

REMUNERATION AND NOMINATION COMMITTEE REPORT



Dr Con Fauconnier
Committee chairman (since 5 April 2016)

Purpose

Oversees remuneration matters for all controlled subsidiaries and nomination matters for Exxaro Resources Limited only.

The committee's key objectives are to:

- Make recommendations on remuneration policies and practices, including Exxaro's employee share schemes, for all controlled companies
- Ensure effective executive and board succession planning
- Review medical aid and retirement fund performance
- Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the SRC committee.

Key issues that received attention during the year included

- As reported in 2014, retrenchments due to mine closure remained a feature, specifically at Inyanda, AlloyStream and Tshikondeni. Exxaro paid retrenchment packages to the value of two weeks for every completed year of service to all retrenched employees, 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 the section 189 retrenchment process at Arnot will continue in 2016 and the committee will focus on the impact of mine closure on employees and the community
- The cost of labour and the need to reduce overhead costs received significant focus in 2015, resulting in a below-CPI increase to non-bargaining unit employees (detailed in the supplementary report), and 464 employees (minimal in the critical and scarce skills categories) accepting voluntary severance packages and leaving the company by latest March 2016
- As flagged last year, 2015 was a bargaining-unit wage negotiation year, and the risk of protracted negotiations, industrial action and unrest was extensively discussed: the Chamber of Mines wage negotiation process, in which Exxaro participates, was concluded post a nine-day wage strike ending on 13 October 2015
- The remuneration philosophy and principles have been under review. This process will continue in 2016 and we intend having a dedicated session to consider the wage gap in Exxaro.

We have approved the following changes to the remuneration policy for implementation in 2016:

- A special resolution to be considered at the 2016 annual general meeting to reduce the aggregate number of shares that may be allocated under all management share schemes from 30 000 000 (some 10% of issued share capital) to 18 000 000 (some 6% of issued share capital)
- Annual remuneration adjustment for executive directors and senior management of 3,5% to be implemented effective 1 April 2016
- Change in performance conditions for the 2016 long-term incentive plan (LTIP) grants:
 - 34% total shareholder return against a peer group
 - 33% headline earnings per share
 - 33% retention with specific environmental, safety and governance (ESG) modifiers (one-third each).

Effectiveness against 2015 KPIs and committee evaluation

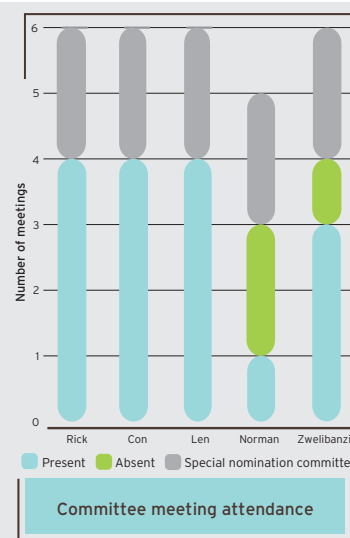
The 2015 KPIs were:

- Assess executive capacity on board
- Enhanced board succession planning
- Improved use of the strategic dashboard to manage and monitor the strategy
- Sharing best practice.

The committee and invitees concurred that these KPIs were achieved in 2015.

In the committee evaluation, an average score of 3,29 out of 5 (meeting expectations) was achieved. One item was identified as requiring attention, namely Remco mix and depth of capacity, skills and experience: undoubtedly impacted by the decision not to appoint an additional committee member on the resignation of Norman. Board and committee succession will continue to receive significant attention in 2016.

All 2016 KPIs will remain the same, except for 'support to new executive head: human resources' replacing 'assess executive capacity on board'.



Our detailed remuneration philosophy and framework is included in the supplementary report. No material changes occurred over the reporting period. This summarised version of our report only includes performance scorecards and short-term incentive information for the CEO, and finance director (FD) (disclosed for the first time in response to requests from stakeholders). Refer following pages.

Information on the remuneration of executive and non-executive directors, as well as prescribed officers (which also includes the salaries of the three most highly paid employees as required by King III) is included in an annexure to this report.

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONTINUED)
CHIEF EXECUTIVE OFFICER (SIPHO NKOSI): PERFORMANCE SCORECARD GUARANTEED PAY 2015

Key performance areas	Weight	Performance		Performance rating
		Target	Actual	
Operational excellence	25			
Target setting	5	Top-down, bottom-up stretched targets for coal: budgeted NOP increase with/cost reduction	% improvement	Full performance
Rand per tonne	15	Rand per tonne budgeted	7,5% above budget	Under performance
Cash flow	5	Budgeted cash flow	ECC excluded, % improvement	Full performance
Sustainability	10			
Safety	5	LTIFR 0,15	0,17	Under performance
SRI and risk management	5	Exxaro between median and upper quartile of mining sector of global standard ESG rating	Exxaro rated 78%	Above full performance
Portfolio improvement	10			
HEPS improvement against peers	6	1 467 cents over three years 2013-2015	594 cents over three years	Under performance
Alignment with strategy	4	Manage portfolio in line with strategy	Board assessment of execution in a changing market and political environment	Above full performance
Corporate governance	10	Comply with all compliance regulations: King III, JSE, Companies Act, etc	Best ethical boardroom magazine award, mining Africa region AAA ⁺ King III external assurance	Above full performance
Exxaro brand and reputation	5	Well-managed brand and positive stakeholder engagement	Well-acknowledged brand constructive stakeholder engagements	Above full performance
Strategy development and implementation	15	Strategy development, execution, alignment	Obtained board approval and executed	Above full performance
Group services add value	5	All support functions services achieve all service delivery targets	All support functions services achieved and exceeded their targets	Above full performance
Leadership and people	20			
Employment equity and procurement	5	Comply with all targets in mining charter and employment equity plans	Exceeded all targets except employment equity on senior management level and for people with disability	Full performance
Culture and leadership	15	People strategy developed and targets set for implementation	Exceeded all targets for people strategy	Above full performance
Overall performance	100			Full performance

