



... empowered  
to grow

IN BALANCING OUR  
INTERESTS WITH  
THOSE OF OUR  
STAKEHOLDERS, WE  
ARE GUIDED BY THE  
SOCIAL NEEDS OF  
OUR COMMUNITIES  
- FOREMOST AMONG  
THESE IS EDUCATION

Grade 2 learners at Sifundise Primary School in Mpumalanga,  
from left: June Masanga, Lungile Ngwenya and Samuel Zunguza



# corporate governance

## Introduction

As a new-era company, Exxaro understands that diversity, empowerment and development at every level can only be achieved through effective, transparent and accountable leadership.

Exxaro's leadership, in turn, recognises that good corporate governance practices are vital in maintaining high standards of integrity, professionalism and ethical behaviour. Exxaro's directors are fully committed to embedding the principles of transparency and accountability in the group's various business operations, ensuring the creation of value for all stakeholders.

In making good governance a hallmark of Exxaro, the directors are guided by established tenets in creating long-term value for all:

- Adhere to sound principles of direction and management
- Implement best practices on corporate management
- Keenly understand conceptual issues in corporate governance, including a review of recent developments in better understanding corporate governance systems and mechanisms
- Clarify the issues pertaining to the board of directors and management
- Recognise shareholder/stakeholder rights and responsibilities.

Best-practice corporate governance structures ensure a dynamic cycle of improvement where every individual is guided by a common set of values as we expand our quality portfolio of assets. At Exxaro, our values guide the way the organisation is managed and controlled. These values appear on page 1.

In compliance with the mining charter, Exxaro is currently one of the largest black-owned and managed resources companies listed on the JSE, comfortably exceeding charter requirements with a 56% black economic empowerment (BEE) shareholding.

## Compliance with King II

The Exxaro board, its committees and management believe compliance is key in maintaining the group's values. The group supports the provisions and principles of corporate governance as defined by the King II report and the Listing Requirements of the JSE. In the review period, the group complied in all material respects with the Code of Corporate Practices and Conduct published in King II and the Listing Requirements of the JSE.

To ensure that excellent corporate governance practices are entrenched in the Exxaro group, all entities are obliged to subscribe to the spirit and principles of King II. While the Exxaro board takes overall responsibility for compliance with King II, the directors of subsidiaries are required to continuously monitor compliance with these principles within their legal entities.

## Ethics

In line with Exxaro's value of honest responsibility, compliance with the group's code of ethics is monitored by an executive general manager, the group risk manager and the company secretary, and awareness of ethical behaviour is encouraged throughout the group by communicating regularly with employees.

During the year, all business units were assessed for risks related to corruption. Training in anti-corruption policies and procedures is integrated into the Exxaro induction programme for new employees and during annual competence update training for existing staff.

Formal disciplinary measures are in place to deal with any identified incidents of corruption. In addition to Exxaro's other compliance and enforcement activities, a reporting hotline ("whistle-blowing") has been established through which all stakeholders can report suspected corruption, other reportable irregularities, or contraventions of group values with guaranteed anonymity.

**Hotline:** 0800 20 35 79

**Hotmail:** Exxaro@tip-offs.com

Numerous alleged irregularities were reported on the hotline with one case of corruption resulting in criminal prosecution.

Exxaro regularly participates in industry initiatives focused on developing equitable public policies for the mining sector. However, the group does not directly or indirectly support political parties, individual politicians and related institutions through financial or in-kind contributions.

## Board of directors

### Functions

The board is the focal point of Exxaro's corporate governance system and remains ultimately accountable and responsible for the company's performance and affairs. The board charter clearly sets out the purpose and composition of the board, responsibilities of board members, requirements for board meetings and remuneration of directors. The charter was reviewed during the year to assess compliance with the current regulatory framework and changes made where necessary.

The primary responsibility of the board is to determine the company's purpose and values and provide strategic direction. It is also responsible for identifying key risk areas and performance indicators, monitoring performance against agreed objectives, advising on financial matters and reviewing the performance of executive management against defined objectives and industry standards.

### Composition

The board collectively contains the skills, experience, demographic diversity and combination of personalities appropriate to ensure effective leadership and sound governance within the organisation.

As a truly South African company that supports and actively drives transformation in everything we do, we are proud that the majority of our board members are historically disadvantaged South Africans.

Following the retirement of Dr Con Fauconnier and the appointment of Siphon Nkosi as chief executive officer (CEO) on 1 September 2007, the board currently comprises 13 directors:

- four independent non-executive directors
- three executive directors
- six non-executive directors.

In categorising the capacity of each director as executive, non-executive or independent, Exxaro has been guided by the provisions of King II.

### Independence

There is a clear distinction in Exxaro between the roles of chairman and CEO to ensure that no-one has unfettered powers of decision-making. Exxaro is in the process of identifying suitable candidates with the objective of appointing an independent chairman. In the year under review, an acting chairman was appointed to ensure continuity in the board's activities. The acting chairman of Exxaro's board is an independent director, responsible for the effective functioning of that body.

The CEO is in charge of the company as a whole and is directly responsible to the board. Among others, he is responsible for ensuring the company achieves its strategic and financial objectives, and for monitoring its day-to-day operational requirements.

### Appointments and succession planning

Within its powers, the entire board selects and appoints directors, including the CEO and executive directors, on the recommendations of the transformation, human resources, remuneration and nomination committee (TREMCO).

TREMCO considers non-executive director succession planning and makes appropriate recommendations to the board.

We have exceeded all key South African legislative requirements for transformation. Best practice corporate governance structures are in place and we will continue to set the standard in developing and training people – within and beyond the company – to address the critical skills shortage in South Africa.

## corporate governance continued

The group is currently engaged in a process to identify a suitable chairman. It is the group's intention to have a chairman appointed by mid-year 2008.

All appointments are in terms of a formal and transparent process. Candidates are selected against criteria deemed appropriate for Exxaro, given the nature of the company, the industry in which it operates and its transformation objectives.

The chairman is appointed for a term not exceeding one year and is nominated from the ranks of independent non-executive directors.

To ensure efficient staggering of director rotation, directors are subject to retirement and may be nominated for re-election every three years with the proviso that no director will hold office for more than three consecutive periods. The retirement age for non-executive directors is 70 years, effective at the annual general meeting after the date on which they turned 70.

### Accountability

Exxaro's directors are reputable, skilled and experienced and bring appropriate judgement to bear on the issues at hand. Non-executive directors understand Exxaro's mission, strategy and business and add specialist expertise to the group.

Exxaro regards open communication with its directors as a priority in ensuring their accountability. Therefore all material information is disseminated to them between board meetings.

The company secretary is responsible for the duties set out in section 268G of the Companies Act. In terms of Exxaro policy, directors have free access to the company secretary and to independent professional advisers, whether in legal, technical or accounting areas, at the company's expense.

### Remuneration

TREMCO considers and submits recommendations to the board on fees to be paid to each non-executive director. Any changes to fees are approved by the board and submitted to shareholders at the annual general meeting for approval prior to implementation and payment.

In line with generally accepted governance practices, independent non-executive directors do not have service contracts and are not members of the group's pension scheme.

Non-executive directors' remuneration is summarised below:

Name	Fees for services R	Benefits and allowances <sup>1</sup> R	Total R
PM Baum <sup>2</sup>	191 657		191 657
JJ Geldenhuys	240 659	3 676	244 335
U Khumalo <sup>2</sup>	154 562		154 562
Dr D Konar	253 481		253 481
VZ Mntambo	176 201		176 201
RP Mohring <sup>2</sup>	183 414	5 737	189 151
M Msimang <sup>3</sup>	23 852		23 852
PKV Ncetezo	176 201	7 383	183 584
NMC Nyembezi-Heita	197 840		197 840
NL Sowazi <sup>2</sup>	183 414		183 414
D Zihlangu	179 292	9 233	188 525
			1 986 602

<sup>1</sup> Includes travel allowances

<sup>2</sup> Fees paid to their respective employers and not to individuals

<sup>3</sup> Resigned on 28 May 2007

## ATTENDANCE

Board meetings	Appointed to board	Feb	May	June	Aug	*Oct	Nov
<b>Director</b>							
PM Baum	17 Feb 04	•	A	•	•	•	•
Dr CJ Fauconnier	1 June 01	•	•	•	•	n/a	n/a
JJ Geldenhuys	1 June 01	•	•	•	•	•	•
U Khumalo	28 Nov 06	A	•	•	•	A	•
MJ Kilbride	1 June 01	•	A	•	•	•	•
Dr D Konar (acting chairman)	1 June 01	•	•	•	•	•	•
VZ Mntambo	28 Nov 06	•	A	•	•	A	•
RP Mohring	28 Nov 06	•	•	A	•	•	•
PKV Ncetezo	28 Nov 06	•	•	•	•	•	•
SA Nkosi	18 Oct 01	•	•	•	•	A	•
NMC Nyembezi-Heita	28 Nov 06	•	A	•	•	A	•
NL Sowazi	28 Nov 06	•	A	•	•	•	•
DJ van Staden	1 June 01	•	•	•	•	•	•
D Zihlangu	28 Nov 06	•	•	A	•	•	•

\*Special

A Apologies      • Attended      n/a Retired on 31 August

## Board committees

The board has appointed three committees to assist in effectively discharging its responsibilities. All committees fulfil their responsibilities within clearly defined written terms of reference, which deal explicitly with their purpose and function, reporting procedures and written scope of authority.

To ascertain their performance and effectiveness, committees are subject to regular evaluation by the board.

The board believes these committees have effectively discharged their responsibilities for the year and that there was transparency and full disclosure from the committees to the board.

## Audit, risk and compliance committee

### Composition and meeting procedures

The committee consists of three members and the majority (including the chairman) are independent directors. Executive directors, the senior audit partner and head of the outsourced internal audit function also attend meetings and have unrestricted access to the chairman and committee members. Non-executive directors may also attend at the invitation of the committee.

When required, suitably qualified people may be co-opted to render specialist services.

The committee meets at least four times a year.

### Role, purpose and principal functions

The committee reviews the principles, policies and practices adopted in preparing the financial statements of the company and its subsidiaries. It also ensures that interim and annual financial statements and any other formal announcements relating to the company's financial performance comply with the Companies Act, the JSE Listing Requirements and International Financial Reporting Standards.

The committee reviews the work of the group's external and internal auditors to ensure the adequacy and effectiveness of Exxaro's financial, operating, compliance and risk management controls.

## corporate governance continued

Exxaro's policy on non-audit services, which is annually reviewed by the committee, details which services may or may not be provided by Exxaro's external auditors and covers:

- basic accounting assistance
- payroll services
- tax services
- human resources services
- information technology services
- appraisal or valuation services
- legislative and administrative decision-making and corporate governance
- internal audit and risk management.

The above policy was complied with in the year under review.

### ATTENDANCE

Director	Appointed to committee	Feb	May	Aug	Nov
Dr D Konar (chairman)	11 Feb 02	•	•	•	•
RP Mohring	30 May 07	n/a	•	•	•
NL Sowazi	30 May 07	n/a	•	•	•

- Attended      n/a Not on committee

### Safety, health and environment committee (SHE)

#### Composition and meeting procedures

The committee consists of five members with an independent chairman. The CEO and chief operating officer (COO) attend meetings as ex officio members.

General managers of commodity businesses, safety/health/environment, human resources and technology management attend meetings by invitation. Suitably qualified people may be co-opted onto the committee when necessary to render specialist services.

The committee meets at least three times a year.

#### Role, purpose and principal functions

The purpose of the committee is to develop the framework, policies and guidelines for health, environmental and safety management group-wide.

The role of the committee is to:

- oversee the development of policies and guidelines for safety, health, environmental management
- review the policies and performance of the company as a whole on the progressive implementation of SHE policies
- encourage independently managed subsidiaries, associates and significant investments to develop their own SHE policies that are consistent with those of the group
- receive reports on substantive SHE risks and liabilities
- monitor key indicators on accidents and incidents and, where appropriate, ensure this information is communicated to other companies managed by or associated with the company
- consider for adoption substantive national and international regulatory and technical developments
- facilitate participation, co-operation and consultation on SHE matters with government, national and international organisations, supranational authorities, other companies and other SHE associations.

## ATTENDANCE

Director	Appointed to committee	April	July	Nov
JJ Geldenhuys (chairman)	11 April 02	•	•	•
Dr CJ Fauconnier	11 April 02	•	•	n/a
MJ Kilbride	11 April 02	•	•	•
SA Nkosi	23 May 03	•	•	A
D Zihlangu	18 April 07	•	•	•

- Attended    A Apologies    n/a Retired on 31 August

## TREMCO

During the year, the human resources, remuneration and nomination committee was merged with the transformation committee to form TREMCO. This was done to minimise duplicated responsibilities as transformation has a strong human element.

### Composition and meeting procedures

The committee consists of four members, with the chairman being an independent director. The CEO, chief financial officer (CFO), executive general manager: human resources, and compensation and benefits advisers may be invited to attend any meeting.

Suitably qualified people may be co-opted onto the committee to render the specialist services required to assist the committee in its deliberations on any particular matter.

The committee meets at least five times a year.

### Role, purpose and principal functions

The purpose of the committee is to:

- make recommendations on the composition of the board and board committees and to ensure that the board consists of individuals equipped to fulfil the role of director of the company
- guide, monitor, review and evaluate the company's progress on transformation, specifically the three primary pillars of employment equity, community involvement and preferential procurement
- ensure the company's remuneration strategies, packages and schemes are related to achieving business objectives and delivering shareholder value
- ensure compliance with statutory and best-practice requirements on labour and industrial relations management, and that appropriate human resources strategies, policies and practices are in place.

## ATTENDANCE

Director	Appointed to committee	Feb	May	July	*Nov	Nov
NMC Nyembezi-Heita (Chairman)	9 May 07	n/a	•	•	•	•
PM Baum	16 Mar 04	•	•	•	•	•
VZ Mntambo	9 May 07	n/a	•	•	A	•
PKV Ncetezo	9 May 07	n/a	•	•	•	•

\*Special

- Attended    A Apologies

## corporate governance continued

### Management committees

#### Executive committee

The executive committee (Exco) is chaired by the CEO and consists of 13 members. It meets formally each month and ad hoc when necessary.

Exco is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Exxaro board. It is also responsible for managing and monitoring the business affairs of the company in line with approved plans and budgets, prioritising the allocation of capital and other resources as approved by the board and establishing best management and operating practices.

Exxaro follows a structured process to ensure it invests in projects aligned with group strategy and which yield the required returns. In this process two forums are engaged: an initial assessment is completed by the strategic co-ordination forum and a comprehensive review is then undertaken by the investment review committee. The offshore review committee assists the board in financially co-ordinating Exxaro's portfolio of offshore investments and interests.

- **The strategic co-ordination forum**

The forum, chaired by the COO, meets every six weeks and its primary purpose is to ensure that all new initiatives are aligned with the Exxaro group strategy.

This forum has been mandated to:

- ensure alignment of strategy execution and new developments
- determine strategic priorities and co-ordinate, support and monitor strategic initiatives throughout the group
- allocate resources and accountabilities for investigations or studies.

- **Investment review committee**

The committee, chaired by the CFO, meets monthly and its primary responsibility is to undertake comprehensive investment reviews and assess the technical feasibility and financial viability of proposed capital projects or investments prior to these requests being presented to the executive committee and Exxaro board for approval.

In fulfilling these objectives, the committee ensures that:

- each project meets the strategic, technical and investment requirements defined by the board
- critical decisions, project parameters and potential risks are adequately addressed and researched prior to recommending the commitment of funds
- each project enhances the portfolio value of Exxaro.

#### Offshore review committee

The committee meets quarterly, with more frequent meetings convened if required.

The primary responsibilities of this committee include:

- financial control and governance of Exxaro's offshore investments and multi-disciplinary interests
- efficient financial structuring
- providing for offshore investment funding and expenditure
- ensuring that financial reporting, auditing and tax-related issues are properly managed
- ensuring that the company's overseas offices are effectively staffed, managed and used.

#### Intellectual property committee

Exxaro acknowledges the importance of intellectual property and its proper management. Chaired by the executive general manager: corporate services, an intellectual property committee has been established to ensure that possible innovations are exploited and, if appropriate, patented and properly maintained. Copyright, trademark and possible infringement issues are also addressed by this committee. The committee also comprises the company secretary, representatives of the finance and technology departments, and Exxaro's legal representatives.

## Sustainability

Sustainability is a cornerstone of the Exxaro group and our approach is embedded in the first of our corporate values which states “empowered to grow and contribute”. Our aim is to encourage entrepreneurship as far as possible to transform this value into reality for as many stakeholders as possible (page 127).

## Black economic empowerment codes of good practice

While we understand that companies need to verify the BEE status of suppliers in terms of the Codes of Good Practice, Exxaro confines its reporting to the requirements set out in the Mineral and Petroleum Resources Development Act and its associated mining charter scorecard.

Exxaro's approach to transformation and empowerment, however fits well with the requirements of the BEE codes and scorecard. In structuring the new group, we ensured that:

- the majority of voting rights are exercised by black people
- the majority of profits accrue to black people
- the majority of the board comprises black people.

## Disclosure policy

The board has adopted a formal continual disclosure of interests policy to ensure full and timely disclosure by directors.

## External communications

Exxaro believes that briefing analysts, investors and fund managers is an important element of maintaining investor relations. However, it will only provide “price-sensitive” information after disclosing that information to the market.

