

**Operating efficiencies and employees**

We reviewed progress and related strategies in these areas during 2015 and operational excellence remains a key response to the current market downturn. However, we recognise that economic and market changes are structural and hence our strategy will adapt through innovation. The impact on employees is a of concern under these challenging conditions. We regarded headcount reduction as a last resort, but it became inevitable as conditions worsened in 2015 (details of voluntary and other separations are discussed in the executive review).

The table highlights our strategic initiatives and response to market conditions in addressing our material issues.

<b>STRATEGIC INITIATIVES</b>			
<b>SHORT-TERM FOCUS</b> <i>(started in 2015)</i>	<b>PORTFOLIO IMPROVEMENT</b>	<b>BEE OWNERSHIP</b>	<b>CAPITAL PROJECT GOVERNANCE</b> <i>(decision-making criteria)</i>
<ul style="list-style-type: none"> <li>• Preserve cash</li> <li>• Reduce overhead costs</li> <li>• Maximise operational output and performance</li> <li>• ECC optimisation</li> <li>• Optimise and restructure group</li> <li>• Customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio optimisation</li> <li>• Expedite disposals and mine closures</li> <li>• Obtain Mayoko mining right</li> <li>• Take advantage of cleaner energy opportunities</li> <li>• Growth through innovation</li> <li>• Develop coal independent power producer in the Waterberg</li> <li>• Evaluate current Tronox and SIOC shareholding</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve DMR’s BEE conditions on ECC</li> <li>• BEE restructuring</li> </ul>	<ul style="list-style-type: none"> <li>• Investment rate of return and net present value</li> <li>• Affordability assessment and ranking</li> <li>• Payback period</li> <li>• Risk balance and mitigation</li> <li>• Maximise shareholder returns</li> </ul>

Execution of our overall strategy, supported by these key initiatives, will remain paramount in 2016. The strategic performance dashboard will assist us in monitoring effective responses. In 2014, we introduced you to the Exxaro strategic performance dashboard by providing an extract in the integrated report with full detail on our website.

We believe the dashboard is one of the best industry examples of true integration between strategy, material issues, the six-capital framework, risk and risk appetite, assurance and measurable performance metrics. The dashboard forms the basis of how the board and executive committee manage the company’s strategy and performance. Each board committee reviews specific sections of the dashboard applicable to its scope. Performance on dashboard metrics is extensively discussed in the executive review and supplementary report, but we include a summary with brief comments below.

**STRATEGIC PERFORMANCE DASHBOARD**

Exxaro measured 58 key performance indicators (KPIs) in 2015:

- 16 (28%) were out of appetite
- The number of KPIs rated as out of appetite in our financial capital increased during the year, as we continued to weather the commodity down cycle
- The manufactured capital KPIs performed better as we improved operating efficiencies and business processes to counteract the impact of deteriorating financial KPIs
- Our integrated focus to risk and compliance management started paying dividends to bring our natural capital within the required thresholds
- We continued to perform exceptionally well against mining charter targets and several initiatives during the year addressed our social licence to operate requirements, which further improved performance on social capital KPIs
- Some human capital KPIs were out of appetite, due to cost-containment initiatives implemented to counter the economic downturn, and these will be addressed once circumstances improve and the labour force stabilises.