

BOARD REVIEW (CONTINUED)

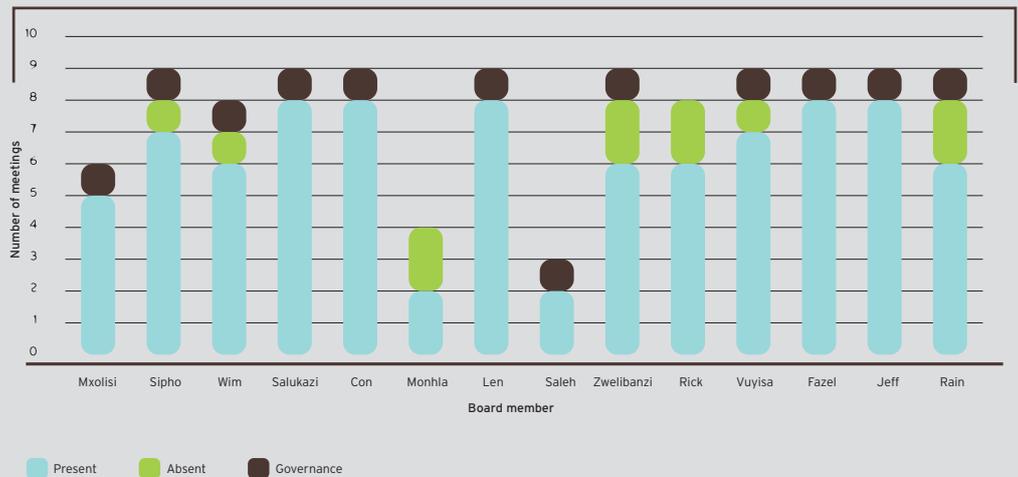
As a board, governance is intertwined in all we do and it underpins our decision-making process and oversight role. It is not an event, an initiative or a policy, it is a culture that drives us as an ethical, values-based and proudly South African black-owned resources company. We are driven by the firm belief that our licence to operate and sustainability depend on being a responsible and accountable corporate citizen.

Over the past three years, we have explained our governance processes to stakeholders in detail. This information remains available in our supplementary report in our detailed application of King III.

Below we highlight key board-related governance developments in 2015 and some plans for 2016.

Board meetings

- Four standard meetings.
- Four special meetings.
- Three committee meetings (to deal with Main Street 333 funding and the new BEE structure): the committee comprises Drs Fauconnier and Konar and Messrs De Klerk, Mohring (now deceased) and Van Rooyen, although some sessions were attended by Ms Hlahla and Mr Mayet (in instances where they were not regarded as conflicted).
- One governance session.



Board meeting attendance



BEE unwind and new structure board sub-committee meeting attendance

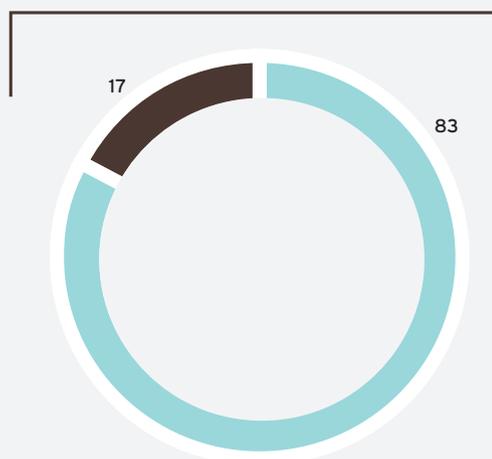
Board and committee composition, director classification and succession

- Ms Monhla Hlahla was appointed an independent non-executive director on 4 June 2015 (however, after the board independence evaluation in early 2016, she was reclassified as a non-executive director).
- Mr Mxolisi Mgojo was appointed CEO (designate) on 1 May 2015, and as executive director on 4 June 2015. After a transition period of 12 months, Mxolisi succeeded Mr Siphon Nkosi as CEO (a position that remains separate from that of the independent chairman of the board, Dr Len-Konar) on 1 April 2016.
- Mr Norman Mbazima resigned as a non-executive director on 18 August 2015 and was replaced by Mr Saleh Mayet on the same day. Saleh did not replace Norman on the remuneration and nomination committee which, therefore, comprised only four members for the rest of the period.
- Sadly, Mr Rick Mohring, an independent non-executive director since 28 November 2006, chairman of the remuneration and nomination (Remco) committee and member of the audit, social and ethics and sustainability, risk and compliance committees, passed away on 14 March 2016. Rick had an illustrious career of 37 years in the mining industry on his retirement in December 2003, after which he continued providing guidance and advice to the industry through Mohring Mining Consulting. In 2012, he received the South African Institute of Mining and Metallurgy's prestigious Brigadier Stokes award. This award is made to an individual for the very highest achievement in the South African mining and metallurgical industry. Rick will be missed by Exxaro and the entire mining industry.
- As a result of Rick's passing, Dr Con Fauconnier was elected chairman of Remco and Mrs Salukazi Dakile-Hlongwane appointed as an additional member of the social and ethics committee, on 5 April 2016.