Broader stakeholder communication plans have been developed and are currently being implemented. The group believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. This is achieved through a multitude of channels and media, including written, electronic and verbal presentations.

## shareholder information

### Market listings and other information

The principal market for Exxaro Resources Limited is the JSE. As a constituent of the All Share Top 40 index (ALSI 40 index), Exxaro shares trade through the STRATE system.

STRATE is the authorised central securities depository (CSD) for equities in South Africa that incorporates an electronic settlement system. STRATE achieves secure, electronic settlement of share transactions on the JSE and for off-market trades. Shares in companies listed on the JSE can no longer be bought or sold unless they have been dematerialised on to the STRATE system. This process involves submitting paper share certificates to a custodian bank or JSE member firm (broker) for conversion into an electronic record, an exercise referred to as dematerialisation.

The introduction of the Johannesburg Equity Trading (JET) system a few years ago highlighted deficiencies in the JSE's paper-based settlement system. Shares were no longer traded on a trading floor, and this contributed to a massive leap in the number of trades each day. Back-office support services were incapable of handling this increase in daily transactions efficiently in a paper-based environment. The transition to an efficient settlement system has increased market activity and will certainly improve the international perception of the South African market by reducing settlement and operational risk in the market, increasing efficiency and ultimately reducing costs. Accordingly, by heightening investor appeal, STRATE enables South Africa to compete effectively with other international markets, and not just those of emerging countries. For additional information please refer to the STRATE website: [www.strate.co.za](http://www.strate.co.za)

Closing JSE share prices are published in most national and regional SA newspapers and are available during the day on the Exxaro and other websites. Share prices are also available on I-Net Bridge, Reuters and Bloomberg. Exxaro has an over-the-counter (OTC) sponsored American depository receipt (ADR) facility with the Bank of New York (BoNY) under a deposit agreement. For additional information please refer to the BoNY website: [www.adrbony.com](http://www.adrbony.com)

### ADR holders

ADR holders may instruct BoNY on how shares represented by their ADRs should be voted. Registered holders of ADRs will have annual and interim reports mailed to them at their recorded address. Brokers or financial institutions that hold ADRs for shareholder clients are responsible for forwarding shareholder information to their clients and will be provided with copies of annual and interim reports for this purpose.

### Dividend determination

Dividends are determined in South African rand (ZAR) and are declared payable in the same currency by the group. ADR shareholders are paid in US dollars by the group's ADR bank, BoNY. BoNY effects the conversion of ZAR-determined dividends in US dollars on behalf of its US ADR shareholders. Contact Computershare or BoNY for further details.

### Shareholder communication

#### General shareholder enquiries

Computershare is the registrar for Exxaro. All general enquiries and correspondence concerning shareholders (other than shares held in ADR form) should be directed to the registrar. Computershare's contact details are on the inside back cover. Shareholders must notify Computershare promptly in writing of any change of address.

All enquiries concerning shares held in ADR form should be directed to BoNY, whose contact details are given on the inside back cover or visit its website at: [www.adrbny.com](http://www.adrbny.com)

Shareholders can obtain details about their own shareholding on the internet. Full details, including how to gain secure access to this personalised enquiry facility, are provided on the Computershare website: [www.computershare.com](http://www.computershare.com)

**Publication of financial statements**

Shareholders wishing to view the annual report and/or interim report in electronic rather than paper form can access it on the Exxaro website: [www.exxaro.com](http://www.exxaro.com)

**Shareholder information****Major shareholders**

As of 31 December 2007, the one entity known to Exxaro as owning more than 10% of its shares is Main Street 333 (Pty) Limited with 186 550 873 shares representing 52,86% of the number of shares in issue. This entity is commonly referred to as BEE Holdco (refer to page 5).

As of 31 December 2007, the total number of voting securities owned by directors of Exxaro was 2 319 ordinary shares.

## shareholders' analysis

<b>Registered shareholder spread</b>	<b>Number of shareholders</b>	<b>% of total shareholders</b>	<b>Number of shares</b>	<b>% of issued capital</b>
<b>Shareholder spread</b>				
1 – 1 000 shares	14 137	83,73	4 058 715	1,15
1 001 – 10 000 shares	2 181	12,92	6 424 465	1,82
10 001 – 100 000 shares	465	2,75	14 537 861	4,12
100 001 – 1 000 000 shares	120	0,71	38 668 743	10,96
1 000 001 shares and over	24	0,14	289 217 416	81,95
<b>Total</b>	<b>16 884</b>	<b>100,00</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Beneficial shareholder categories</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
<b>Category</b>		
Black economic empowerment	186 550 873	52,86
Unit trusts/Mutual funds	37 302 988	10,57
Corporate holdings	35 330 282	10,01
Pension funds	27 461 535	7,78
Insurance companies	14 581 631	4,13
Private investors	11 900 761	3,37
Employees	10 618 974	3,01
Other managed funds	10 001 763	2,83
Custodians	2 602 205	0,74
Hedge fund	2 447 470	0,69
Investment trusts	2 300 000	0,65
Foreign government	770 132	0,22
Charity	378 100	0,11
American Depositary Receipts	151 472	0,04
Remainder	10 509 214	2,98
<b>Total</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Public and non-public shareholdings</b>	<b>Number of shareholders</b>	<b>% of total shareholders</b>	<b>Number of shares</b>	<b>% of issued capital</b>
<b>Shareholder type</b>				
Public shareholders	16 874	99,93	118 269 524	33,50
Non-public shareholders	11	0,07	234 637 876	66,50
– Directors and associates	4	0,01	2 319	0,01
– Main Street 333 (Pty) Ltd	1	0,01	186 550 873	52,86
– Anglo American Corporation of SA Ltd	1	0,01	34 730 282	9,84
– Exxaro Employee Empowerment Trust	1	0,01	10 618 974	3,01
– Assore Ltd	1	0,01	600 000	0,17
– Kumba Management Share Trust	1	0,01	1 970 984	0,56
– Kumba Bestuursaandele Trust	1	0,01	164 444	0,05
<b>Total</b>	<b>16 884</b>	<b>100,00</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Beneficial shareholdings of 3% or more</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
Main Street 333 (Pty) Ltd	186 550 873	52,86
Anglo American Corporation of SA Ltd	34 730 282	9,84
Public Investment Corporation	13 515 993	3,83
Exxaro Employee Empowerment Trust	10 618 974	3,01
<b>Total</b>	<b>245 416 122</b>	<b>69,54</b>

### Geographic split of beneficial shareholders

<b>Region</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
South Africa	311 887 937	88,38
United States of America and Canada	22 469 378	6,37
United Kingdom	4 325 608	1,23
Rest of Europe	9 198 685	2,61
Rest of the World <sup>1</sup>	5 025 792	1,42
<b>Total</b>	<b>352 907 400</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions

### Investment management shareholdings of 3% or more

#### Investment manager

Main Street 333 (Pty) Ltd  
 Anglo American Corporation of SA Ltd  
 STANLIB Asset Management  
 Exxaro Employee Empowerment Trust

Total shareholding	% of issued capital
186 550 873	52,86
34 730 282	9,84
15 224 323	4,31
10 618 974	3,01
<b>Total</b>	<b>70,03</b>

### Geographic split of investment managers and company-related holdings

#### Region

South Africa  
 United States of America and Canada  
 United Kingdom  
 Rest of Europe  
 Rest of the World<sup>1</sup>

305 640 107	86,61
18 981 962	5,38
11 158 591	3,16
5 755 839	1,63
11 370 901	3,22
<b>Total</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions

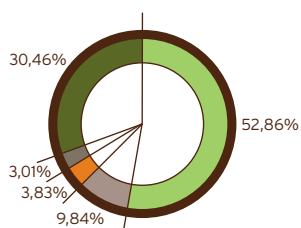
### Breakdown of non-public holdings

#### Directors and associates

Nyembezi-Heita, NMC  
 Kilbride, MJ  
 van Staden, DJ  
 Konar, D

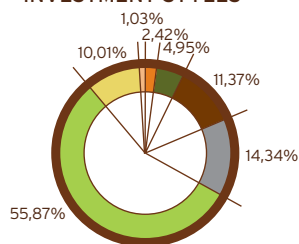
Number of shares	% of shares
1 000	0,00
586	0,00
565	0,00
168	0,00
<b>Total</b>	<b>0,00</b>

### BENEFICIAL SHAREHOLDERS OF 3% OR MORE



- Main Street 333 (Pty) Ltd
- Anglo American Corporation of SA Ltd
- Public Investment Corporation
- Exxaro Employee Empowerment Trust
- Other

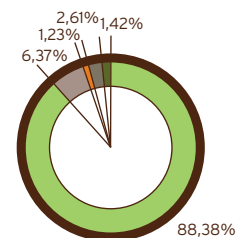
### ANALYSIS OF INVESTMENT STYLES<sup>1</sup>



- Private client
- Value
- Remainder
- Growth
- Black economic empowerment
- Corporate
- Index

<sup>1</sup> Includes categories above 1% only

### GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS



- South Africa
- United States of America and Canada
- United Kingdom
- Rest of Europe
- Rest of the World

## managing risk, issues and opportunities

### RISK MANAGEMENT

#### Risk philosophy

Investors are more willing to invest in a company with a well-defined risk philosophy and an integrated enterprise-wide risk management (ERM) programme. The philosophy and ERM programme are underpinned by a risk-appetite strategy to assess high-level risks which are then applied consistently in resource-allocation decisions to mitigate risks that might impact on the company's ability to increase stakeholder value.

In line with its vision, Exxaro maintains an integrated ERM programme to guide individual business units in their risk management endeavours to prevent or reduce the adverse impacts of operational losses, earnings surprises and reputational damage. The board-approved methodology followed throughout the group ensures a better understanding of the trade-off between risk and reward which, in turn, enhances strategic decisions relating to improved capital allocation to address strategic risks.

The effectiveness of the ERM process is measured by how well it aligns the key fundamentals of governance, business objectives, ethics, policies, standards, strategies and compliance.

In Exxaro, the focus is on bringing these fundamental components ever closer to the operational risk management processes.

Our ERM approach is aimed at:

- minimising losses caused by adverse events
- reducing earnings surprises and reputational damage
- contributing to the protection of shareholder value.

#### Risk appetite

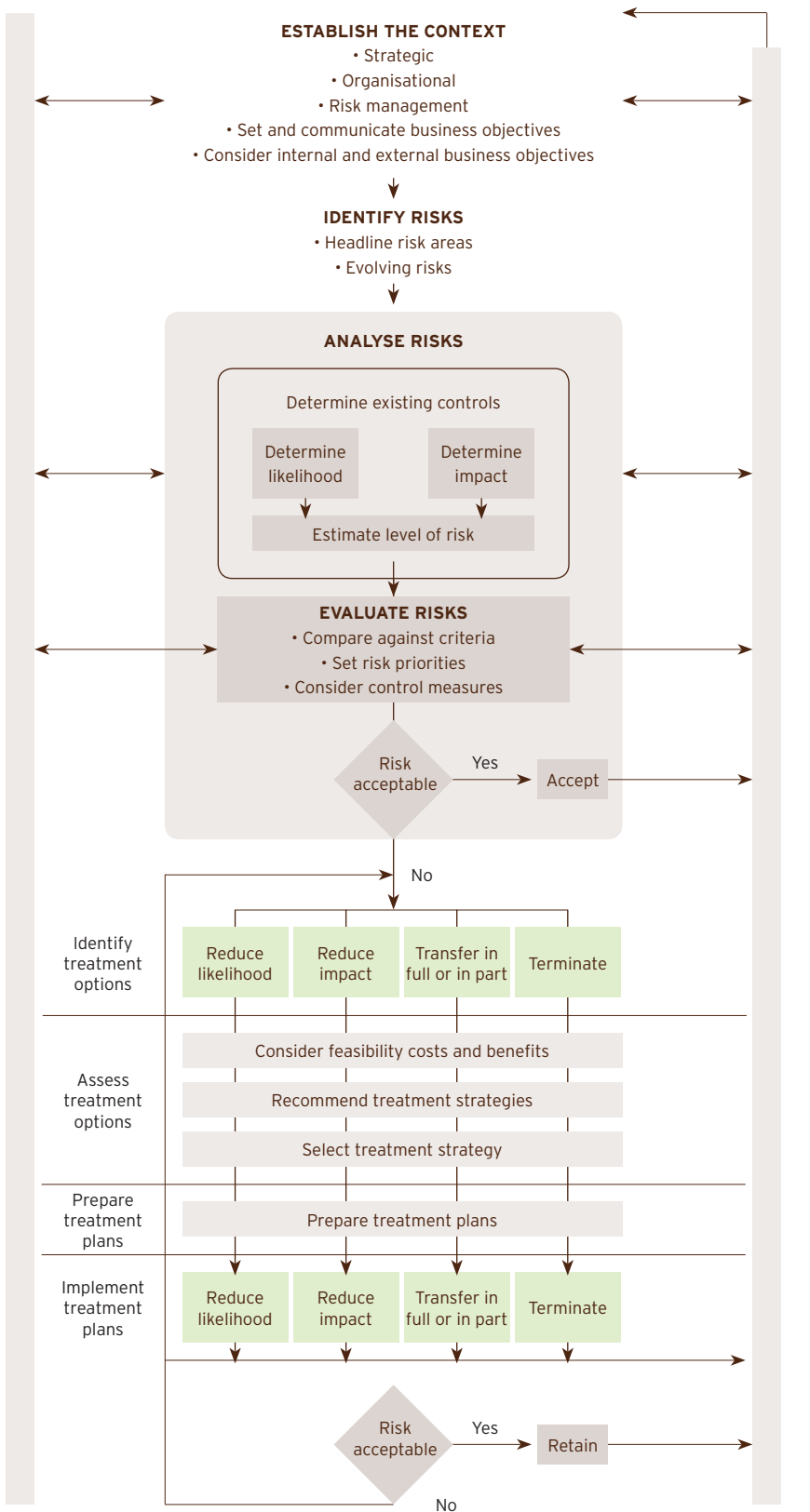
The board, guided and assisted by the audit, risk and compliance committee, defines and approves Exxaro's risk appetite. Exxaro's risk-bearing capacity is a function of its ability to withstand unexpected losses and the effect such losses may have on the company's ability to continue operating as a going concern.

In Exxaro, the embedded nature of the ERM programme is reflected in a centralised ERM hub dedicated to strategic direction and policy development, and risk committees operating at business unit level to implement this policy.

#### Risk culture

Exxaro has a policy of zero tolerance for compliance failures and its aim is to speedily identify and rectify any deviation.

Promoting a risk-conscious culture is a constant focus throughout the company. All risk owners are responsible for continually monitoring the existing and ever-changing risk profile of the environment in which they conduct their business.



## managing risk, issues and opportunities

Divisional and business-unit risk committees play an important role in identifying operational risk and in the development and application of generic mitigating strategies. They also have a risk oversight function by virtue of being closer to activities that could have adverse results. Each committee is chaired by the head of the business centre and meets quarterly. The group risk manager attends all meetings.

### Risk management objectives

The risk management process is continual, with well-defined steps. When taken in sequence, these support better decision making by contributing greater insight into risks and their impacts. Risks from all sources are identified and once they pass the materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and the current risk-mitigating strategy is reviewed. One of the challenges is to ensure that mitigating strategies are geared to deliver reliable and timely risk information to minimise adverse impacts of risks that might materialise.

The top business risks based on impact, likelihood or the probability of occurrence, together with the mitigating control measures, are disclosed in descending order.

## Top risks

Risk	Severity	Probability	Control measures
<ul style="list-style-type: none"> <li><b>Operational</b></li> </ul> Granting of new mining rights or conversion of old rights	High	High	Ensure compliance with mining charter requirements. Continuous engagement with the Department of Minerals and Energy (DME).
<ul style="list-style-type: none"> <li><b>Operational</b></li> </ul> KZN Sands - furnace production capacity	High	High	Pursuing optimisation initiatives and projects that can positively influence achieving nameplate capacity, including investigation into alternative hearth technology.
<ul style="list-style-type: none"> <li><b>Profitability</b></li> </ul> Impact of buoyant construction and engineering market on the cost of capital projects	High	High	Maintaining a database on escalation of major commodity items based on industry trends and own experience to ensure comprehensive provision for escalation on project costing and timing of long lead-time items.
<ul style="list-style-type: none"> <li><b>Human resources</b></li> </ul> Retention and availability of skills base impacting on current production and future growth	High	High	Implementation of effective retention strategy for key disciplines.  Remain an employer of choice due to: <ul style="list-style-type: none"> <li>- regularly benchmarked market-related remuneration</li> <li>- comprehensive training</li> <li>- growth opportunities.</li> </ul> Focus on innovative recruitment initiatives and succession planning. Continuous rotation and exposure of own talent in multidisciplinary project teams.

