ 37
		302-5	Reductions in energy requirements of products and services	△ 37
GRI 303	Water	303-1	Water withdrawal by source	△ 38
		303-2	Water sources significantly affected by withdrawal of water	△ 38
		303-3	Water recycled and reused	△ 38
GRI 304	Biodiversity	304-1	Operational sites owned/leased/managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	○ 62
		304-2	Significant impacts of activities, products, and services on biodiversity	○ 62
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GRI 305	Emissions	305-1	Direct (scope 1) GHG emissions	○ 54
		305-2	Energy indirect (scope 2) GHG emissions	○ 54
		305-3	Other indirect (scope 3) GHG emissions	○ 54
		305-4	GHG emissions intensity	Not reported
		305-5	Reduction of GHG emissions	○ 54
		305-6	Emissions of ozone-depleting substances (ODS)	○ 55
		305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	○ 55
GRI 306	Effluents and waste	306-1	Water discharge by quality and destination	Not reported
		306-2	Waste by type and disposal method	○ 62
		306-3	Significant spills	○ 51
		306-4	Transport of hazardous waste	Not applicable
		306-5	Water bodies affected by water discharges and/or runoff	Not applicable
GRI 307	Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Zero
GRI 308	Supplier environmental assessment	308-1	New suppliers screened using environmental criteria	Not measured
		308-2	Negative environmental impacts in the supply chain and actions taken	Not measured
GRI 400	Social		Management approach disclosures	△ 21
GRI 401	Employment	401-1	New employee hires and employee turnover	○ 42
		401-2	Benefits provided to full-time employees not provided to temporary/part-time employees	Not reported
		401-3	Parental leave	Not reported
GRI 402	Labour/management relations	402-1	Minimum notice periods on operational changes	○ 41
GRI 403	Occupational health and safety	403-1	Worker's representation in formal joint management-worker health and safety committees	○ 41
		403-2	Types and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	○ 35 - 38
		403-3	Workers with high incidence or high risk of diseases related to their occupation	○ 35 - 38
		403-4	Health and safety topics covered in formal agreements with trade unions	○ 35 - 38

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STANDARD				PAGE
GRI 404	Training and education	404-1	Average hours of training per year per employee	○ 40
		404-2	Programmes for upgrading employee skills and transition assistance programmes	○ 40
		404-3	Percentage of employees receiving regular performance and career development reviews	○ 43
GRI 405	Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	△ 113 ○ 42
		405-2	Ratio of basic salary and remuneration of women to men	○ 43
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	○ 43
GRI 407	Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Zero
GRI 408	Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Zero
GRI 409	Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Zero
GRI 410	Security practices	410-1	Security personnel trained in human rights policies or procedures	○ 43
GRI 411	Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	Not applicable
GRI 412	Human rights assessment	412-1	Operations subject to human rights reviews or impact assessments	○ 43
		412-2	Employee training on human rights policies or procedures	○ 44
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported
GRI 413	Local communities	413-1	Operations with local community engagement, impact assessments and development programmes	○ 45
		413-2	Operations with significant actual and potential negative impacts on local communities	○ 45
GRI 414	Supplier social assessment	414-1	New suppliers screened using social criteria	○ 45
		414-2	Negative social impacts in the supply chain and actions taken	○ 45
GRI 415	Public policy	415-1	Political contributions	Zero

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STANDARD				PAGE
GRI 416	Customer health and safety	416-1	Assessment of health and safety impacts of product and service categories	Not reported
		416-2	Incidents of non-compliance for health and safety impacts of products and services	Not applicable
GRI 417	Marketing and labelling	417-1	Requirements for product and service information and labelling	Not applicable
		417-2	Incidents of non-compliance on product and service information and labelling	Not applicable
		417-3	Incidents of non-compliance on marketing communications	Not applicable
GRI 418	Customer privacy	418-1	Substantiated complaints on breaches of customer privacy and losses of customer data	Zero
GRI 419	Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Zero



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