As per our standard practice, the chairpersons of the board and committees were again re-elected in 2015 based on an assessment of their performance and continued suitability. Dr Len, Rick and Rain reached nine-year tenure in November 2015 and resultantly underwent a rigorous review of their independence, in addition to the standard review for classification of directors. As two of these individuals served on Remco, the review process was facilitated by Dr Con and Mrs Carina Wessels.

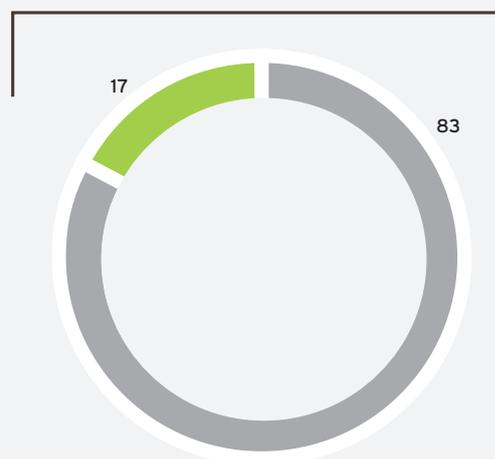
Director tenure

<2 years (33%)	2 – 5 years (17%)	5 – 9 years (17%)	>9 years (33%)
Monhla Mxolisi Saleh Vuyisa	Con Salukazi	Jeff Wim	Fazel Len Rain Zwelibanzi



■ HDSA ■ Non-HDSA

Director equity status at 1 April 2016 (%)



■ Male ■ Female

Director gender status at 1 April 2016 (%)

Board and committee composition, director classification and succession

Rick's passing and the company's BEE restructuring (which could affect board composition due to the impending project Pangolin agreement unwind) has again highlighted the importance of board succession planning and, as emphasised through the Remco KPIs, will continue to receive significant focus in 2016. However, we are confident that, despite succession steps being required, and the level of skills and experience reducing in some areas (below), we still have the depth and breadth of skills and experience to effectively and strategically guide the company.

In the integrated report 2014, we provided an overview of the board's skills and experience in years and categories (new board nominations are assessed against gaps identified in this matrix). Due to the changes above, noteworthy changes to the skills and experience profile are shown below.

Overall the total years of experience reduced to 1 123 (2014: 1 160).

The table indicates in green those areas where years of experience have increased and those in yellow or red where it reduced year on year. Most of these increases and reductions are minimal, however, areas where the largest reductions have occurred are technology, engineering, underground and opencast mining and, to a lesser extent, coal.

A number of areas, although we still monitor against them for inclusiveness, are less critical as they do not currently form part of our strategic focus areas (such as copper, platinum and zinc).

Law	Green	Iron ore	Green
Health and safety	Yellow	Copper	Yellow
Information technology	Green	Platinum	Green
Government relations	Green	Zinc	Yellow
Technology	Red	Mineral sands	Yellow
Engineering	Red	Renewable energy	Green
Underground mining	Red	Water technology	Green
Opencast mining	Red	Rest of Africa	Green
Coal	Yellow	International	Yellow

Application of King III

We maintained our application of the principles and practices in King III at the same levels as reported in 2014, although many processes continued to mature and improve based on new best practices and recent developments.

Full details of our application of King III are on our website.

We eagerly awaited the release of the draft King IV report on 15 March 2016 and, although our group company secretary contributed to the process and our chairman serves on the task team, we will assess it in detail and intend to submit comments to fulfil our role in assisting to shape the future of governance in South Africa.