## managing risk, issues and opportunities continued

Risk	Severity	Probability	Control measures
<ul style="list-style-type: none"> <li>• <b>Strategic</b></li> </ul> <p>KZN mineral sands business feedstock resources</p>	High	Medium	Finalise feedstock reserve prioritisation feasibility studies. Obtain DME approval of mining rights for Fairbreeze C extension and Braeburn as delays are already affecting operational activities.
<ul style="list-style-type: none"> <li>• <b>Strategic</b></li> </ul> <p>Funding value-added growth within balance sheet and equity-raising constraints</p>	High	Medium	Ranking value-adding opportunities in an aligned growth strategy and in terms of a strategic investment framework. Optimising dedicated project finance facilities.
<ul style="list-style-type: none"> <li>• <b>Profitability</b></li> </ul> <p>Impact of continued rand and Australian dollar strength combined with forecast macro-economic parameters and commodity prices, on operating margins and returns on investment</p>	High	Medium	Judicious hedging policy. Continuous business improvement initiatives with rigorous tracking. Optimised use of operating assets to leverage benefits of higher throughput. Investigate downstream integration opportunities.
<ul style="list-style-type: none"> <li>• <b>Profitability</b></li> </ul> <p>Anticipated significant price increases for electricity</p>	High	Medium	Participation in industry forums that engage with Eskom and National Energy Regulator of South Africa (Nersa). Investigation into co-generation.
<ul style="list-style-type: none"> <li>• <b>Operational</b></li> </ul> <p>Power supply certainty and the impact of interruptions on safety, production and profitability</p>	Medium	High	KZN Sands and Zincor have load-sharing agreements with the electricity utility. Commitment to assist Eskom with additional coal supply required to achieve stability in the power plant feed and transmission grid. Examination of alternatives with regard to the conservation and use of electricity throughout operations.
<ul style="list-style-type: none"> <li>• <b>Environmental</b></li> </ul> <p>Risks posed by continuously changing and onerous environmental legislation</p>	High	Low	Rehabilitation strategy developed with continuous monitoring of work performed in line with strategy. Ongoing rehabilitation is managed out of operational budgets while the Exxaro Environmental Rehabilitation Fund provides for final closure costs. Continuous engagement with authorities.

## SUSTAINABLE DEVELOPMENT

### Performance

Exxaro's sustainable development reporting is guided by the Global Reporting Initiative (GRI) and its sectoral supplements (page 18). As such, we have subdivided our sustainable development performance and progress into:

- safety, health and environment
- economic
- social

### SAFETY, HEALTH AND ENVIRONMENT PERFORMANCE

Managing safety, health and environment (SHE) is central to the success of our business and, accordingly, the potential for SHE risks and establishing suitable mitigation measures are integral to our journey towards zero harm. As part of the recent merger process, a SHE integration project was launched at the beginning of 2007, resulting in a new vision and strategy.

Our SHE vision, *leading the way to zero harm*, is underpinned by six key principles (figure A) and an evolving strategy for the next five years. To ensure that all aspects of SHE are implemented equitably, the new strategy has focused plans for safety, health and hygiene and environment, each with clear goals and timelines.

The overall responsibility for monitoring safety, health and environmental performance rests with the Exxaro board, exercised through the SHE committee and representative consulting forums at corporate level and each division. A number of SHE-related internal and external audits are conducted annually to assure the board that policies, standards and procedures are implemented at operational level. To comply with all relevant SHE management standards and legislation, the group aims for high standards of safety, health and environmental performance. We aim to continuously improve SHE management systems in all operations as an integral part of our commitment to run a responsible business and accelerate sustainable development.

The integration project has also given us an opportunity to:

- Determine Exxaro's SHE risk profile
- Identify best practice from the SHE programmes of the former Kumba Resources and Eyesizwe Coal
- Integrate SHE programmes from these companies
- Develop supporting systems and procedures in line with our strategy
- Set common SHE standards and adapt systems and processes
- Provide appropriate skills, governance structures and resources for SHE functions
- Establish integrated monitoring and auditing protocols.

Developed in consultation with relevant stakeholders, the aim of the new SHE programme, standards and protocols is primarily to:

- Provide an integrated risk-based SHE management system consistent with national legislation
- Ensure the progressive development and implementation of more specific and detailed SHE management systems at all levels of Exxaro operations
- Provide a framework for the implementation of integrated safety, health and environmental compliance audits and reporting
- Provide performance criteria against which SHE management systems across Exxaro business units can be measured
- Provide a platform for continuous improvement.

Compliance management is central to good governance and in many ways gives us the 'licence' to continue to operate. Having noted the need to ensure that our compliance processes are under control, we have established a corporate SHE compliance management department which assists in:

- Implementing an ongoing assessment and review of the impact of existing and new legislation
- Formulating an Exxaro-wide compliance framework to manage SHE risks, ensure a strong compliance culture and integrate legal compliance requirements into business processes
- Coordinate integrated compliance monitoring and reporting.

## managing risk, issues and opportunities continued



**FIGURE A: SHE VISION "LEADING THE WAY TO ZERO HARM"**

This function complements the activities of corporate SHE technical advisers to provide management and the executive with confirmation that business units are aware of their SHE risks, are managing these risks and taking due consideration of risks when business decisions are made.

### Awareness

As part of our awareness and continuous improvement programme, in November 2007 we organised and sponsored a biennial industry-wide SHE conference. This was the fourth such conference where industry stakeholders, our management team and employees could interact to advance SHE objectives across our group, share experiences and examine best practices on particular challenges. The 2007 SHE conference focused particularly on environmental challenges and opportunities the company faces regularly.

### SAFETY

Exxaro believes achieving zero injuries is possible by applying our management protocols, programmes and systems.

Key risks to meeting this target are the high number of incidents relating to vehicle safety and energy and machinery isolation as well as general lack of risk awareness and discipline at all levels.

To address these risks, Exxaro has embarked on a number of initiatives. The *I Care Fatal Risk Controls* are being relaunched at all our sites to ensure special emphasis on the risks responsible for fatalities at Exxaro and the preventative measures in place to manage these risks better. Linking into this drive, Exxaro has also revised its HIRA (hazard identification and risk assessment) standard to ensure a higher level of risk identification and mitigation.

The vehicle safety standard at Exxaro has also been revised, setting a minimum standard with which all vehicles should comply to operate on company property or be used for company business.

Exxaro has also embarked on a formal 'visible felt leadership' programme at all business units to ensure improved communication and understanding of key safety risks between management and employees with the main aim of improving risk awareness and proactively addressing and mitigating safety risks on the floor before incidents occur.

Although the fatality frequency rate per million man-hours worked improved from 0.18 in 2006 to 0.14 in 2007 (figure B), it is still too high as any fatality is regarded as unacceptable. Regrettably, and despite excellent safety achievements at several mines, we lost five colleagues during the reporting period. Two fatalities occurred in separate incidents at Grootegeluk, one in January and the other in November. One fatality occurred at Rosh Pinah in March, another at Matla in May and the third at North Block Complex in December. Thorough investigations were conducted in all cases and lessons learned from each incident have been incorporated into our ongoing safety programmes focused on an injury-free work environment.

Although there has been constant improvement in the lost-time injury frequency rate (LTIFR) over recent years (figure C), improvements have fallen short of targets.

Exxaro has set a target of zero fatalities and an LTIFR of 0,21 for 2008, which is a reduction of 30% on the LTIFR target set for 2007. Although we have not met the target for 2007, we are confident that through renewed focus and committed management and employees, we will reach our goal. The safety of our people is a cornerstone of our business and, by making this target a collective responsibility, we will reach and sustain it sooner.

*Note: Exxaro is standardising reporting on man-hours and lost-time injuries across the group.*

## HEALTH AND HYGIENE

Exxaro is committed to reducing employee exposures to workplace health risks. Our group also continues to respond to the major challenge of HIV/Aids and has committed additional resources for managing this pandemic in the workplace.

### Key risks

The major occupational hygiene risks are noise, dust and thermal stress. Other risks include gases and illumination. The risks vary according to the different commodities and by type of operation such as underground mine, opencast pit, or plant.

Business units identify and rank their risks; and have a hygiene surveillance programme to quantify risks. Workplace exposures are linked to individuals, and medical surveillance is conducted on the basis of these exposures. For HIV/Aids, a disease management programme is in place.

During 2007, we began a process to revise our corporate standards to manage identified risks better. These include the hearing-conservation and dust-control programmes. We are also improving management standards for emergency response; hazardous chemicals; tuberculosis and reporting. The review of our management standard on reporting for the group includes the planned roll-out of an electronic system for ensuring the timely reporting of health and hygiene incidents; tracking outdated and outstanding medical certificates as well as referrals.

Figure B: Fatality-frequency rate per 100 000 man-hours: 2007

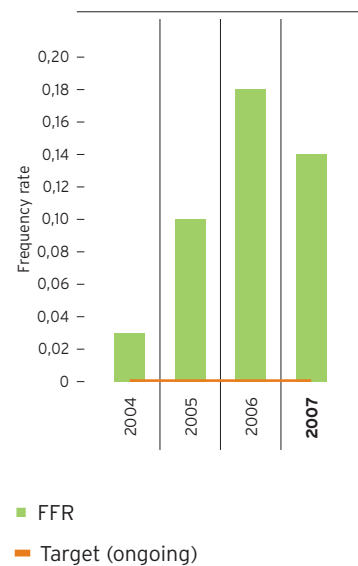
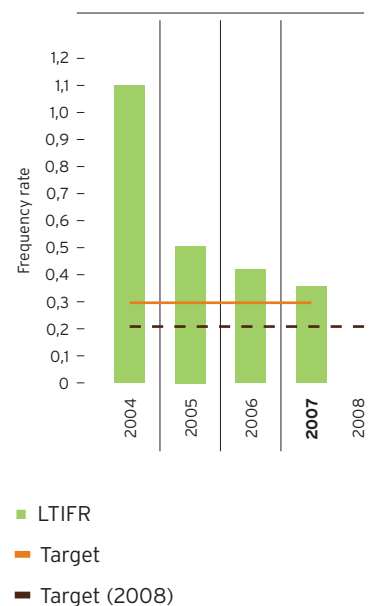
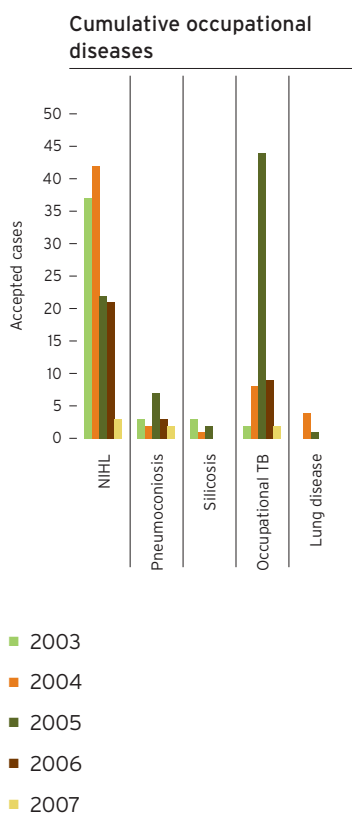


Figure C: Lost-time injury frequency rate per 200 000 man-hours: 2007



## managing risk, issues and opportunities continued

Figure D: Accepted cases of occupational diseases.



### Occupational diseases

Figure D shows the number of occupational diseases accepted for compensation over the last five years: 125 cases of noise-induced hearing loss (NIHL), 65 cases of occupational tuberculosis (TB) and 17 of pneumoconiosis. In 2007, there were seven cases of occupational diseases accepted for compensation: three cases of NIHL; two of pneumoconiosis and two of occupational TB. This was a decrease on the total number of accepted occupational diseases from 2006. The most significant decrease was in NIHL from 21 accepted cases in 2006 to three in 2007, suggesting that the implementation of the hearing conservation programme is beginning to have a positive impact.

Monitoring the reporting process to ensure that all incidents have been dealt with will be the major focus during 2008.

### Meeting mining sector targets

Exxaro is a signatory to a letter of commitment for meeting industry health and safety targets by 2013. The targets for occupational health and hygiene are to eliminate NIHL and silicosis by 2013, and Exxaro is committed to achieving these goals.

Noise areas have been identified and zoned as have the nature of operations and activities that pose the greatest exposure to noise. Baseline audiograms of employees were conducted by 2005 as per legislative requirements and training and awareness programmes are in place. Control measures include substitution, engineering, administration, the use of personal protective equipment (PPE), and personal exposure monitoring. Similarly, areas where there is dust exposure have been demarcated; dust suppression measures put in place; PPE provided; dust levels and employee exposure monitored. In addition, employees undergo periodic medical examinations to monitor their health.

During 2007, an initial assessment to determine health and hygiene performance against mining sector targets was undertaken. This was a company-wide review of the implementation of the hearing-conservation and dust-control programmes to identify any areas of non-compliance. A company strategy to meet sector targets was developed. This includes correction of identified gaps; compliance monitoring of business units' noise and dust control programmes; and communicating awareness messages to employees on the importance of complying with these targets. Each business unit has developed its own implementation commitments and these will be tracked within the group to ensure Exxaro meets these targets.

### HIV/Aids

Exxaro has allocated specific resources aimed at minimising the impact of HIV/Aids on its workforce. The programme includes:

- Confidential testing and voluntary counselling
- Access to a 24-hour helpline for information
- Prophylactic treatment for employees who suspect they may have been exposed to HIV/Aids
- Information for HIV/Aids patients on remaining healthy for as long as possible
- Access to antiretroviral medication
- Fair treatment and no discrimination
- Peer educators at business units to inform and educate colleagues.

During 2007, 1 889 individuals in the group were trained at awareness sessions. Of these, 1 784 people participated in voluntary counselling and testing (VCT) and the 145 individuals who tested positive were enrolled on the disease management programme.

The cumulative number of individuals tested through the VCT programme since inception is 3 542 or 30% of our employees. Of these, 498 are on the disease management programme. Figure E shows the number of people on ART and those who have not yet started treatment as well as those who have left the programme due to retirement, incapacitation or death.

During 2008, the focus will be to:

- Encourage employees who have never tested for HIV to test; and those who have already tested to continue participating in VCT.
- Focus on employee knowledge of HIV/Aids and destigmatisation.

### ENVIRONMENTAL MANAGEMENT

Exxaro is committed to conserving natural resources and reducing the environmental burden of pollutants to the natural environment by:

- Complying with all applicable environmental legislation
- Developing innovative policies and programmes for addressing environmental impacts.

One of the measures employed has been the use of a dedicated in-house environmental management specialist unit which was created as part of the SHE organisational structure to address environmental risks and impacts to enhance environmental legal compliance. This unit's members include an air-quality specialist, hydrologist, ecologist, environmental resource accountant, environmental compliance specialist, environmental impact assessment specialist and a geohydrologist.

### Key risk areas and management activities

Key environmental risks emanating from our mining activities are:

- Water and waste management
- Air quality and climate change
- Biodiversity and land management
- Rehabilitation environmental liability management.

### Water and waste management

Exxaro's approach to water management is guided by South African environmental legislation (National Environmental Management Act, Minerals and Petroleum Resources Management Act, National Water Management Act). It is primarily focused on sustainable use of water, pollution control and avoidance.

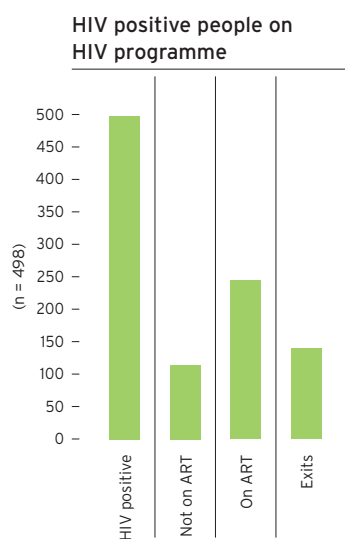
Exxaro's policy is to use appropriate measures at all operations to meet the intent of the law through site-specific water management plans. Our water treatment facilities ensure that water used in our operations meets legislated quality standards for all receiving environments or discharge areas.

Exxaro is also actively participating in industry investigations that will inform the overall direction of a water-management master plan and future water treatment plant

Figure E: HIV positive people on disease management programme.

30% of employees have tested at least once. 14% of employees who participated in VCT (or 498 people) tested positive.

\*Exits refer to people who exited due to retirement, incapacitation or death.



## managing risk, issues and opportunities *continued*

investments. These include plants treating discharged mine water to meet industrial and potable water standards. A portion of the treatment costs will be recouped from benefiting municipalities that in turn supply this water to general users.

As Exxaro's business activities are spread over several commodities requiring various different mining, beneficiation and disposal activities, the associated risks are diverse. The key challenges at present in this field are:

- Post-closure water management
- Identification, separation and management of clean and dirty water areas
- Potential of excessive recharge to mine workings
- Groundwater contamination from various waste sources.

To manage these risks the following actions were taken:

- Development and communication of a dedicated integrated water management policy
- Baseline assessments
- Integrated water and waste management plans completed for New Clydesdale and Leeuwpan. Plans in progress for Matla, char plant and Glen Douglas. Grootegeluk, Zincor, Tshikondeni and Inyanda already have plans in place.

Business operation	Revised water balance 2007
Matla	In progress
Grootegeluk	In place
Arnot	No
New Clydesdale	Yes
Leeuwpan	Yes
Zincor	In place
Char plant	In progress
KZN Sands - Hillendale	No
North Block Complex - Strathrae	No
Glen Douglas	In progress
Tshikondeni	In place
Rosh Pinah	Yes
Inyanda	In place
North Block Complex - Glisa	Yes (Eerstelingsfontein)
KZN Sands - Central processing complex	No

Actual data are set out on page 114.

Developing and updating water and salt balances at operational units is a fundamental water management tool to ensure the correct strategies and decisions throughout the integrated water and waste management plans.

## Case study

### Tshikondeni co-disposal facility

The basis of the approach used at Exxaro on integrated water and waste management at mines is the Department of Water Affairs and Forestry (DWAF) resource protection and waste management hierarchy of decision-taking. This in turn is based on a precautionary principle and sets the following order of priority for mine water and waste management decisions or actions:

- Prevent or minimise pollution/contamination of water used by implementing necessary management measures or strategies
- Reuse or reclaim contaminated water in cases where complete pollution prevention was not possible
- Treat water that cannot be reused or reclaimed
- Reuse treated water
- Discharge or dispose of excess water.