CEO (SIPHO NKOSI) SHORT-TERM INCENTIVES 2015

SCHEME	PERFORMANCE				
	Weight (%)	Max % of NCOE	Target	Actual	Actual % of NCOE accrued
SPECIAL PERFORMANCE REWARD					
Individual target	33,44	18,50			18,50
Mayoko specific steps			100	90%	
Executive transition			100	100%	
Group target					18,50
Group NOP	33,44	18,50			
90% threshold			R2 688m	R3 173m	
100% target			R2 987m		
TWO-TIER SHORT-TERM INCENTIVE					
TIER 1 Coal NOP 70%; CSD 30%	15,06	8,33			8,02
90% threshold			R1 722m	R2 769m	
100% budget			R1 914m		
TIER 2 Coal consolidated NOP	18,06	10,00			
101% threshold above budget			R1 915m	R3 173m	
130% target			R2 805m		
Total	100,00	55,33			54,65
<i>Individual/company performance split</i>		<i>34/66</i>			

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONTINUED)
FINANCE DIRECTOR (FD): PERFORMANCE SCORECARD GUARANTEED PAY 2015

Key performance areas	Weight	Performance		Performance rating
		Target	Actual	
Vision and strategy	35			
Strategy development and implementation	15	Lead formulation, communication and implementation of strategy	Strong leadership in developing and executing strategy	Full performance
Funding strategy supports Exxaro strategy	20	Lead formulation and implementation of funding strategy	Funding strategy supports execution of Exxaro strategy	Full performance
Sustainability	20			
Risk management	20	Total business integrated risk management and assurance against all governance principles	Best-practice risk management and assurance implemented	Above full performance
Portfolio improvement	10			
Functional cost	6	Own functional cost on budget	Finance functional actual spend below budget	Full performance
Alignment with strategy	4	Support services NPV >3 times historical cost and 80% of resource allocation aligned with ranking	Services NPV >3 times historical cost and resource allocation aligned with ranking	Full performance
Exxaro brand and reputation	20			
Exxaro brand	10	Positive contribution to Exxaro brand	Positive Exxaro brand	Full performance
Internal and external	10	Spokesperson for Exxaro Contribution to Exxaro image	Effective engagement with all stakeholders	Full performance
Operational excellence	10			
		Consolidated services quality on full performance and cost on budget	Service delivery achieved >90% of set targets	Full performance
Leadership and people	5			
		Ensure compliance with all diversity succession, with ready succession candidates	Comply with targets in employment equity plan except disability	Full performance
	100			Full performance

FD SHORT-TERM INCENTIVES 2015

SCHEME	PERFORMANCE				
	Weight (%)	Max % of NCOE	Target	Actual	Actual % of NCOE accrued
SPECIAL PERFORMANCE REWARD					
Individual target	33,44	18,50			18,50
Executive team transition			100% of plan	100%	
Group target					18,50
Group NOP	33,44	18,50			
90% threshold			R2 688m	R3 173m	
100% target			R2 987m		
TWO-TIER SHORT-TERM INCENTIVE					
TIER 1 Coal NOP 70%; CSD 30%	15,06	8,33			8,02
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Tribute to Sipho Nkosi



Sipho Nkosi

Chief executive officer until 31 March 2016

Sipho Nkosi has served Exxaro with absolute diligence and dedication since November 2007, a year after the company listed on the JSE, following the unbundling of Kumba Resources Limited.

Sipho was instrumental in forming Exxaro, which involved merging Kumba's coal, mineral sands and base metals assets with Eyesizwe Coal Proprietary Limited, a company he had founded earlier with Mxolisi Mgojo, our new CEO, and others.

Under his leadership, Exxaro has developed into one of the largest and foremost black-owned, South African-based resources companies. Arguably one of the most 'operational' chief executives in the industry, Sipho's leadership style was characterised by gentle humour, a willing ear through countless conversations with people in open pits or boardrooms, and a pervasive humility that resonated with Exxaro's people. In his own words: "this was the defining period of my career".

He steered the group through its formative years, in good markets and bad. Despite the recent and unprecedented commodity market volatility, Exxaro's net asset value per share has risen 250% to R98 per share at 31 December 2015 from R28 in 2007 when he took office. As a board, we sincerely thank you Sipho, and we wish you good health and fulfilment in your new life stage.