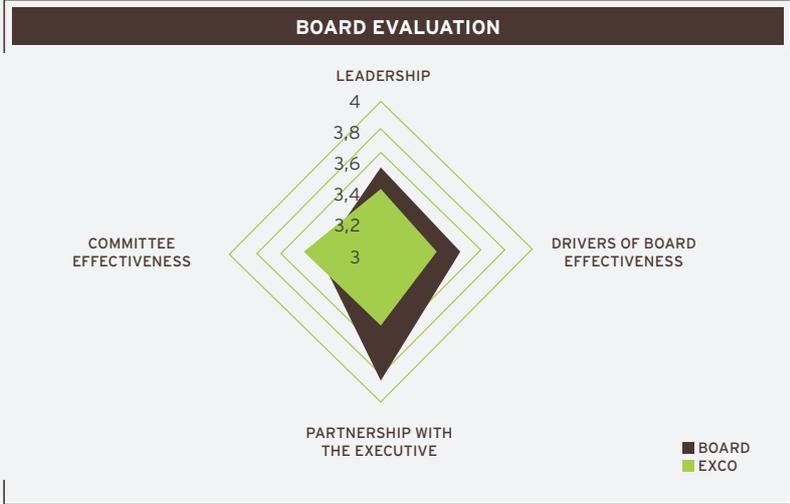
<p>Key board policies, board charter and committee terms of reference</p>	<p>There were no changes to board policies and processes on nomination to the board, the separation of power and authority and division of responsibilities between the board chairman and CEO, nor the detailed delegation of authority, separating the powers of management and the board, during the year.</p> <p>As per standard practice, the board and committees reviewed their charters, committee terms of reference and annual plans during the year and these were updated to incorporate latest best practices.</p> <p>In response to the November 2015 Listings Requirements amendments on the implementation and disclosure of a policy on gender diversity at board level, we have decided to early-adopt reporting on this policy (despite the effective date of this amendment only being 1 January 2017) and have made the following changes to the board charter and Remco terms of reference to reflect our policy position:</p> <p>Board charter</p> <p>In identifying and considering potential candidates, the remuneration and nomination committee and the board will, among skills, experience, race and age diversity, suitability and the specific requirement to be addressed, take gender diversity into consideration. In addition, shareholders entitled to nominate directors in terms of the implementation agreement will also be requested to take gender diversity into consideration when nominating directors for appointment.</p> <p>Remco terms of reference</p> <p>In terms of nominations, the committee will:</p> <ul style="list-style-type: none"> • Regularly review the structure, size and composition (including diversity – gender, race, age, skills and experience) of the board, together with the board’s balance of skills, knowledge and experience and make recommendations on any adjustments deemed necessary to the board. <p>In further response to the amended Listings Requirements, the board approved improvements to the securities dealing and information policy to ensure full compliance.</p>
<p>Board and committee key performance indicators</p>	<p>In 2015, for the first time, we developed specific KPIs for the board and committees, in addition to aspects dealt with in our annual plans. This was a first attempt at setting objective measures for directors for a particular year in assisting management to achieve Exxaro’s strategic objectives. We recognise these are more quantitative in nature, but view this as a maturing process that will lead the board and its committees to more meaningful qualitative measures over time to give stakeholders a more in-depth understanding of the performance of the board and its committees.</p> <p>Committee KPIs and their achievement are discussed in each committee report.</p> <p>The board set the following KPIs for 2015:</p> <ul style="list-style-type: none"> • Improved use of the strategic dashboard to manage and monitor the strategy • Involved and active board, taking accountability for strategic guidance and advice: attendance of standard meetings and governance sessions, preparation and participation • Attendance and participation in strategic session and approval of short, medium and long-term strategy • Engagement with key stakeholders • Sharing best practice. <p>During the board evaluation, the board and invitees concurred that these KPIs were achieved in 2015, with examples discussed in different areas of this report.</p> <p>No material changes were made to KPIs for 2016, although some measures were adjusted to redirect focus.</p>



BOARD REVIEW (CONTINUED)

Board evaluation

The board and committee evaluations for 2015 differed substantially from prior years and focused much more on performance than conformance; hence a comparison of year-on-year results would be misleading. Overall, a score of 3,52 (moving towards exceeding expectations) was achieved, with no aspect identified as requiring attention.



Economic, social and governance (ESG) roadshow

In prior years, we primarily engaged with shareholders and proxy advisors on governance-specific matters retroactively and specifically in preparation for annual general meeting voting. As part of the 'engagement with key stakeholders' KPI referred to above, we undertook a bespoke ESG roadshow early in 2016. This was a significant success, enabling us to provide deeper insights to stakeholders on critical ESG matters, and to solicit their opinions proactively, particularly on our remuneration and other key policies, as well as on the manner of disclosure in the integrated report 2015.

We intend to continue with these transparent engagements in future.

Induction and continued professional development

New directors appointed during the year underwent a detailed induction process that included:

- Overview of duties, role, governance, key policies, memorandum of incorporation (MoI), board operation, strategy and material issues by the group company secretary
- Meeting with the chairman, key executives and visits to business units. In addition, the CEO (designate) also received additional induction, specifically on his role as director.

As in previous years, directors were given daily industry updates and quarterly detailed governance and legislative updates. Due to budget constraints, only one full-day governance session was held, which dealt with:

- Global mining industry research and trends
- Emergence of class actions and their impacts
- Mineral resources and carbon tax-related legislative developments and administrative licensing and permitting reviews
- Competition law developments
- Directors' and officers' insurance update
- Global business risk reviews
- Overview of key Listings Requirements and corporate broking initiatives.

Group company secretary

We select and appoint the group company secretary and recognise the individual's pivotal role in entrenching good corporate governance. Carina Wessels was appointed group company secretary on 1 July 2011. All directors have access to her advice and services. The board has an established procedure for directors to obtain independent professional advice at the group's cost and Carina assists directors, board committees and their members in obtaining such professional advice. As stipulated by the Listings Requirements, a detailed assessment was conducted by the board to consider and satisfy itself of Carina's competence, qualifications and experience. The detailed process followed is included in the supplementary report.

Board and statutory committees

There were no changes to the number of committees or their responsibilities during the year: all committees therefore comprised a majority of independent non-executive directors.

All committees continued to have a group focus with no subsidiaries having their own board committees.

The committees' detailed reports are included in our supplementary report, and summarised versions in this report. These reports include significantly more information than in the past to give stakeholders a better understanding of how committees have assisted the board in executing (without abdicating) its duties, powers and authorities.