From a conservation perspective, reuse and reclamation ensure effective and beneficial use of scarce water resources and overall environmental protection. Reuse of waste water on a mine is preferred to potentially costly treatment schemes prior to discharge of effluent in a water resource. For example, the new tailings disposal facility at Tshikondeni mine is contained within the discard dump which is continuously raised during construction to ensure adequate containment of the tailings discharge. The discard is transported mechanically using vehicles and compacted in 150mm layers to reduce the risk of spontaneous combustion. The tailings material is pumped into the tailings facility (containment area) via HDPE pipes from the plant in slurry form and allowed to consolidate.

The new facility was formally designed and constructed according to accepted practice and in line with the industry norm, and allowance made for an internal drainage system with effluent return infrastructure. The design was approved by all the necessary authorities and the final closure elevation of the facility was agreed. By re-using the seepage, the mine is able to reduce the intake of raw (river) water, in turn decreasing water supply stress in this area.

## Air quality management

Legal compliance and natural ecosystem protection are the focus of Exxaro's air quality management activities. Due to the nature of Exxaro's business practices, certain activities present challenges in terms of adequate air quality management, for example, emissions generated from:

- Blasting coal seams
- Spontaneous combustion of discard dumps
- Ore processing activities
- Wind erosion of exposed operational areas
- Vehicular dust from unpaved operational roads.

Return water dam - Tshikondeni co-disposal facility



## managing risk, issues and opportunities *continued*

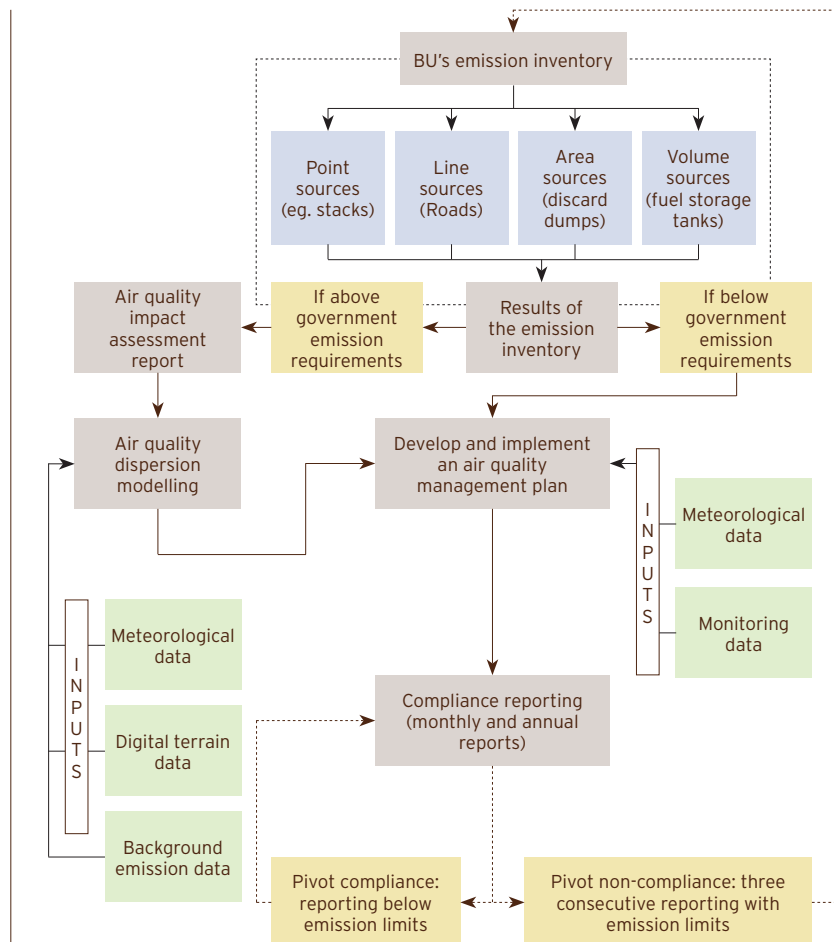


Figure F: Air quality management system

Air quality management activities in Exxaro aim to ensure that:

- all business units and subsidiaries protect the environment through reasonable measures to prevent the emission of criteria air pollutants
- the quality of ambient air in the immediate receiving environment is not adversely affected by emission of air pollutants directly from operations.

To minimise the risks posed by our mining processes, Exxaro has adopted an air quality management framework which is informed by the South African National Environmental Management Air Quality Act and guidelines recommended by the World Health Organisation. Figure F illustrates a systematic approach used by business operations to identify key risk areas in terms of air emissions.

Based on the Exxaro air quality management framework, in 2007 more than 50% of business operations completed a detailed emissions inventory and accompanying dispersion models, with 90% of business operations monitoring ambient concentration of fallout dust from mining activities. Monitoring activities at business operations, where relevant, will be expanded to include smaller particle matter suspended in air.

Actual data are presented on page 114.

### Case study

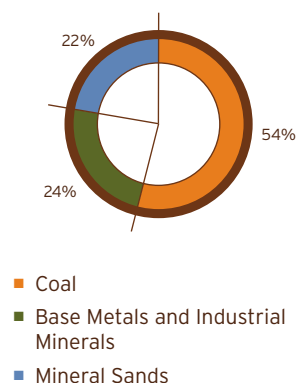
#### Grootegeluk spontaneous combustion monitoring

Exxaro has investigated the atmospheric emission from most of its operations to identify those with significant impact. Spontaneous combustion of discard dumps was identified as a significant source of air quality risk given its dual effect on both ambient air quality and climate change.

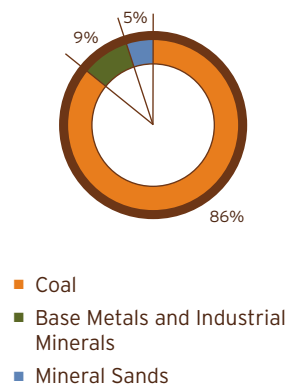
Grootegeluk was identified as the pilot site to develop the methodology that can be applied across the group to quantify emissions from spontaneous combustion. A three-month monitoring campaign was initiated at Grootegeluk where data on air quality were collected to monitor pollutant concentrations near the dumps.

Given the results of the pilot study, we decided a more detailed assessment is required to determine the emission factors for spontaneous combustion. For 2008, budget has been allocated to conduct more complex emission flux measurements on known dumps at Grootegeluk. The proposed project will be a collaborative initiative between Exxaro and University of Johannesburg.

TOTAL ENERGY USED FROM ELECTRICITY CONSUMPTION

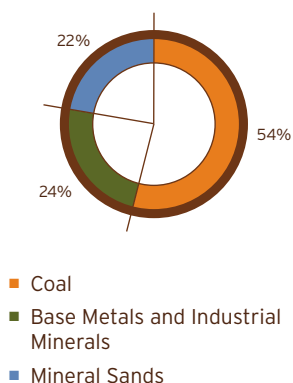


TOTAL ENERGY USAGE FROM DIESEL CONSUMPTION

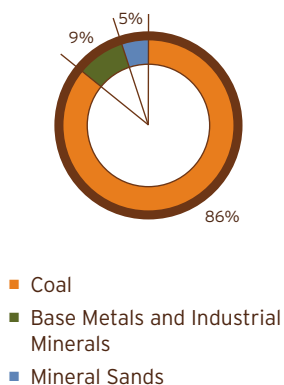


## managing risk, issues and opportunities continued

**CARBON DIOXIDE EMISSION RESULTS OF ELECTRICITY CONSUMPTION**



**CARBON DIOXIDE EMISSION RESULTS OF DIESEL CONSUMPTION**



### Climate change, energy and greenhouse gases

Exxaro recognises that a commitment to clean energy is essential to remain competitive while dealing effectively with:

- potential energy shortages
- climate change
- related environmental concerns
- rising costs of energy.

Exxaro commits itself to both national and international protocols aimed at encouraging countries and industries to adopt more responsible energy use programmes.

In particular, Exxaro has committed to optimising energy use by improving energy efficiency by 15% by 2015 as outlined in the national energy efficiency accord of the Department of Minerals and Energy for the industrial and mining sectors. As part of fulfilling this commitment, Exxaro has initiated an independent verification of baseline energy use, using prior-year diesel and electricity figures.

The 2007 energy consumption baseline assessment showed that the coal business commodity is the largest consumer of both electricity and diesel energy, mainly from operational activities.

From this baseline data, it was possible to derive our greenhouse gases exposure profile from primary energy use and express the results as carbon dioxide equivalent (CO<sub>2</sub>-e). For 2007, Exxaro produced 237kt of CO<sub>2</sub>-e from primary energy use, ie the consumption of electricity and diesel. As expected, our coal business commodity accounts for the largest share of CO<sub>2</sub>-e emissions.

### Clean energy policy

Exxaro has established a clean energy forum that aims to reduce the company's carbon footprint by becoming more energy efficient and by using cleaner technologies. The forum - made up of key members of senior management - has compiled a clean energy policy which states that Exxaro will:

- improve energy efficiency by 15% within the next seven years
- minimise energy consumption and costs
- promote the use of energy-efficient equipment and designs
- understand and reduce our carbon footprint
- use and develop cleaner technologies, ie co-generation and renewable energy
- reduce emissions and participate in the carbon trading market.

Specific timelines have been drawn up:

- By the first quarter of 2008 we will have assessed and quantified the total carbon footprint for Exxaro
- Within the second quarter of 2008, targets and timeframes will be in place for all business units, and activities will begin
- By end May 2008 we will have submitted our co-generation proposal to Eskom, and can expect feedback by mid August
- By March 2008 we will start assessing energy efficiency levels throughout the group, as well as set goals and target dates.

Our vision is to become a zero carbon footprint company and we will benchmark this footprint against other companies in South Africa and globally.

## Case study

### Renewable energy project in Namibia

Street lights in Tutungeni township, near Rosh Pinah, look ordinary. But their source of power is extraordinary. These lights are run off zinc air fuel cells – an affordable renewable energy technology recently developed through an Exxaro-sponsored research project.

The fuel cells use zinc to generate safe, environmentally friendly electricity. They can also be used to power appliances such as televisions, radios, small refrigerators and even certain computers.

Developed by the Alternative Energy Development Corporation after six years of research and development, the technology was successfully trialled in December 2006 when it was installed in 18 homes in Tutungeni.

In addition, zinc air fuel cells create opportunities for small businesses in areas off the power grid as they can be used to power cellphone batteries, sewing machines, haircutters and other small appliances. Capitalising on this, service centres are already planned for Tutungeni which will create sustainable employment for an increasing number of people. We plan to broaden the scope of this successful project by rolling it out to other operations within the group in 2008.

Quantifying Exxaro's carbon footprint began in 2007 using globally accepted standards such as ISO 14064-1. The exercise for our head office revealed that 80% of emissions stemmed from electricity use. Various initiatives are under way to reduce our footprint and we will report on progress annually.

Actual data are presented on page 114.

### Biodiversity management

The focus on conserving biodiversity becomes more important as the effect of global warming starts to impact on habitats and richness of global biodiversity. The National Environmental Management: Biodiversity Act (Act 20 of 2004) mainly provides for:

- Management and conservation of South Africa's biodiversity
- Protection of species and ecosystems that warrant national protection
- Sustainable use of our indigenous biological resources.

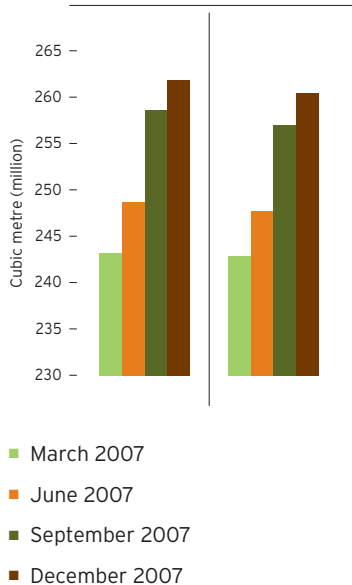
Exxaro owned and managed land has significant biodiversity due to the wide geographical distribution of its operations (table 1 overleaf).

The Rosh Pinah mine in southern Namibia

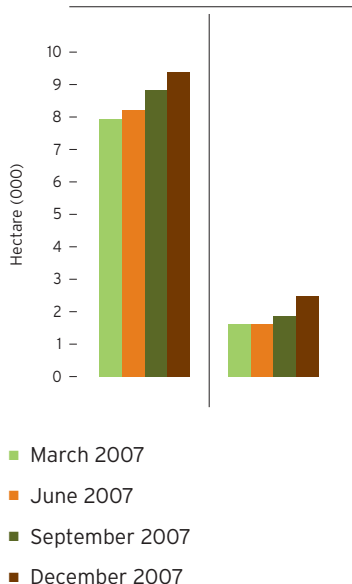


## managing risk, issues and opportunities continued

**DISCARD PRODUCT VERSUS PLACED IN FINAL POSITION**



**TOTAL AREA DISTURBED VERSUS REHABILITATION**



**Table 1: Summary of the biomes, vegetation types and associated business unit to indicate diversity of vegetation**

Business unit	Biome	Conservation status (NSBAR)
Tshikondeni	Forest - azonal	Critically endangered with a conservation target of 100%
Tshikondeni	Forest - zonal and intrazonal	Conservation target of 100%
Fairbreeze	Forest - zonal and intrazonal	Least threatened with a conservation target of 43%
Arnot, North Block Complex, Strathrae and Leeuwpaan	Grassland	Endangered with conservation target of 24%
Arnot, North Block Complex, Strathrae, Leeuwpaan, Glen Douglas and Zincor	Grassland	Endangered with Conservation target of 24%
Durnacol	Grassland	Vulnerable with conservation target of 23%
Glisa	Grassland	Vulnerable with conservation target of 27%
Inyanda	Grassland	Endangered with conservation target of 24%
Leeuwpaan, Glen Douglas, Zincor and FerroAlloys	Grassland	Endangered with conservation target of 24%
Zincor	Grassland	Endangered with conservation target of 24%
Hlobane	Grassland	Least threatened with conservation target of 27%
Matla	Eastern Highveld grassland	Endangered
Fairbreeze	Indian Ocean coastal belt	Endangered with conservation target of 25%
Fairbreeze and Hillendale	Indian Ocean coastal belt	Vulnerable with conservation target of 25%
Tshikondeni	Savanna	Least threatened with conservation target of 19%
Central processing complex	Savanna	Endangered with conservation target of 19%
Grootegeluk	Savanna - central bushveld	Least threatened with conservation target of 19%
Tshikondeni	Savanna - Lowveld	Vulnerable with conservation target of 19%
Rosh Pinah	Succulent Karoo	Not described

*Endangered - ecosystem with a high risk of extinction in the near future*

*Vulnerable - ecosystem that is deteriorating and will become threatened if certain factors are not addressed*

An example in this case is the Gariep Centre of Plant Endemism, where Rosh Pinah operations are situated. This forms part of the succulent Karoo region, considered as one of the earth's 25 'hot spots' - geographical areas which contain the world's greatest plant and animal diversity. This area (Gariep Centre) has the richest variety of succulents on earth.

Exxaro is committed to conserve biodiversity and reduce the environmental impacts of its operations on biodiversity.

The key risks identified to biodiversity within Exxaro are:

- Protection, conservation, monitoring and management of red data species
- Control, monitoring and management of alien invasive species
- Identification, protection and management of sensitive and highly biodiverse hot-spot ecosystems, including wetlands, pans and terrestrial ecosystems.

The identified risks are managed by means of:

- A dedicated biodiversity policy and strategy aligned with national legislation and international conventions
- A wetland strategy aimed at protecting wetlands, pans and related water courses
- Detailed baseline assessments on fauna and flora and associated ecosystems
- Compilation and implementation of biodiversity action plans which focus on the protection, conservation, monitoring and management of red data species and biodiversity hot-spot areas by, among others, eradication, control and monitoring of alien invasive species.

Various baseline studies on biodiversity within the business units have been compiled since 2006. Biodiversity studies were conducted at Glen Douglas, Grootegeluk, the new proposed Fairbreeze Extension C, Tshikondeni and New Clydesdale (table 2). The current approach to future developments is to include biodiversity studies prior to any development to ensure adequate impact mitigation on the biodiversity of new areas of development.

