

PERFORMANCE AGAINST STRATEGIC OBJECTIVES 2016

Our strategic objectives continued to guide our actions over this period despite a changing environment that called for further tough decisions to weather the subdued outlook for our commodities. Our performance is summarised on pages 3 and 57, and our strategy is outlined on page 28.



Strategic objective	Measures	Performance in 2016	Outlook or objective for 2017
Demonstrate responsibility and accountability to protect our reputation Protect and build Exxaro's reputation by being responsible and accountable to stakeholders through engagement, legislative compliance, transparent reporting, resource management, and social and environmental stewardship	<ul style="list-style-type: none"> Stakeholder engagement that results in constructive relationships, and resolving issues to mutual benefit 	<ul style="list-style-type: none"> We identified and engaged with 17 major stakeholders on key issues during the year Eskom: meetings, workshops as well as legal recourse to resolve key mine rehabilitation issues for the closed Arnot mine 	<ul style="list-style-type: none"> All key mutual issues to be resolved via appropriate engagements Seeking mutually beneficial outcomes for Exxaro and each stakeholder
	<ul style="list-style-type: none"> Compliance risk management plans in place 	<ul style="list-style-type: none"> Continuously expanding our enterprise-wide risk management system to more functional areas Most recently, we introduced risk management for stakeholder engagement 	<ul style="list-style-type: none"> Continue improving our ability to actively manage all risk controls and better plan for future treatments
	<ul style="list-style-type: none"> No reportable cases of environmental incidents 	<ul style="list-style-type: none"> Zero cases of reportable level 3 environmental incidents 	<ul style="list-style-type: none"> Maintain a clean record on reportable environmental incidents
	<ul style="list-style-type: none"> Valid and enforceable mining rights secured 	<ul style="list-style-type: none"> By our conservative estimates, 98% of our mining rights are valid and enforceable 	<ul style="list-style-type: none"> 100% record of validity and enforceability
	<ul style="list-style-type: none"> Reputation 	<ul style="list-style-type: none"> Exxaro applies all aspects of the King III code and complies with the JSE Listings Requirements and Companies Act 	<ul style="list-style-type: none"> Plan for implementation to apply King IV and maintain compliance with the JSE Listings Requirements and Companies Act

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Demonstrate responsibility and accountability to protect our reputation Protect and build Exxaro's reputation by being responsible and accountable to stakeholders through engagement, legislative compliance, transparent reporting, resource management, and social and environmental stewardship (continued)	<ul style="list-style-type: none"> › Commitment to environmental stewardship and community development 	<ul style="list-style-type: none"> › Zero-harm approach in all domains of sustainability; rehabilitation › Over 95% of all required environmental authorisations in place › Continuous compliance with regulatory conditions › 10-year community investment of R398 million 	<ul style="list-style-type: none"> › Maintain excellent performance in environmental stewardship
	<ul style="list-style-type: none"> › Brand perception as proxy for reputation 	<ul style="list-style-type: none"> › Not measured in 2016 	<ul style="list-style-type: none"> › To be measured and tracked in 2017
	<ul style="list-style-type: none"> › Stoppage directives 	<ul style="list-style-type: none"> › Five stoppage directives received – all immediately resolved to the satisfaction of the DMR 	<ul style="list-style-type: none"> › Our aim is to operate in a safe, compliant and uninterrupted manner
	Compliance to: <ul style="list-style-type: none"> › Mining charter and social and labour plan, per site and per element, but with ownership for overall group › BBBEE level – group performance against targets in dti codes 	<ul style="list-style-type: none"> › Fully complies with targets in the current mining charter › Exxaro achieved a commendable level 4 contribution status 	<ul style="list-style-type: none"> › Awaiting promulgation of mining charter III › Focusing on black ownership as well as enterprise and supplier development to improve BBBEE level in 2017
Optimise our commodity portfolio Top-quartile financial returns Diversified yet complementary portfolio of assets aligned with commodity strategy	<ul style="list-style-type: none"> › Healthy financial metrics 	<ul style="list-style-type: none"> › Revenue and net profit after tax have improved significantly 	<ul style="list-style-type: none"> › Further expand Exxaro's profitability
	<ul style="list-style-type: none"> › Diversified yet complementary portfolio of assets 	<ul style="list-style-type: none"> › Focused on coal as the cornerstone of Exxaro's revenue while exploring business opportunities in non-mining areas 	<ul style="list-style-type: none"> › Concentrate on business opportunities identified through our innovation focus and our business-of-tomorrow activities
Develop our leaders and people Developing strong leadership and empowered employees Ensuring a safe, healthy and skilled workforce	Safety <ul style="list-style-type: none"> › Fatalities › LTIFR 	<ul style="list-style-type: none"> › The best safety performance since inception › 30 consecutive months fatality-free › Record low LTIFR of 0,09 	<ul style="list-style-type: none"> › Target: zero fatalities › LTIFR target stretched to 0,11 (from 0,15) to drive sustainable safety performance
	Health <ul style="list-style-type: none"> › Accepted occupational disease rate › People tested positive and enrolled in HIV management programme 	<ul style="list-style-type: none"> › Occupational health incident frequency rate similar to target for 2016 › Lifestyle and non-communicable diseases identified as a greater risk than occupational diseases › Due to cost constraints, and lower risk, HIV/Aids awareness campaigns and programmes were scaled back from 2014 	<ul style="list-style-type: none"> › Revised strategy to address the overall wellness of our people, specifically lifestyle diseases
	Capability development <ul style="list-style-type: none"> › Talent pool › Skills provision › Skills retention 	<ul style="list-style-type: none"> › In 2016 Exxaro's improvement programme changed the normal course of talent management › Exxaro supplied some 65% of all required skills internally during the restructuring › Voluntary personnel turnover remained lower than targeted › Voluntary severance packages were accepted by 28 employees 	<ul style="list-style-type: none"> › Improve talent management › Ongoing skills development › Improve leadership pipeline
Achieve operational and financial excellence Low-cost and high-quality product from efficient operations	<ul style="list-style-type: none"> › Operating margin › Solvency and liquidity metrics › Return on equity › Return on capital employed 	<ul style="list-style-type: none"> › Core operating margin above target at 24% › Net debt:equity ratio and net debt:EBITDA exceeded target › Return on equity based on headline earnings of 15% was at a best realistic level › 23% ROCE exceeded target 	Improved performance in coal operations expected based on: <ul style="list-style-type: none"> › Stable trading conditions in domestic markets › Higher international coal prices than 2016 › Our operational excellence process delivering further results › Technology and innovation improvements