- We also assessed our flagship Grootegeluk (by far, our largest operation) to identify potential improvement opportunities. The assessment reviewed Grootegeluk's operational excellence status across a number of dimensions: mining operations and planning processes, maintenance, sourcing and procurement, as well as people performance and culture. The study concluded that Grootegeluk's operational excellence process is very mature and confirmed the improvement initiatives already identified by mine management for 2016.
- In the next phase of the Exxaro improvement initiative, we will further investigate areas identified for possible improvement and finalise the review of our operating model.
- As discussed elsewhere, optimisating ECC and rolling out cost-savings across its operations achieved savings of R80 million in the latter part of 2015.

As with our improved safety performance, operational efficiency improvements would have been impossible without continually engaging with employees. While the most significant employee engagements are discussed under business resilience and employees, specific employees and departments were targeted to address this material issue (including the ECC workforce, even prior to transaction closure, resulting in the significant turnaround at ECC in a very short period of time and the savings noted above).

As Exxaro increases its export allocation, even greater emphasis will be required on managing risks from infrastructure access and capacity, which explains the increase of this risk's residual score in 2015.

The risk of being unable to to meet production demands has decreased in 2015, following the decline in demand from customers.

Risk number	Strategic objective	Risk and source	Long/ medium/ short-term risk	Critical controls	Residual risk score 2014		Trend	Residual risk score 2015	
					Impact	probability		Impact	probability
8	Achieve operational and financial excellence	Infrastructure access and capacity External	Medium/ long	• Collaborate with government stakeholders to improve and initiate new infrastructure • Identify other stakeholders to co-develop a solution and to extend infrastructure • Regular liaison with TFR, RBCT and water stakeholders • Understand the return on infrastructure and consider appropriate funding.	Likely	Major	↑	Likely	Major
10	Achieve operational and financial excellence	Unable to meet production demands Internal	Medium	• Accelerate business improvement (BI) projects under way – Conduct more accurate geological studies • Develop and implement a communication plan • Develop condition-based budget model feeding from life-of-mine plan • Implement consequence management • Implement skills development programmes (professionals-in-training and bursaries) • Improve maintenance and asset management • Maintain the stockpile threshold • Ongoing capital infrastructure planning aligned to strategy • Regular interaction with unions, Eskom, TFR, RBCT and government	Likely	Catastrophic	↓	Possible	Catastrophic

Employees

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Employees	Organisational culture assessment	Human capital	Level 4	
	% of people who received HIV/AIDS awareness training	Human capital	18	
	% of employees who received awareness training and voluntarily tested for HIV/AIDS	Human capital	50	
	% of people tested positive and enrolled in HIV management programme and receiving ARV treatment	Human capital	26	
	HIV/AIDS prevalence rate (%) compared to country prevalence rate	Human capital	4	
	Talent bench (%) – senior management	Human capital	20	
	Talent bench (%) – middle management	Human capital	18	
	Skills provision (% of internet appointment of critical skills)	Human capital	82	
	Skills retention (% turnover)	Human capital	4,7	

Given the importance of skills in our industry, we invest an appropriate amount of total salaries and wages each year on developing our people. In 2015, we spent R184 million on industry-related training, or 6% of total payroll (2014: 6,8% or R221 million) ranging from adult education and training to postgraduate studies.

To achieve our strategic objectives, we need a healthy internal pipeline of specialist and leadership talent. In 2015, the benefit of our integrated succession-planning process was evident in the internal appointment of three executives and our new CEO. In addition, our talent pipeline and feeder schemes enabled over 750 jobless youth to obtain occupational qualifications, in-service training and employment.

We have met our employment equity targets for top, middle and junior management, and we are close to the target for senior management. As mentioned in the licence to operate material issue, we are below target on employing people with dissabilities, which remains an industry-wide challenge.

In October, we opened a process of voluntary separation as an additional initiative to reduce longer-term costs while being mindful of the need to retain critical and scarce skills. We also lost people through the closures of Tshikondeni (279), Inyanda (15), AlloyStream (4) and our remaining offshore offices. In total, 464 people accepted voluntary or other packages at a once-off cost of R408 million, but sustainable savings of R250 million per annum. For business units where retrenchments ocurred, we paid retrenchment packages to the value of two weeks for every completed year, in addition to providing employee assistance and other support services.

The same retrenchment packages and support were extended to ECC employees early in 2016 after the ECC optimisation process. As discussed elsewhere in this report, the section 189 retrenchment process at Arnot will continue in 2016 and we will focus on the impact of mine closure on employees and the community.

These changes and one of our business resilience responses, which included the freezing of a large number of vacancies, affected our succession processes, but as noted elsewhere, this will receive focus in 2016 once the labour force has stabilised.

We are pleased that our coal business' wage negotiations were settled without material unrest, reflecting the benefits of constructive engagement at industry and company level.

Labour unrest will remain a top risk in the mining industry for the forseeable future. This is largely due to South Africa's high unemployment, union rivalry and community frustration with insufficient government infrastructure and support, spilling over into the labour force.

This risk increased in 2015, which was a wage-negotiation year. As discussed earlier, this was not manifested as negatively as it could have, partly due to limited industrial action as well as preventative and corrective measures in place to proactively mitigate the impact (ie stockpile management to counteract the impact of strikes).

Risk number	Strategic objective	Risk and source	Long/medium/short-term risk	Critical controls	Residual risk score 2014		Trend	Residual risk score 2015	
					Impact	probability		Impact	probability
9	Demonstrate responsibility and accountability	Labour unrest External and internal	Medium	• Ensure proper leadership and a high-performance culture • Ensure emergency stockpile is maintained (business continuity management plan) • Establish a strike emergency response plan and team • Intelligence system on ground level • Monitoring execution of SLP • Participate in Chamber of Mines forum • Regular communication to employees and communities • Regular labour and union liaison	Possible	Catastrophic	↑	Possible	Catastrophic