**Table 2: Summary of status of biodiversity assessment per business unit**

Business unit representing this vegetation type	Desktop studies (including PRECIS* List)	Biodiversity baseline assessment	Biodiversity action plan
Tshikondeni	✓	✓	In compilation
Fairbreeze Extensions C	✓	✓	In compilation
Glen Douglas	✓	✓	In compilation
Arnot	✓	Planned for 2008	End 2008
Zincor	✓	Conducted (January 2008)	March 2008
Matla	✓	Some parts	End 2008
North Block Complex	–	–	–
Leeuwpans	✓	Certain section - rest planned for 2008	End 2008
New Clydesdale	✓	✓	End 2008
Inyanda	2009	2009	2009
Hillendale	✓	Planned March 2008	End 2008
Central processing complex	✓	Planned March 2008	End 2008
Grootegeluk	✓	Conducted by land management in past five years	–
Rosh Pinah	✓	Planned for June 2008	End 2008

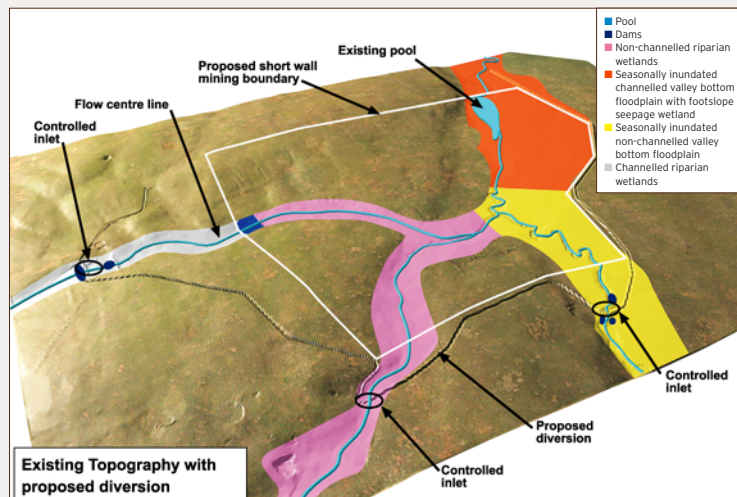
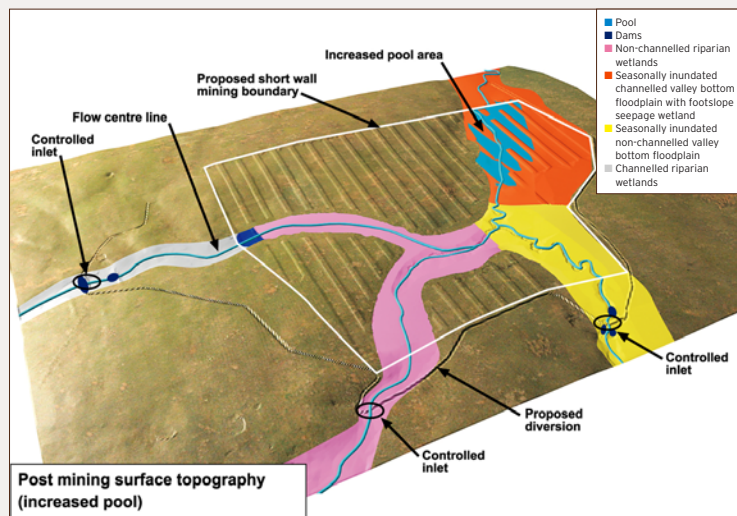
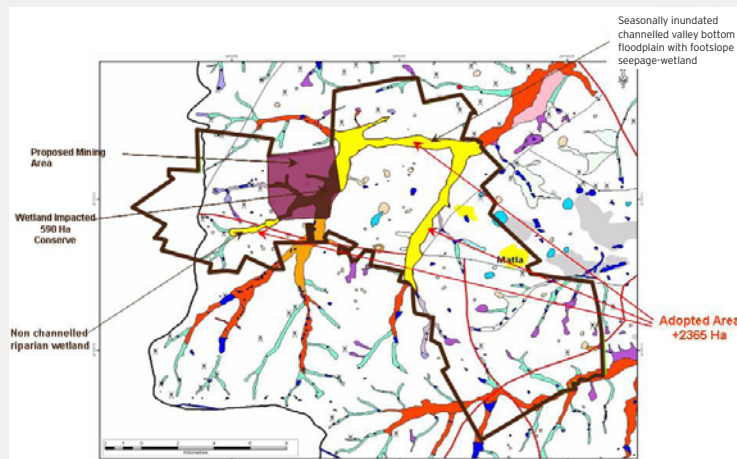
\*List of plant species recorded within a specific grid and identified by the South African Biodiversity Institute Herbariums

Exxaro is committed to conserve biodiversity and reduce the environmental impacts of its operations on biodiversity



## managing risk, issues and opportunities *continued*

Figure G: Schematic layout of mining area, different wetlands and wetland areas adopted as offset areas



### Case study

#### Matla wetland management plan

The Matla wetland management project is one of the main projects based on biodiversity and biodiversity conservation. This project is unique in that the river diversion design and mining method was adopted and changed to maintain the water flow and function of the wetland to protect its biodiversity. Exxaro had an approved environmental management plan for underground shortwall mining (in limited areas) and bord-and-pillar mining in adjacent areas. An amendment to this approved plan was submitted in June 2006 for the extension of underground shortwall mining.

Concerns were raised by authorities as the proposed area of mining includes sensitive wetlands (the Blesbokspruit/Rietspruit wetland is one of three extensive alluvial wetland systems within the Upper Olifants River catchments).

The rerouting or river diversion of the Rietspruit was required to route upslope run-off water past the high extraction area, reducing the risk of water entering the underground workings and minimising the disturbance to surface drainage lines by surface subsidence due to high extraction mining. We therefore had to reduce the impact on the functionality and biodiversity of the wetland to a minimum. This was only possible through an innovative engineering design that allowed for mining coal underground with limited impact on the surface.

Figure G shows the position of the 590ha wetland area that will be undermined, the 2 365ha of adopted wetland that forms part of the wetland conservation areas, the non-channelled riparian wetland and the seasonally inundated channel valley bottom floodplain with footslope wetland.

The mining method, river diversion design and various management principles were therefore compiled to ensure the protection and conservation of the wetland, and biodiversity within the wetland.

## Mine rehabilitation and provision for environmental liabilities

The MPRDA emphasises the importance of actively managing mine rehabilitation and mine closure through the various phases of mining. In 2006, a specialist rehabilitation department was created within SHE to advise Exxaro on strategic, ongoing rehabilitation and mine-closure matters. In aligning Exxaro to the requirements of the MPRDA, a rehabilitation framework was compiled and completed in 2007. From this the Exxaro rehabilitation policy and management standard will be developed in 2008 to inform physical processes and financial provisions, including rehabilitation performance indicators.

Business units will in future report rehabilitation performance against ongoing rehabilitation budgets quarterly to enable the company to track progress. A challenge for Exxaro will be to optimise ongoing rehabilitation to minimise final closure costs. This will also help address the shortfall between immediate and final closure costs. A further challenge will be to assess rehabilitation cost from pre-feasibility phase through the life of mine to closure as comprehensively and accurately as possible. During 2007, physical rehabilitation at mines in closure went according to plan.

In the past year the group has successfully integrated its systems and established an Exxaro rehabilitation trust fund to consolidate the previous Kumba and Eyesizwe funds. In addition, the Eskom captive mines (Matla and Arnot) were aligned with the group approach to rehabilitation provisions. To execute environmental protection and restoration programmes effectively where environmental impact was inevitable given the nature of our business, we have contributed R284 million for rehabilitation of operations at the end of life. Our continual interventions in respect of environmental impacts are provided from operational costs which effectively reduce our operational closure liabilities over time. The resourced environmental management expertise established prior to unbundling has also started to show improvement in our compliance and environmental cost minimisation across our value chain.

### Case study

#### Mine rehabilitation: closure of adits at Hlobane mine

Mining adits (horizontal access or drainage passages) must be left in a safe condition and in compliance with legislative requirements. Potential hazards associated with adits include subsidence, illegal access, fires, gas emissions, pollution of surface or ground water and injury to humans and animals.

The main actions taken in Exxaro before adits can be closed include:

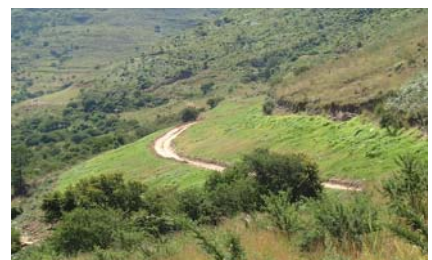
- Addressing water decanting from the adit, if any. Hydrological, geo-hydrological and geochemical models are used to predict the quality and quantity of water.
- All disused equipment and infrastructure are removed.
- Waste material containing hazardous substances is disposed of in an approved manner at authorised waste disposal facilities.
- Sealing is done against an accurate plan drawn up in consultation with civil engineers.

#### Successful sealing of adits at Hlobane mine

##### BEFORE



##### AFTER



## managing risk, issues and opportunities *continued*



The Manketti Game Reserve next to Grootegeluk mine



### Land management

#### Key risks

Land management ensures mitigation or prevention of various business-related risks including:

- Safety risks relating to physical mining legacies on previously mined areas, ie inactive sites
- Environmental risk assessments of all inactive sites
- Settlement of disputes arising from illegal occupation of land, invasion prohibition
- Participating in government land claims involving Exxaro properties
- Applying best practices in reducing land holding cost to Exxaro
- Contract management and leases on Exxaro's non-mining properties
- Involvement in social responsibility projects and adherence to government's objectives on social upliftment, wealth, land and mineral rights distribution.

Land management, as an integral part of the SHE portfolio, is primarily involved with managing land under Exxaro's control. Our approach is 'cradle to grave' management, encompassing acquisition, exploitation, rehabilitation and disposal of land. Land management also forms part of the integrated SHE services offered to business units including expertise, advice, monitoring all data and specialist environmental studies. The land management team performs a specialist service for Exxaro in areas including:

- Advice on land-use options
- Land management (including conservation of land, natural resources and ecotourism)
- Land disposal and land reform advice
- Active participation in ongoing management of and advice throughout the life, cycle of the mine
- Risk mitigation - including land claims, settlement disputes and coordination of safety risks, response measures associated with land under management.

An example of Exxaro's successful approach and responsible custodianship in managing land includes the endangered black rhino and rare cheetah in the conservation project at Manketti Game Reserve adjacent to Grootegeluk mine.

The planned introduction of elephant into Manketti in 2008, and the synergy with the mine and local community, will transform this project into a conservation icon and position Exxaro as the leader among responsible green mining companies.

### ISO/OHSAS CERTIFICATION

Nine of the group's 12 operations have achieved both the international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). Our business units are also starting the process of converting from OHSAS 18001:1999 to OHSAS: 18001:2007. The group aims to have all business units fully compliant to both standards by December 2008.

### Environmental incidents: 2007

To measure our continuous improvement, guidelines are in place for all business operations to report on relevant air quality, water quality and water use performance indices. Reporting is through an electronic environmental management system and, from captured data, trend analyses can be conducted for each business operation to determine compliance, among others, and to investigate any complaints that might have been received.

Capturing and sharing lessons learned after completing a project is an important part of process improvement. Incident reporting is mandatory at all our operations and this is an indicator that our systems are fully functional.

A total of 941 environmental incidents were reported for the year, mostly minor to moderate. Three significant or level 1 environmental incidents were reported: two of these at North Block Complex (burning discard dump and slurry spillage, both at Strathrae) while the third was a diesel spill at Leeuwpán, which was addressed by an external service provider. The incidents at North Block Complex were addressed by mine personnel.

#### ENVIRONMENTAL INCIDENTS

Business unit	Level 1	Level 2	Level 3
<b>Coal</b>	3	4	606
Arnot	0	2	42
Grootegeluk	0	0	378
Leeuwpán	1	0	106
Matla	0	0	72
New Clydesdale	0	2	2
North Block Complex	2	0	0
Tshikondeni	0	0	6
<b>Base metals and industrial minerals</b>	0	3	185
Glen Douglas	0	0	49
Rosh Pinah	0	0	5
Zincor	0	3	131
<b>Mineral sands</b>	0	9	132
KZN Sands	0	9	132
Total	3	16	923

At one business unit the ground water quality does not comply with legislated limits. This has been included as a reportable incident and the relevant authorities notified.

Rehabilitation at Leeuwpán mine, Mpumalanga



## managing risk, issues and opportunities *continued*

### ELECTRICITY, DIESEL, GAS CONSUMPTION AND WATER USE PER BUSINESS UNIT: 2007

Business unit	Electricity (Gj)	Diesel (Gj)	Sasol gas (Gj)	Petrol used (Gj)
<b>Coal</b>	<b>1 816 119</b>	<b>1 380 903</b>	<b>0</b>	<b>13 421</b>
Arnot	202 432	113 892	0	3 125
Grootegeeluk	903 294	644 958	0	0
Leeuwpan	74 581	346 331	0	0
Matla	477 612	48 646	0	7 707
New Clydesdale	33 133	103 137	0	0
North Block Complex	2 820	88 315	0	0
Tshikondeni	122 247	35 624	0	2 589
<b>Base metals and industrial minerals</b>	<b>1 852 900</b>	<b>145 703</b>	<b>0</b>	<b>584</b>
Glen Douglas	45 367	63 704	0	584
Rosh Pinah	146 126	51 948	0	0
Zincor	1 661 407	30 051	0	0
<b>Mineral sands</b>	<b>1 983 715</b>	<b>72 944</b>	<b>320 593</b>	<b>0</b>
KZN Sands	1 983 715	72 944	320 593	0
<b>Total</b>	<b>5 652 733</b>	<b>1 599 549</b>	<b>320 593</b>	<b>14 005</b>

\*Total energy figures comprise electricity, diesel, petrol and Sasol gas.

The potable water figures reported by sites are based on invoiced amounts from suppliers. Certain sites are only measuring potable water consumption as a result of a lack of systems to collate water abstracted from underground sources. We are currently looking at how to improve our systems and controls to ensure complete and accurate collation of total water consumption data.

Reported CO<sub>2</sub> emissions reflect burning fossil fuels and electricity consumption. CO<sub>2</sub> emissions from processes (spontaneous combustion, flaring, etc) are not currently reported as methodologies are currently being developed and reviewed for the relevant operations.

Business unit	CO <sub>2</sub> from electricity purchased (tonnes)		CO <sub>2</sub> from diesel (tonnes)	
	MWh	Tonnes	Litres	Tonnes
<b>Coal</b>				
Arnot	504 477	483 289	38 011 351	102 251
Grootegeeluk	56 231	53 869	3 135 033	8 439
Leeuwpan	250 915	240 377	17 753 403	47 791
Leeuwpan	20 717	19 847	9 533 273	25 663
Matla	132 670	127 098	1 339 061	3 605
New Clydesdale	9 204	8 817	2 838 988	7 642
North Block Complex	783	750	2 430 988	6 544
Tshikondeni	33 958	32 531	980 605	2 640
<b>Base metals and industrial minerals</b>	<b>514 694</b>	<b>493 077</b>	<b>3 909 449</b>	<b>10 524</b>
Glen Douglas	12 602	12 073	1 753 548	4 720
Rosh Pinah	40 590	38 886	1 429 932	3 849
Zincor	461 502	442 119	827 196	2 227
<b>Mineral sands</b>	<b>551 032</b>	<b>527 888</b>	<b>2 048 348</b>	<b>5 514</b>
KZN Sands	551 032	527 888	2 007 885	5 405
<b>Total</b>	<b>1 570 204</b>	<b>1 504 255</b>	<b>43 969 148</b>	<b>118 363</b>

Total energy use (Gj)	Water (m <sup>3</sup> )	Product (kt)	Energy per tonne	Electricity per tonne	Diesel per tonne	Water per tonne
<b>3 210 442</b>	<b>7 746 713</b>	<b>40 534 259</b>	<b>0,08</b>	<b>0,04</b>	<b>0,03</b>	<b>0,19</b>
319 448	894 620	3 704 009	0,09	0,05	0,03	0,24
1 548 252	2 960 746	18 581 323	0,08	0,05	0,03	0,16
420 913	516 904	2 358 998	0,18	0,03	0,15	0,22
533 965	1 392 780	12 180 446	0,04	0,04	0,00	0,11
136 270	265 170	970 549	0,14	0,03	0,11	0,27
91 134	151 450	2 262 687	0,04	0,00	0,04	0,07
160 460	1 565 042	476 247	0,34	0,26	0,07	3,29
<b>1 999 187</b>	<b>3 844 548</b>	<b>1 664 507</b>	<b>1,20</b>	<b>1,11</b>	<b>0,09</b>	<b>2,31</b>
109 655	881 682	1 414 924	0,08	0,03	0,05	0,62
198 073	1 406 279	149 392	1,33	0,98	0,35	9,41
1 691 458	1 556 587	100 191	16,88	16,58	0,30	15,54
<b>2 377 251</b>	<b>10 307 560</b>	<b>684 273</b>	<b>3,47</b>	<b>2,90</b>	<b>0,11</b>	<b>15,06</b>
2 377 251	10 307 560	684 273	3,47	2,90	0,11	15,06
<b>7 252 283</b>	<b>21 898 820</b>	<b>42 883 039</b>	<b>0,17</b>	<b>0,13</b>	<b>0,04</b>	<b>0,51</b>

## managing risk, issues and opportunities

### ECONOMIC PERFORMANCE

#### ECONOMIC VALUE GENERATED AND DISTRIBUTED

Component	Comment	2007
<b>Direct economic value generated</b>		
• Revenues	Gross value of goods and services invoiced and excludes VAT	R10,16 billion (page 174)
<b>Economic value distributed</b>		
• Operating costs	Total operating expenses	R8,71 billion (page 174)
• Employee wages and benefits	Total staff costs	R2,11 billion (page 195)
• Payments to providers of capital	Interest expense and loan costs	R153 million (page 198)
• Payments to government (by country)	Gross taxes	Note 7 on page 200
• Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)	Page 128
<b>Economic value retained</b> (calculated as economic value generated less economic value distributed)	Value-added statement	Page 150

#### Retirement plans

All permanent employees must belong to a retirement fund. All recognised funds are registered with the Pension Funds Board, and are adequately funded as per the latest actuarial valuations on 31 December 2006 available from the funds. Exxaro employees only belong to defined contribution funds.

Medical aid membership is voluntary for employees from the former Kumba Resources (except at Zincor, Rosh Pinah and KZN Sands where membership is compulsory). For former Eyesizwe employees, membership is compulsory. At 31 December 2007, Exxaro had 7 183 employees who were members of medical aids with stipulated employer subsidies, representing R57,6 million.

In addition to the challenge of consolidating retirement funding and medical aid benefits, and some legacy liabilities, Exxaro faces a challenge shared by corporate South Africa in pending legislative amendments that aim to make membership of a national basic retirement fund and medical aid compulsory. We are awaiting draft legislation, scheduled for mid 2009, to prepare an appropriate plan of action.

## Market presence

Approximately 80% of all employees' remuneration is based on collective agreements with trade unions that determine minimum wages for each grade. The remaining remuneration is based on performance and market competitiveness.

Minimum conditions of employment in Exxaro exceed the requirements of the Basic Conditions of Employment Act. Less than 1% of employees are governed by sectoral determinations issued by the Department of Labour aimed at security, farm and forestry workers. Those employed by Exxaro are remunerated substantially above minimum requirements. Wage agreements for bargaining unit employees are in place at all employers within the group, while non-bargaining unit employees' remuneration is based on performance. Total remuneration levels are benchmarked twice a year.

## Preferential procurement practices

In reporting expenditure with historically disadvantaged South African (HDSA) suppliers, Exxaro follows the narrow-based standard for mining houses due to a statutory anomaly that will hopefully be short-lived. Currently, suppliers have to be rated according to two sets of legislation (the codes of good practice from the Department of Trade and Industry, and the stipulations of the Department of Minerals and Energy). The biggest challenge, however, is rating agency capacity and the availability of SANAS-verified rating agencies. Ideally, in time, rating agencies will be compliant with HDSA legislation, use uniform rating standards, and report their findings in a common and acceptable manner.

Exxaro nevertheless has approved policies and practices for spending with locally based suppliers at all significant locations. We also encourage our suppliers to transform their operations and comply with new empowerment legislation. In 2007, we met our target for discretionary spending with HDSA suppliers of 35%, representing R1,97 billion with HDSA-owned, -empowerment and -influenced companies.

In categories where no HDSA companies are found, Exxaro engages with existing suppliers to transform. The intended HDSA status is thus contracted and monitored for progress to ensure total compliance and the presence of HDSAs in all procurement categories.

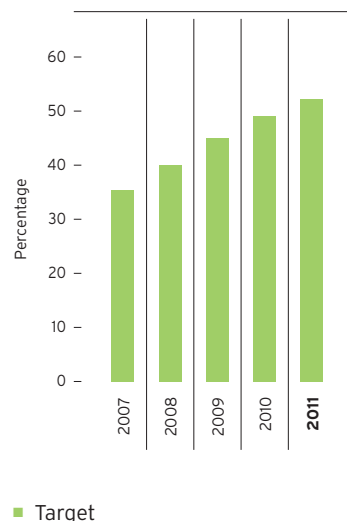
Despite the industry-wide challenge of accurately tracking spending on suppliers by category, as required by the mining charter, annual targets are shown here, and reporting is in line with the requirements of the charter.

## Significant indirect economic impacts

In attempting to quantify the significant indirect economic impact of our activities, we have concentrated on optimal use of resources and continuous exploration.

To ensure the optimal use of resources available to Exxaro, a forum of all role players was established towards the end of the review period. This forum is mandated to formalise and embed mineral resource management policy across the group. Examples of the practical application of the concept include Rosh Pinah, where the low-grade orebody has been remodelled and evaluated ahead of

PROCUREMENT TARGETS



## managing risk, issues and opportunities continued

a feasibility study on its economics and mineability. This could, if proved viable, extend Rosh Pinah's life of mine significantly. Equally, at North Block Complex, the previously discarded number 3 and 4 seams are now being mined. Apart from using resources more efficiently and economically, both initiatives secure jobs in support of regional economic stability.

Continuous exploration is the lifeblood of any mining group. Exxaro presently has 29 granted prospecting rights in South Africa and a prospecting joint venture in Moranbah, Australia with Anglo Coal (page 63). During the year, exploration activities confirmed substantially larger coal reserves at Eerstelingsfontein (Mpumalanga) and a large resource of mineral sands at Port Durnford (KwaZulu-Natal), while drilling increased the Inyanda coal mineral resource by 20% during the commissioning of the mine. Social impact assessments were completed for both Port Durnford and Inyanda. Exxaro also has an option to participate in a joint venture with GVM Metals to explore coal resources in the Soutpansberg area (Limpopo).

Although many of Exxaro's operations are in remote locations, where the local economic contribution and development impact is particularly significant to stakeholders, the specialised nature of these operations makes it difficult to channel 100% of our expenditure to local suppliers. Across the group, the percentage spent with local companies is 30%. Each mine's materials management department works closely with the local economic development department to identify local suppliers that can be used immediately to supply goods and services. Where entrepreneurial spirit and talent are identified, these departments collaborate to develop these individuals into sustainable suppliers. Examples of these initiatives include furniture manufacturing, needlework, manufacture of cleaning chemicals, civil construction, supply of mining spares and consumables.

### **SOCIAL PERFORMANCE**

#### **Socio-economic development**

In Exxaro, socio-economic development is both a key responsibility towards our host communities, and a strategically sound business imperative. We believe the most sustainable results in creating economically, socially and environmentally viable local communities come from a three-way partnership between government, business and the communities themselves.

Acknowledging that community development is not our core competence, we have developed a systematic approach that defines real needs at community and government levels, and then harnesses the appropriate skills to ensure success:

- Develop a stakeholder engagement and management plan (AA1000SES).
- Understand key government objectives for growth and development.
- Study growth and development strategy of provincial government.
- Participate in local economic development structures and forums to formulate a joint approach.
- Focus on capacity building and knowledge transfer.

Our approach is matched by clear delivery principles and standards on projects which must:

- Meet real needs
- Be sustainable
- Be aligned to government initiatives at local, district, provincial and national levels
- Seek partnerships as far as possible
  - participation in existing local authority structures in each focus area
  - co-funders for large projects
- Make measurable impact
- Obtain stakeholder input in selection and prioritisation.

This report highlights several case studies of our approach in action, starting on page 128.

## Our people

Building on the leading practices entrenched by our predecessors, our focus remains on exceeding compliance targets in South Africa and reducing the shortage of skills in our industry by training and development to maximise individual potential. Other priorities include aligning all people processes and building a high-performance culture and sound relations with our growing workforce.

Exxaro's current staff complement is 8 688, which will rise to over 9 643 after the acquisition of Namakwa Sands. Our full-time workforce is split between South Africa (93,5%), Namibia (6,5%), Australia (0,1%) and China (0,04%).

Our employment equity reports presented to the Department of Labour in October 2007 reflect the following levels of representation per occupational level by designated groups (historically disadvantaged South Africans or HDSAs - blacks, coloureds, Indians and white females as per mining charter definition):

Occupational levels	Designated							Non-designated			Total
	Male			Female			W	Foreign nationals			
	A	C	I	A	C	I		W	Male	Female	
Top management	4	0	1	1	0	0	1	15	0	0	22
Senior management	11	4	6	2	2	1	20	166	1	0	213
Professional, specialists and middle management	137	6	25	31	3	14	85	415	1	0	717
Skilled technical, academically qualified and junior management	900	22	41	126	20	25	335	1 272	8	0	2 749
Semi-skilled staff	3 035	4	26	143	8	8	71	152	96	0	3 543
Unskilled staff	1 412	2	3	130	0	0	5	34	19	0	1 605
<b>Total permanent employees</b>	<b>5 499</b>	<b>38</b>	<b>102</b>	<b>433</b>	<b>33</b>	<b>48</b>	<b>517</b>	<b>2 054</b>	<b>125</b>	<b>0</b>	<b>8 849</b>
Non-permanent employees	380	2	4	83	1	1	16	66	1	0	555
<b>Grand total</b>	<b>5 879</b>	<b>40</b>	<b>106</b>	<b>516</b>	<b>34</b>	<b>49</b>	<b>533</b>	<b>2 120</b>	<b>126</b>	<b>0</b>	<b>9 404</b>

\*This table reflects South African operations only as at 31 August 2007, as reported to the Department of Labour

A African C Coloured I Indian W White

This information is summarised below for ease of reference.

	2007	2006
HDSA overall	75%	72%
HDSA in management categories	36%	35%
- women	14%	22%
HDSA senior management	23%	42%
HDSA middle management	42%	28%
HDSA first-line management	29%	60%
HDSA board		
Women overall	12%	11%

## managing risk, issues and opportunities *continued*

An integral part of our empowerment transaction was broadening our shareholder base to include employees. Through the innovative MPOWER share incentive plan, Exxaro employees own 3% of the group. This transfers meaningful value, aligns our interests and gives us a crucial tool to attract and retain critical skills. In November 2006, 7 531 employees became shareholders in a transaction valued at over R583 million. In October 2007, these shareholders received maiden dividends of R3 185 692 or 30 cents per share while a further 50 cents per share will be received in March 2008.

Exxaro has two main categories of employees: employees in bargaining units, and the management and specialist category.

Region	Bargaining unit	Management and specialist category	Total
Gauteng	1 254	698	1 952
KwaZulu-Natal	477	142	619
Limpopo	2 155	351	2 506
Mpumalanga	2 672	382	3 054
Namibia	454	103	557
Total	7 012	1 676	8 688

Our challenge remains in finding suitable skills to staff new projects. Accordingly, we have an ongoing retention programme to maintain scarce skills that accounts for 5% of total payroll.

Between 1 December 2006 and 31 October 2007, Exxaro had an average turnover rate of 7%. The main reasons for terminations were death, resignations, dismissals and disabilities. The turnover rate by employee group is shown below.

Employment equity - occupational levels	% terminations		Current workforce
	Dec 06 - Oct 07	Number of terminations	
Top management	14%	1	7
Senior management	5%	12	233
Professionally qualified and experienced specialists and middle management	11%	73	690
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	13%	342	2 698
Semi-skilled and discretionary decision making	3%	124	3 665
Unskilled and defined decision making	4%	46	1 284

The artisan and engineering occupation categories are identified as scarce and critical to retain for the organisation. The turnover percentage is an alarming 18% for artisans and more aggressive retention strategies are being developed for these categories.

## Employee benefits

Full-time employees receive a range of benefits, including:

- retirement fund membership subsidised by the employer
- medical aid membership subsidised by the employer
- housing allowance/company accommodation
- guaranteed annual bonuses/13th cheque for bargaining-unit employees
- travel allowances
- annual leave, sick leave, maternity leave, family responsibility leave, on-target bonuses, share appreciation rights schemes, various circumstantial allowances for shift work, continuous operations, standby and call outs, etc as well as payment for overtime worked.

Independent defined contribution funds provide retirement and other benefits for all permanent employees. The employer contribution to retirement funds within the group ranges from 10,0% to 14,5% of employee pensionable earnings, and is expensed as it is incurred. All retirement funds are governed by the South African Pension Funds Act (1956). Exxaro has no members on defined benefit plans.

Exxaro's approach to housing is focused on home ownership. To comply with the mining charter and business needs, a new long-term housing strategy is being developed.

Description	Number of employees	%
Home owners (bought company property)	1 277	14,7
Rental units	936	10,8
Hostels and single quarters	1 630	18,7
Other	4 845	55,8
Total	8 688	100,0

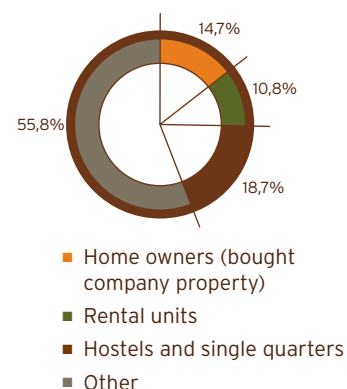
Exxaro provides meals at two operations. The quality and nutritional value of these meals are determined by a dietician and is contractually regulated, and continually monitored by qualified staff. Mechanisms are in place for employees to engage with both management and suppliers on food issues.

## Labour relations

Exxaro's corporate values were developed with employees. These values are aimed at building and maintaining a high-performance culture which promotes teamwork, commitment, creative thinking and open and honest communication.

Exxaro respects the constitutional and legislative rights of all employees. Our approach uses the principles of constructive engagement of all stakeholders in dealing with matters about the employment relationship. The group recognises several trade unions and each relationship is governed by respective collective agreements which include minimum notice periods for significant operational changes.

### HOME OWNERSHIP



## managing risk, issues and opportunities *continued*

At Matla mine, Mpumalanga. Exxaro's policy is to invest at least 6% of total payroll each year on human resource development. The average in the mining industry is 3,4%.



Approximately 60% of the Exxaro group's employees are unionised, predominantly through the National Union of Mineworkers (NUM, 44%) and Solidarity (10%). Other recognised unions are United Association of South Africa (UASA), National Union of Metalworkers in South Africa (NUMSA), and Mineworkers Union of Namibia (MUN). In all these unions, employees have the right to elect shop stewards of their choice.

Relationships between the various employers in the Exxaro group and recognised unions were sound during the year, as reflected by the virtual lack of industrial action during 2007 despite substantive wage negotiations. Negotiations for improving wages and conditions of employment are conducted in-house and through the Chamber of Mines. A disputed dismissal resulted in a 10-day stoppage at Rosh Pinah. The dismissal was upheld by Rosh Pinah.

Exxaro has a disciplinary code that is used when necessary. This code is based on the principle of fairness as required by labour law, and supervisors have the skill to implement the code.

### Employee wellness

Employee assistance programmes conducted by external service providers are available to employees and their dependants at all commodity business units.

These programmes have been particularly successful in supplying a fast and efficient response to employees experiencing trauma through both work-related and community-based events.

### Training and education

In 2007 alone, it is estimated that Exxaro trained more than 10% of all South Africa's artisans and more than 24% of artisans in the mining industry. Exxaro's policy is to invest at least 6% of total payroll each year on human resource development. In 2007, this was 6,5% (excluding the 1% skills levy) or an investment of R100 million. The average in the mining industry is 3,4%.

Exxaro's human resources development professionals also contribute significantly to the national and sectoral skills development process through membership and participation in bodies such as Business Unity South Africa, Chamber of Mines' committee for education and training, Mining Qualifications Authority (MQA) sector skills planning committee and standards generating bodies of the MQA.

## BENEFICIARIES OF TRAINING

Job category	Total (% of staff in category)*	Average number of hours per beneficiary per annum
Legislators, senior officials and managers	69	44
Professionals	70	45
Technicians and associated professionals	68	44
Clerks and administrative workers	62	30
Service and sales workers	78	25
Craft and related trade workers	82	33
Plant and machine operators	60	19
Labourers and elementary occupations	60	14
Average across beneficiaries	66%	27 hours

\*excludes induction and annual competence update training.

### Literacy and numeracy

In South Africa, adult basic education and training (ABET) is a cornerstone of empowerment. Supporting its formal ABET policy to give all employees the opportunity to become functionally literate, Exxaro has accredited ABET training centres at Grootegeluk and Tshikondeni in Limpopo, and Matla and Arnot in Mpumalanga. Annual training reports and workplace skills plans submitted and approved by the MQA contain details on candidates completing various ABET levels and short- and medium-term targets.

All potential candidates are assessed, counselled and encouraged to enroll for ABET. An incentive scheme was introduced to reward candidates who successfully completed an ABET level.

Our predecessor, Kumba Resources, achieved the national target of 70% of employees with qualifications of NQF level 1 and above in September 2006. This has decreased to 66% due to the unbundling of Kumba Iron Ore, merger with Eyesizwe and taking over contractors at Leeuwpans and KZN Sands. In addition:

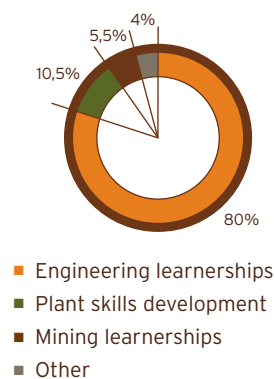
- More than 1 000 employees have passed one or more ABET levels since its inception.
- In 2007, 128 employees completed various ABET levels successfully (13 passed level 4, 17 level 3, 43 level 2, 38 level 1 and 17 pre-ABET). Another 128 non-employees or members of the community passed various ABET levels successfully.
- Grootegeluk achieved the national target of 70% of employees with qualifications of NQF level 1 or higher.

Our challenge remains to motivate all ABET candidates to enroll. Accordingly, ABET opportunities are continually marketed to our people.

- More than 1 000 employees have passed one or more ABET levels since its inception.
- In 2007, 128 employees completed various ABET levels successfully (13 passed level 4, 17 level 3, 43 level 2, 38 level 1 and 17 pre-ABET). Another 128 non-employees or members of the community passed various ABET levels successfully.
- Grootegeluk achieved the national target of 70% of employees with qualifications of NQF level 1 or higher.

## managing risk, issues and opportunities *continued*

### LEARNERSHIP AND SKILLS DEVELOPMENT PROGRAMMES



### Career development

Exxaro's strategy is to ensure that 80% of all new appointments are made internally. This requires a well-integrated process that is carefully aligned with the group's strategy and industry needs to provide a steady stream of qualified talent to tackle our growth and expansion projects. In 2006 and 2007, there were some 140 trainees involved in programmes supporting internal advancement and ensuring that trainees entering the company are empowered, challenged and appropriately rewarded:

- **Exxaro People Development Initiative:** the Exxaro Foundation sponsors 24 previously disadvantaged students each year for a 12-month bridging course at the University of Pretoria. Candidates must be grade 12 students from Exxaro mining communities who want to study for a mining-related degree or diploma. On completion of these studies, candidates may be considered for an Exxaro bursary.
- **Bursary programme:** Exxaro grants some 30 bursaries each year to school leavers with a keen interest in mining-related disciplines such as engineering, geology and mine surveying. Graduates are generally offered employment at Exxaro, depending on the current need in that field, mostly through the group's formal three-year professionals-in-training programme. There are currently 79 bursars studying at South African institutions at a cost of R5 million: two-thirds are historically disadvantaged South Africans and 16% are women.
- **Professionals-in-training programme:** the three-year programme bridges the gap between academic theory and the work environment. Each professional-in-training has a mentor who supervises exposure to the various commodities, leadership and management training, and formal training from professional bodies. In 2007, there were 48 professionals in training throughout Exxaro in a R17-million programme: 77% are from designated groups and almost half of those are women.

Exxaro has 500 learners in various learnerships and skills development programmes. Of these, over 400 are in engineering learnerships, 28 in mining learnerships and 53 in plant skills development programmes. Exxaro alone accounts for 30% of all engineering learnerships registered with MQA.

Over 77% of Exxaro's engineering learners are HDSAs and all these learners will qualify with full artisan status in trades such as electrician, fitter and turner, plater/welder/boilermaker, diesel mechanic and millwright. Artisans are considered scarce and critical skills in South Africa and all these trades appear on the JIPSA (Joint Initiative for Priority Skills Acquisition) scarce skills list.

As part of its social and labour plans, Exxaro has included a five-year engineering learnership plan for 2007 to 2011. This R66-million plan leading to full artisan status provides for training 1 415 engineering learners in various trades over the next five years: 74% of these learners will be HDSAs while 81% will be male and 19% female.

To retain technical and engineering skills, a retention strategy has been introduced for technical categories, in addition to our aggressive succession planning strategy. Scarce and critical skills are captured in workplace skills plans submitted to and approved by MQA. In addition, as part of monitoring our artisan-retention strategy,

the ratio of learnerships in the pipeline to the number of artisans employed in the various trades is reported monthly to the executive committee.

Training to assist employees in managing career endings is part of the social and labour plan for each mine, submitted to and monitored by the Department of Minerals and Energy for renewal of individual mining licences.

All employees in the package category (non-bargaining unit employees) receive formal performance and career development reviews bi-annually. All management members, from first-line upwards, are assessed throughout the year and this forms the basis for the individual succession programmes and talent management. These assessments are also linked to reward and remuneration.

Although employees in the bargaining unit are not part of Exxaro's formal performance management system, their development is driven by individual development plans derived from an employee's job profile, formal career plan and individual preference.

The performance management process is entrenched in the culture of Exxaro. All new package-category employees receive formal training on the performance management process and system to reinforce the concept that reward is driven by performance. Performance management is also included in a web-based induction programme.

All training and development is based on a thorough needs analysis, taking cognisance of business strategy, identified skills deficiencies via the performance management process, succession planning requirements, employee career pathing, and the relevant employment equity plans.

Personal development emphasises the co-responsibility of employees to manage their career growth. Accordingly, Exxaro provides financial assistance to permanent employees with potential to further their education through part-time studies of certain recognised, approved courses and programmes. Employees who are nominated by the company to attend selected courses or programmes are fully sponsored by Exxaro for tuition, examinations, travel, accommodation costs and study leave.

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

- fast-tracking employees with leadership and management potential
- accelerated development for occupationally based skills
- adult basic education
- life skills programmes
- learnerships.

Exxaro offers sponsored, voluntary adult basic education and training (ABET) programmes at all commodity businesses, except where employees are fully literate. Candidates are screened and counselled to ensure they are able to make informed decisions, and an incentive scheme is in place to encourage more employees to become functionally literate and numerate. More than 1 000 employees have passed one or more ABET levels since its inception.

Operations at Grootegeluk mine, Limpopo. All training and development is based on a thorough needs analysis, taking cognisance of business strategy, identified skills deficiencies via the performance management process, succession planning requirements, employee career pathing, and the relevant employment equity plans



## managing risk, issues and opportunities *continued*

In-pit operations at New Clydesdale mine, Mpumalanga. A detailed social and labour plan is developed for each operation



### Diversity and equal opportunity

Exxaro believes that achieving world-class standards and global competitiveness will require that the potential of every individual is developed and used.

Accordingly, the group has initiated a process of social transformation to remove any barriers to the employment and advancement of all South Africans and to accelerate the training and promotion of designated groups. By implementing strategic employment equity programmes, Exxaro is creating an organisational culture in which diversity is encouraged and valued, while focusing on shared values to develop team spirit, promote mutual understanding, optimise potential and achieve organisational goals in serving the community.

Since collective agreements determine specific guaranteed minimum salaries, there is no discrimination between the salaries of men and women. In the management and specialist category, all employees are on performance contracts and individual salaries are based on performance.

#### MALE/FEMALE EMPLOYEES PER CATEGORY AND REGION

Region	Bargaining unit		Man and Spec Category		Total
	Male	Female	Male	Female	
Gauteng	1 062	192	517	181	1 952
KZN	422	55	126	16	619
Limpopo	2 010	145	311	40	2 506
Mpumalanga	2 374	298	357	25	3 054
Namibia	418	36	70	33	557
<b>Total</b>	<b>6 286</b>	<b>726</b>	<b>1 381</b>	<b>295</b>	<b>8 688</b>

### Human rights

As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organisation guidelines. Accordingly, the group encourages freedom of association and collective bargaining, ensures that child labour is not tolerated and that forced or compulsory labour is not practised.

Induction programmes ensure employees are educated about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.

### Society

South African legislation and Exxaro policy stipulate that a social impact assessment be conducted before starting an operation. On the basis of identified issues, a detailed social and labour plan is developed for each operation and submitted to the authorities. Each operation also reports on progress with its stakeholder engagement plan. Commitments in terms of social and labour plans and environmental management plans form the backbone of our programmes and practices to manage the impact on our communities during entering, running and exiting any operation.

For example, at the new Inyanda mine in Mpumalanga, and in line with the social impact assessment completed ahead of commissioning, a new Eskom power line from its substation to the mine will also supply electricity to the nearby low-cost housing development of Klarinet. Inyanda is also funding the design and development of a sports facility in Klarinet.

In the Glen Douglas operating area of Henley-on-Klip, a new community liaison forum has been established with the Henley Conservancy to address stakeholder concerns including noise, dust and effects from blasting.

The symbiotic relationship between Exxaro and its communities is a dynamic one, where constant change dictates an ongoing review of the underlying policies and processes governing this relationship.

During 2006 and 2007, we initiated comprehensive socio-economic assessments across our commodity businesses. Seven of these studies were completed during the review period. Their aim was firstly to analyse the nature, scope and effectiveness of programmes and practices that assess and manage the impact of our operations on communities, including the degree of integration with local economic development plans and interaction with other agencies. Secondly, the studies highlighted key issues raised by internal and external stakeholders and detailed management responses at each commodity business.

At Grootegeluk, for example, stakeholders were generally positive about the mine and its impact as a corporate citizen. During the frequent public participation processes, Hillendale mine and its stakeholders identified and prioritised issues, and together developed mitigation plans to the satisfaction of all communities.

At KZN Sands, results were positive overall, while management is also addressing a broader set of issues with stakeholders.

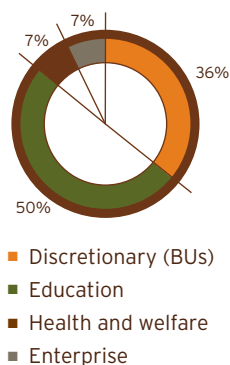
With the formation of the new company, Exxaro took the decision to adopt the previous practice of having a foundation or trust fund dedicated towards the social and economic upliftment of its communities. As a result, the Exxaro Chairman's Fund and the Exxaro Foundation were created. Both funds are registered with the South African Revenue Service as charitable institutions. Whilst the Exxaro Chairman's Fund is specifically geared towards supporting those institutions that have section 18A status, the Exxaro Foundation supports all other charitable activities.

Both these institutions have independent trustees (including trustees not part of Exxaro) who ensure that a uniform approach is used in support of all socio-economic development initiatives. A policy document that clarifies its objectives and the criteria it uses for awarding funds ensures that sustainability forms the cornerstone of its activities.

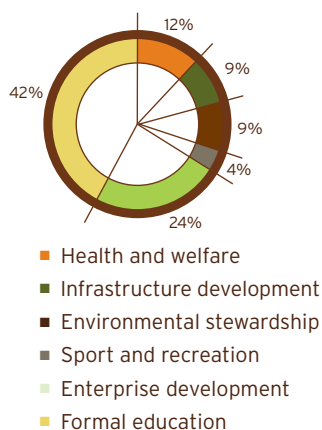
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## managing risk, issues and opportunities *continued*

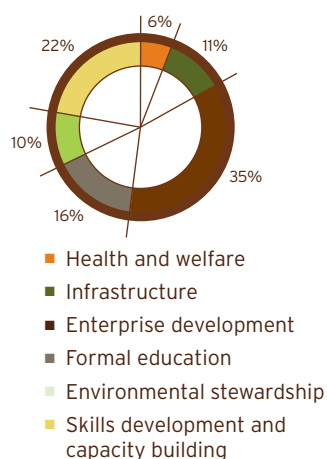
2007 DONATIONS:  
ACTUAL PER FOCUS AREA



LED PROJECTS ACTUAL:  
INVESTMENT PER FOCUS AREA 2007



LED PROJECTS FORECAST:  
INVESTMENT PER FOCUS AREA 2008



### Case study

#### Education

- 5 000 learners, 175 teachers and support staff
- Ten principals and deputy-principals, 28 heads of departments
- 40 members of school governing bodies

These are the beneficiaries of just one school project that Exxaro has pioneered in the Kwa Thema/Springs district of Gauteng. Exxaro is both a core funder of the project and has helped to develop a highly successful partnership model that could form the basis of many similar initiatives in future.

In 2005, our group became involved with the Department of Education's EQUIP programme (Education Quality Improvement Partnerships) to support four primary schools and one high school near its operations on the East Rand.

Exxaro elevated the project to a new level by inviting Implats to participate in the first funding partnership since the conceptualisation of EQUIP in 1995.

Although the programme has only been operating in Kwa Thema for two years, results are most encouraging:

- Specialised school management software has been installed at each school, and training provided in both administration and basic computer skills.
- Maths and science educators are studying for advanced certificates in education at Wits University, while departmental heads are studying towards the middle management course at Matthew Goniwe School of Leadership and Governance.
- The Junior Achievement South Africa mini-enterprise programme was successfully completed at Tlakula Secondary School.
- Plans are in place to support the national and provincial post-strike recovery programme (the result of a protracted civil servant strike in mid-2007, which included teachers), and study skills workshops are under way.

#### Local economic development

In addressing the specific needs of Exxaro's communities, we work closely with local government to ensure our plans are integrated for maximum positive impact. Regular and in-depth engagement with stakeholders has refined our focus areas to:

- formal education
- skills development
- enterprise development, including small-scale mining
- health and welfare
- environment
- infrastructure
- agriculture
- tourism
- sport and recreation.

Exxaro is also concentrating on maximising the percentage of jobs available to people from local communities. At December 2007, this ranged from 95% at KZN Sands and Tshikondeni to over 50% at New Clydesdale.

### **Case study**

#### **Building small business at Rosh Pinah**

As a major employer in the Karas region of southern Namibia, Rosh Pinah Zinc Corporation is actively involved in the economic empowerment of local communities. The region is faced with high levels of unemployment, school drop-outs, HIV/Aids and very little development.

To help local unemployed people become self-supporting, Rosh Pinah supplies the infrastructure for potential entrepreneurs to market or manufacture their products using the Exxaro SME Centre.

The centre provides basic skills training in manufacturing (brick-making, brick-laying, woodwork, metalwork, welding, tailoring, needlework), poultry farming and cleaning services. Other courses cover low-cost housing construction and adult literacy.

Although established grievance mechanisms are in place at all Exxaro operations, regular interaction with community members ensures management is able to deal with most potential issues proactively.

Exxaro has a formal policy on resettlement, which is closely aligned with the World Bank directive on involuntary resettlement. During the year, resettlements took place at Rosh Pinah in Namibia and Arnot in Mpumalanga (pages 130 and 131).

Other projects within the Group include:

- Ezingeni Hydroponics Project
- Madoda Community Life Skills Development Centre
- Siyavuka Integrated Youth Farming
- Somopho Community Creche
- Careers in Mining Week
- Erection of Community Centre in Marapong
- Manketi Biosphere Awareness Project
- Early Childhood Development
- New Hospice Centre
- Lepharo Base Metals Incubator project
- Blesbokspruit Conservation Trust
- Siyabonga Africa Baking project
- Sanari Skills Development Centre

In 2008, LED projects valued at R25 million have been approved. Most of these projects are focused on infrastructure development (building of houses, roads, provision of electricity and water for rural communities, whole school development and health and welfare).

A brick-making business at Rosh Pinah is an example of how the mine is actively involved in the economic empowerment of local communities



## managing risk, issues and opportunities *continued*

The technology behind the renewable energy pilot project at Tutungeni has received enormous interest, given its low environmental impact and use of waste products from zinc mining. Seven fuel cell technicians have been trained to service the 20 current beneficiaries in the township and the pilot project has been presented to the Namibian government through the electricity control board and ministry of mines and energy.

### **Case study**

#### **Rosh Pinah - community relocation**

The rapid growth of the so-called Sand Hotel informal settlement on mine grounds was addressed in 2005 when Exxaro was involved in relocating the entire settlement to a new site outside the mining area, currently known as Tutungeni (let's build together).

At that time, over 1100 households or structures were relocated (in conjunction with Anglo American's Skorpion Zinc Mine and RoshSkor town management), with Rosh Pinah providing transport to carry material and people to the new site. Plots were provided, water supplied (standard taps have since been replaced by prepaid water meters), a road network built and a pilot project started to test the viability of renewable energy using zinc fuel cells in a rural environment. Temporary environmentally friendly ablution facilities were erected at strategic places in the new settlement and a site office set up to provide payment facilities for water supply and other services.

As this resettlement is an ongoing process, discussions were initiated during the review period with the country's power utility, NamPower, to provide grid electricity in Tutungeni. Cleaning and other services are now available through a community-driven initiative in which Exxaro is participating fully.

Given the lack of a retail hardware outlet in the vicinity, the mine supplies basic building material (cement, roof sheets and building boards, including scrap drilling rods) to residents at affordable prices. It has also assisted residents by contracting an outside builder to break down and help rebuild structures.

Families of Rosh Pinah employees living in the informal settlement were given temporary accommodation while formal mine houses were being built.

Using a phased approach to solve housing needs and ensure quality accommodation across the board, some R29 million was spent in 2006 and 2007 to supply temporary accommodation, build 60 two- and three-bedroom houses and supply electricity, sewerage and water reticulation. Between 2008 and 2010, over R71 million will be spent on upgrading hostels and single quarters to living units and flats, and building another 36 houses of up to four bedrooms.

The technology behind the renewable energy pilot project at Tutungeni has received enormous interest, given its low environmental impact and use of waste products from zinc mining. Seven fuel cell technicians have been trained to service the 20 current beneficiaries in the township and the pilot project has been presented to the Namibian government through the electricity control board and ministry of mines and energy.

Exxaro is now piloting a new project at Tshikondeni to determine a viable business plan for its zinc-battery fuel electrification project.

## Arnot

In November 2006, Arnot management identified two families (collectively 13 people, livestock and domestic animals residing on adjacent properties spanning 25 hectares) that needed to be relocated.

Following consultation with the families and relevant ward councillor, suitable land was identified in December 2006 and relocation plans finalised. Before the physical event, however, Arnot was advised of a restitution claim over the land by the Department of Land Affairs. An alternative site on local municipal land was initially rejected by the families as being too far from both the main road and schools. Once acceptable land has been secured, Arnot will build new houses for the families, replicating their previous living spaces to a higher standard.

## Marketing communications

In line with its corporate values, Exxaro communicates regularly and openly with all stakeholders. At all times, our communications adhere to the laws, standards and voluntary codes of accepted marketing communication in the areas where we operate. During the year, no incidents of non-compliance were recorded.

## Case study

### Remediation at Rosh Pinah

Rosh Pinah's remediation plant is literally the combination of garden refuse from local residents, a mountain of contaminated soil and an equally large amount of cattle manure.

According to ISO40001 requirements, the mine has to rehabilitate and dispose of soil contaminated by oils and carbons during the mining process. But bulking agents such as hay, straw and wood chips are scarce in the Namibian desert, which is how the mine's gardening enthusiasts and local farmers became involved.

The mixture is stored in remediation ponds and watered weekly to allow microbial degradation to occur. After nine months, the soil can be used as compost or landfill, depending on the climate, ecosystem and human disturbances.

Located on the rehabilitated site of an informal settlement, the affordable project is creating new jobs in the local community.

Underground power provision at Arnot mine, Mpumalanga



## assurance report on SD performance



### Independent assurance provider's report to the directors of Exxaro Resources Limited on sustainable development performance information included in the 2007 annual report

We have been engaged by Exxaro Resources Limited (Exxaro) to provide independent assurance over selected sustainable development (SD) performance information included in its annual report (the "report") for the year ended 31 December 2007.

This report is made solely to Exxaro in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Exxaro those matters we have been engaged to state in this report and for no other purpose. We do not accept or assume responsibility to anyone other than Exxaro, for our work, for this report, or for the conclusions we have reached.

The objective of our independent assurance engagement was to express *reasonable assurance* on the *number of fatalities* (page 97) and *limited assurance* on:

- *SD Performance indicators*: Lost time injury frequency rate (LTIFR) by employee and contractor (page 99); Level 1 and Level 2 environmental incidents (page 113); carbon dioxide (CO<sub>2</sub>) emissions (page 114); total energy use (page 115); water used for primary activities (page 115);
- *Qualitative disclosures* relating to the: implementation of the HIV/Aids policy (pages 100 - 101) and application of Exxaro's criteria for community investments (page 118); and
- *Management's assertions* relating to compliance with the nine elements of the mining charter (the "mining charter") (pages 136 - 141).

The internally developed Exxaro SD reporting guidance as presented on the Exxaro website was used as criteria for the selected SD performance indicators.

Our engagement relates only to the 2007 SD performance information in the report and does not extend to any prior year SD performance information and disclosures or assertions relating to future SD performance plans/strategies in the report.

The report (pages 26 and 32) sets out the evolving nature of Exxaro's sustainable development as a result of the integration of new operations into the group affecting the standardisation of data collection and analysis for meaningful reporting purposes. It is important to understand the reliability of the 2007 SD performance information in the context of these limitations.

### Responsibilities of directors

The directors of Exxaro are responsible for the preparation and presentation of the report and the information and assertions contained within it, for determining the Group's objectives in respect of SD performance, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported SD performance information is derived.

## Responsibility of the independent assurance provider

Our responsibility is to express our conclusions to Exxaro based on our work performed. We conducted our work in accordance with the International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Information*. This standard requires, inter alia, that the assurance provider complies with the appropriate requirements of the IFAC Code of Ethics for Professional Accountants such that their independence is not compromised and the assurance team members collectively possesses the necessary professional competencies. Our work was carried out by a multidisciplinary team of safety, health, environmental, and assurance specialists with extensive experience in sustainability reporting in the mining sector.

## Summary of work performed

Our procedures selected depend on our judgement, including our assessment of the risk of material misstatements of those 2007 selected SD performance indicators, disclosures and management assertions and our assessment of the internal controls relevant to the company's preparation and presentation of the sustainability information in the report. Our procedures were designed to gather sufficient appropriate evidence to determine that the 2007 selected SD performance information is not materially misstated.

Our work performed included:

- Interviews with management and senior executives at corporate level and with management at business unit level;
- Testing of process and systems in place at corporate level and business unit level to generate, collate, aggregate, monitor and report the SD performance indicators for the year and to comply with requirements of the mining charter;
- Visits to three business units including Arnot (coal), KZN Sands (sands) and Rosh Pinah (base metals and industrial minerals);
- Telephone interviews and analytical reviews of SD performance indicators for business units not included in site visits; and
- Consideration of other SD performance information in the report to identify material inconsistencies with evidence obtained from our assurance engagement.

We believe that the evidence obtained from our work performed provides an appropriate basis for our conclusions expressed below. Where limited assurance is expressed, less assurance is obtained from our procedures than in a reasonable assurance engagement. We do not express any assurance in relation to the 2007 performances indicators not included above, further any reference to external audits of SHE-related policies, standards and procedures (page 97) contained in the report have nothing to do with our independent assurance engagement to report on the SD performance indicators.

## Unqualified conclusions

*Number of fatalities, community investments, HIV/Aids policy, and compliance with the mining charter*

Based on our work performed, in our opinion:

- 1 The *number of fatalities* are fairly stated in all material respects in accordance with the internally developed Exxaro SD reporting guidance; and
- 2 Nothing has come to our attention that causes us to believe that *the qualitative disclosures relating to the application of Exxaro's criteria for community investments and implementation of the HIV/Aids policy*, in accordance with the internally developed Exxaro SD reporting guidance, and management's assertions regarding *compliance with the mining charter*, are not fairly stated in all material respects.

## assurance report on SD performance *continued*

### Modifications (Adverse conclusion and disclaimer of conclusion)

*Lost time injury frequency rate (LTIFR), water used for primary activities, and Level 1 and Level 2 environmental incidents*

We were unable to reconcile the underlying source data relating to these SD performance indicators to the SD performance information in the report. There are significant control weaknesses that prevent complete, consistent and accurate reporting of SD performance data in accordance with the internally developed Exxaro SD reporting guidance. Based on our work performed, these performance indicators are not fairly stated in all material respects.

*CO<sub>2</sub> emissions and total energy use*

The reported CO<sub>2</sub> emissions are only from diesel and electricity purchased, as disclosed on page 114. We were not able to obtain sufficient appropriate evidence for reported CO<sub>2</sub> emissions and total energy use as the underlying source data relating to these SD performance indicators was not available and consequently we are unable to conclude on these performance indicators.

### Commentary

Without affecting our conclusions presented above, we draw attention to the following:

- The new approved SD strategy, discussed in the report, is encouraging and should enable Exxaro to progress beyond a minimum of legal compliance. Exxaro are reviewing policies and reporting guidelines against the new SD strategy prior to implementation. The implementation of these policies and reporting guidelines are essential for embedding the SD strategy and for reliable reporting of SD performance information across the group.
- The process of fully integrating the ex-Eyesizwe sites is proceeding and as discussed in the report, the alignment of these sites with uniform policies, processes and systems of the Exxaro group is essential to ensure reliable reporting of the group's SD performance information.
- A more comprehensive stakeholder engagement should be undertaken during the coming year to strengthen the sustainability risk management process and allow Exxaro to respond proactively to its stakeholders when reporting on its SD performance.

We recommend that Exxaro monitor these developments and integration processes and disclose the results in future sustainability reports or other forms of communication.

### KPMG SERVICES (PTY) LIMITED



**Per PD NAIDOO**

*Director*

Johannesburg  
13 March 2008

## stakeholder engagement



**African Institute of Corporate Citizenship**

[www.aiccafrica.org](http://www.aiccafrica.org)

[www.africagrowth.net](http://www.africagrowth.net)

### AICC statement

AICC was requested by Exxaro Resources Limited to facilitate a multistakeholder panel to review the development of the 2007 Sustainable Development (SD) report which forms part of the 2007 annual report. This statement deals exclusively with the stakeholder engagement process and not the content of the report.

The panel was selected based on the issues in the report. In their broad categories these issues were: environment, health and safety, black economic empowerment, local economic development and governance. AICC identified 10 panelists from the academic, consulting, corporate and the NGO sector. In addition, AICC engaged three experts on governance, health, safety and environment (HSE), black economic empowerment (BEE) and local economic development (LED) to provide insights and questions for the panelists to consider during the review process.

The review process, divided into three phases, focused firstly on the review of the issues matrix submitted by Exxaro. Panelists commented on whether Exxaro had identified all the material issues linked to its business. The views were provided to Exxaro to inform the data collection.

The second phase focused on the review of the draft report, examining how Exxaro accounted for the material issues identified. Attention was given to the responsiveness of Exxaro to stakeholder issues, the completeness of the information and how it was being communicated. Gaps were highlighted by the panelists and sent to Exxaro. These gaps related to governance, environmental and BEE issues relating to performance and targets.

AICC compiled the comments from the panel and submitted them to Exxaro. Exxaro has indicated that the comments have informed the development of the 2007 report and, more importantly, the strategy for reporting on performance in 2008 and beyond.

The third phase focused on discussing the first proof of the report. Unfortunately, due to unexpected delays, panelists did not have time to evaluate the report and establish how the gaps had been addressed. As a result AICC is unable to provide an opinion on the final report.

AICC appreciates the opportunity to keep strengthening stakeholder engagement in the mining sector. AICC recommends that Exxaro Resources Limited address the gaps identified by the panel and continue to engage with the panel of experts on issues of sustainability.

A handwritten signature in black ink, appearing to read 'Paul Kapelus'.

**PAUL KAPELUS**

*Director*

## legislative compliance/mining charter progress

### Progress against mining charter scorecard\*

\*Broad-based socio-economic empowerment charter for the South African mining industry

During the year, Exxaro obtained new-order mining rights for its Inyanda and New Clydesdale mines, reflecting the group's steady progress in complying with the requirements of the mining charter.

REQUIREMENTS	PROGRESS	SECTION
Human resources development	<ul style="list-style-type: none"> <li>• Pay skills development levy</li> <li>• Submit workplace skills plans and annual training reports</li> <li>• Provide training and encourage employees to become functionally literate</li> </ul>	121 - 124
Is there any interface with the MQA?	Yes, through submission of statutory reports and serving on sector skill planning committee and technical reference groups	122
Have you formulated a comprehensive skills audit?	Exxaro is ensuring that individual development plans are in place for all employees. Roll-out plan is in place	125
Have you interfaced with education authorities and are you providing scholarships to promote mining-related educational advancement?	Currently interfacing with professors to examine this element. Bridging school, bursary and professionals-in-training programmes in place	124
Have you increased the number of learnerships in the mining industry? If so by how much?	More than 30% of engineering learnerships registered with MQA are trained by Exxaro. 408 engineering learners in the system. Additional 56 unemployed youths were trained at Collieries Training Centre with Exxaro sponsorship and have done their on-job training at Exxaro mines	122 - 125
Have you, through the MQA, provided skills training opportunities to miners during their employment to improve their earning capacity after mine closure? What training?	Exxaro's only mine closure to date was at Durnacol, where comprehensive reskilling and skills development programmes were initiated years before closure. This mine closure occurred well before MQA was established	126
Have you offered every employee the opportunity to become functionally literate and numerate in consultation with labour? Demonstrate.	<ul style="list-style-type: none"> <li>• Fully company-sponsored, voluntary ABET programmes running at all mines (except where employees are 100% literate – corporate office)</li> <li>• All ABET training is accredited</li> <li>• Screening and counselling with all ABET candidates for informed decisions about participation - trade unions included in process</li> <li>• Incentive scheme implemented to make ABET more attractive</li> </ul>	123

REQUIREMENTS	PROGRESS	SECTION
Have you implemented career paths to provide opportunities to HDSA employees to progress in their chosen careers?	<ul style="list-style-type: none"> <li>• Human resources development (HRD) policy in place dealing with accelerated development</li> <li>• Formal succession planning and individual development plans rigorously used for all management and professional categories</li> <li>• HDSA employees receive special career planning consideration and mentor support</li> <li>• 77% of learners in engineering learnerships are HDSAs</li> </ul>	122 - 125
Have you developed systems through which empowerment groups can be mentored as a means of capacity building?		
<b>Employment equity</b>		120
Have you published the employment equity plan and achievements?	Employees consulted about plans and progress communicated to employees at each business unit and published via suitable media, eg intranet	
Have you established targets for employment equity in junior management category?	No specific targets for different management categories have been identified. Progress is being monitored against an overall target of 40% HDSA in management as stipulated in the mining charter	2, 120
Have you established targets for employment equity in senior management category?	As above	2, 120
Have you detailed plans for employment equity at management level?	As above. Focus of Exxaro's employment equity plan is on management	2, 120
Have you met the baseline of 40% by 2009? State your achievement against the baseline.	Aspiring to meet the target by 2009. Employment equity plans are focused on reaching 40%, compared to the current 36%	2, 120
Do you focus overseas placement and/or training programmes on HDSAs?	Fast-tracking process includes exposure of senior management to international operations. Exxaro currently has limited international operations and there is one HDSA broadening his experience in Namibia.	121
Have you identified a talent pool?	Yes	119 - 127
Is there fast tracking in the company which includes high-quality operational exposure?	Yes	119 - 127

## legislative compliance/mining charter progress *continued*

REQUIREMENTS	PROGRESS	SECTION
Do you ensure higher level of inclusiveness and advancement of women?  Have you supported the aspired baseline of 10%? Demonstrate.	Exxaro has a succession plan system in place to fast-track women. There are currently two women on the board and three on the executive committee  The company is on target, with women comprising 12% of the workforce.	2, 119, 124
Does the company set and publish targets?	The company sets targets on a five-year cycle. Information on targets is published in the annual report, on the intranet and other suitable media targeted at specific business units (eg bulletin boards, line manager communication, newsletters, e-mails, etc)	2
<b>Migrant labour</b>		
Have you ensured non-discrimination against foreign labour?	Exxaro does not discriminate against any employees, regardless of their country of birth.	NA
Can the company demonstrate how this was achieved?	A policy on non-discrimination is in place.	NA
<b>Mine community and rural development</b>		20, 21, 25, 118, 128 - 130
Have you cooperated in the formulation of integrated development plans for communities where mining takes place and major labour-sending areas?	Assisted local authorities near our operations to develop integrated development plans, and participated in relevant forums.	
Have you, in partnership with all governmental spheres, undertaken to develop infrastructure for these areas?	Part of the commodity businesses' social and labour plans for conversion application.  <ul style="list-style-type: none"> <li>• Stakeholder engagement forums established at all business units</li> <li>• Skills and ABET provided for unemployed, skills training for government institutions, training-of trainers-programmes, capacity building</li> <li>• Partnerships with MQA to train ex-mineworkers</li> </ul>	

NA Not applicable

REQUIREMENTS	PROGRESS	SECTION
<p><b>Housing and living conditions</b></p> <p>Have you consulted with Mine Health and Safety Council, Dept of Housing and organised labour on measures to improve the standard of housing?</p> <p>Have you upgraded hostels, converted hostels to family units, and promoted a home ownership option for mine employees?</p> <p>Have mines established measures to improve nutrition of employees?</p>	<p>Yes</p> <ul style="list-style-type: none"> <li>• Company housing policy is being revised, focusing on home ownership</li> <li>• 936 employees (35%) live in affordable rental units</li> <li>• 1 277 employees bought company-owned housing</li> <li>• Bargaining-unit employees receive a housing/living-out allowance depending on their grade to assist them to obtain accommodation</li> </ul> <p>Part of the HIV programme</p>	121
<p><b>Procurement</b></p> <p>Have mines classified procurement into capital goods, services and consumables?</p> <p>Has the company given HDSAs preferred supplier status, where possible, in all three levels?</p> <p>Have you identified current levels of procurement from HDSA companies?</p> <p>Have you committed to a progression of procurement from HDSA companies over a 3- to 5-year time frame, reflecting genuine value-added HDSA provider?</p> <p>Have you encouraged existing suppliers to transform, eg forming partnerships with HDSA companies, where no HDSAs tender for goods and services?</p> <p>Have you undertaken to develop HDSA procurement capacity and access to DTI assistance programmes to achieve this?</p>	<ul style="list-style-type: none"> <li>• Yes. Policy, guidelines and systems in place to promote procurement from HDSA companies in stipulated categories of capital goods, consumables and services</li> <li>• Preference given to black-owned and black-empowered suppliers</li> </ul> <p>An auditable system in place and performance tracked</p> <ul style="list-style-type: none"> <li>• Policies have been developed and targets set up to 2011</li> <li>• Exxaro met its target of 35% of discretionary procurement for 2007 or R1,97 billion</li> <li>• Supports facilitation of regional and provincial collaboration as initiated by Department of Minerals and Energy</li> <li>• Exxaro continues to conduct needs assessments on potential suppliers and assists in areas that require development. Continual contact with SEDA on available development programmes to assist HDSAs is seen as a vital relationship for supplier development. Exxaro continues to advise emerging HDSA companies where financing is required. Referrals include the National Empowerment Fund, Umsobomvu Youth Fund, Industrial Development Corporation and other institutions that offer capital financing.</li> </ul>	2, 21, 22, 117

## legislative compliance/mining charter progress continued

REQUIREMENTS	PROGRESS	SECTION
<b>Ownership and joint venture</b>		
Does the company have ownership by HDSAs	Yes. Empowerment objectives achieved and exceeded in 2006	5
Does the company have active HDSA control?	Yes	
What is the company's HDSA ownership and control percentage?	56%	
Does the company have collective investments through ESOPS and mining dedicated unit trusts?	Yes	120
Does the company have passive involvement by HDSA?	Yes	
What is the percentage of passive HDSAs involved in the company ownership structure?	3%	
<b>Beneficiation</b>		
Is the company involved in the production of a final consumer product emanating from a mining process?	No. Exxaro produces intermediate or partially refined products. These are sold to various customers for beneficiation into final consumer products	N/A
Have you identified your current level of beneficiation?	Yes. Applicable to all Exxaro's commodities	
Have you indicated to what extent they can grow the baseline level of beneficiation?	Yes. Coal beneficiation projects are detailed on page 62 and opportunities are being investigated for the downstream beneficiation of zircon, pigment and titanium metal (mineral sands commodity business)	62

*N/A Not available*

REQUIREMENTS	PROGRESS	SECTION
<p><b>Exploration and prospecting</b></p> <p>As an HDSA company, have you used the support by government in exploration and prospecting endeavours? Institutional support.</p>	<p>Yes, prospecting work done through legal framework</p>	<p>117</p>
<p><b>Financing mechanism</b></p> <p>As an HDSA company, have you secured finance to fund participation (R100 billion assistance by the industry)</p>	<p>Exxaro is an investor participant in the New Africa Mining Fund established during 2003 to make portfolio investments in junior mining projects in Africa. Exxaro committed to contribute R20 million to the Fund and can be called upon at any time to make this contribution.</p> <p>Exxaro contributed R9 million since March 2003 and was refunded a portion in 2007 resulting in a recurring investment of R1,8 million at 31 December 2007.</p>	<p>263</p>

## gri indicator index

### Index to Global Reporting Initiative (GRI) indicators

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## managing risk, issues and opportunities continued

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