The tool we use to determine whether we are on track to achieve our objectives is the Exxaro strategic performance dashboard. As explained in the board review, this dashboard has built-in risk appetite thresholds to ensure the company's decisions in pursuing its strategic objectives are in line with the risk threshold which, as a whole, makes up the risk appetite of the group.

How to interpret the dashboard

The dashboard lists all key performance indicators linked to a strategic priority/sustainability capital/strategic objective and material issue. Current performance and the status of the indicator (shown as a bulb in legend column) reflects whether the KPI is within our risk appetite thresholds. We aim to be within the target threshold: anything outside worst tolerable and target means we act outside our defined risk appetite in pursuing our strategic objectives. This will require additional treatment or improving existing controls.

An example of a KPI measure below

Exxaro has a strategic objective of improving our portfolio; one of many KPIs linked to this objective is core operating margin. Anything outside of worst tolerable and target will mean that we act outside our defined risk appetite in the pursuance of our strategic objectives and this will require additional control or improving existing controls.

KPI current performance

KPI	Current Performance	Legend (indicator)
Core operating margin (%)	18%	

KPI threshold

KPI	Threshold				
	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/ opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%

Legend

Out of appetite · Worst tolerable · Best realistic · Target · Possible waste/opportunity

REVIEW OF PERFORMANCE AGAINST MATERIAL ISSUES

The board introduced the material issues in its review, while we detail our performance against material KPIs (from our strategic performance dashboard) linked to each material issue. We also expand on our stakeholder engagement during the year for each material issue and on the main risks we encountered and associated identified controls in responding to these issues.

How to understand the discussion

- Consolidated table summarising performance
- Discussion of material issue, expanding on performance and our response during the year
- Referencing stakeholder engagement initiatives and interventions in response to the material issue
- Extract from risk register applicable to the material issue

Although the discussion of each material issue refers to performance in the associated/linked KPIs, it is broader than merely KPI performance. Equally, drawing a direct correlation between a material issue and KPI may not be possible in all cases and some KPIs also refer to more than one material issue.

The associated KPIs do, however, give our stakeholders a holistic view of the metrics that inform strategic performance management in each of the areas.

Business resilience

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Business resilience	Core operating margin (%)	Financial	18	
	Funds from operations to net debt (%)	Financial	2	
	Annualised return on capital employed (ROCE) (%)	Financial	6	
	Annualised return on equity based on core headline earnings (%)	Financial	4	
	Annual core HEPS (cents per share short-term target)	Financial	425c	
	Net debt to equity (%)	Financial	23	
	Net debt to annualised earnings before interest tax, depreciation and amortisation (EBITDA) (times)	Financial	1	
	EBITDA interest cover (times)	Financial	12	
	People productivity (total tonnages handled/FTE average) (% improvement from a base)	Manufactured	18	
	People productivity (production tonnes/FTE) (% improvement from a base)	Manufactured	16	
	Growth from coal commodities (percentage deviation from budget)	Manufactured	(4)	
	Core assets (priority 1 operating solutions) overall performance against service-level agreement (% availability)	Manufactured	99	
	Asset availability of enterprise resource planning (%)	Manufactured	99	

The primary KPIs and general performance under this material issue relate to financial capital, although our responses also impacted operational efficiencies and employees and therefore broader capitals, as discussed later.

Despite the difficult environment, the group recorded a net operating profit for the period of R3 173 million compared to a net operating loss of R3 292 million in 2014, mainly due to the Medupi power station ramp-up and non-recurrence of pre-tax impairments of the carrying value of the Mayoko iron ore project non-current assets and intellectual property asset of R5 962 million in 2014, offset by 2015 pre-tax impairments of the carrying value of goodwill recognised on the acquisition of TCSA (R1 524 million) and the reductants operation's property, plant and equipment of R225 million (as also discussed in the audit committee report).

Earnings attributable to owners of the parent, which include Exxaro's equity-accounted investments in associates and joint ventures, were R296 million (2014: attributable losses of R883 million) or 83 cents earnings per share (2014: 249 cents losses per share), an increase of 134% mainly due to non-recurring post-tax impairment losses in 2014.

Headline earnings, excluding the impact of any impairment, impairment reversals and profits or losses realised on the sale of subsidiaries and other non-core assets, were 67% lower at R1 623 million (2014: R4 869 million) or 457 cents per share (2014: 1 372 cents per share), mainly due to a R3 652 million (145%) reduction in post-tax equity-accounted income from associates (primarily SIOC and Tronox).

Also noted in the board review, in 2015, we received 96% lower equity-accounted income and 78% lower dividends compared to 2014, largely attributable SIOC to the deteriorating iron ore price which necessitated reconfiguring the Sishen pit. This, together with the significant impact of a weaker iron ore price outlook, resulted in an impairment charge (both pre-tax) for Sishen mine of R6 billion and Exxaro's share is R1,2 billion. Equity-accounted losses from the Tronox investment were R1 503 million, compared to R568 million in 2014. This was mainly due to our share of stock write-downs to the lower of cost or net realisable value and higher consulting fees and financing costs on the Alkali chemicals business acquisition in 2015.

Equity-accounted losses of R53 million from Cennergi for 2015 improved by 42% compared to the R92 million loss in 2014, mainly due a successful cost-reduction initiative focused on both labour and non-labour cost.

An extract from our summarised annual financial statements provides further context.

Audited group statement of comprehensive income

For the year ended 31 December 2015

	2015 Rm	2014 Rm
Revenue	18 330	16 401
Operating expenses	(13 408)	(15 197)
Operating profit	4 922	1 204
Other income		1 466
Impairment charges of non-current assets	(1 749)	(5 962)
Net operating profit/(loss)	3 173	(3 292)
Finance income	102	80
Finance costs	(770)	(183)
Income from financial assets	1	9
Share of (loss)/income from equity-accounted investments	(1 137)	2 515
Profit/(loss) before tax	1 369	(871)
Income tax expense	(1 102)	(13)
Profit/(loss) for the year	267	(884)
Other comprehensive income/(loss), net of tax	2 167	1 190
Items that will not be reclassified to profit or loss	124	(316)
– Remeasurement of post-employment benefit obligation	(17)	
– Share of comprehensive income/(loss) of equity-accounted investments	141	(316)
Items that may be subsequently reclassified to profit or loss	2 043	1 506
– Unrealised gains on translation of foreign operations	329	224
– Revaluation of financial assets available-for-sale	(141)	345
– Share of comprehensive income of equity-accounted investments	1 855	937
Total comprehensive income for the year	2 434	306
Profit/(loss) attributable to:		
Owners of the parent	296	(883)
Non-controlling interests	(29)	(1)
Profit/(loss) for the year	267	(884)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	2 463	307
Non-controlling interests	(29)	(1)
Total comprehensive income for the year	2 434	306
Attributable earnings/(loss) per share (cents)		
Aggregate		
– Basic	83	(249)
– Diluted	83	(249)

2014
Shortfall income from customers

2015
ECC goodwill (R1 524 million) and Reductants operation property, plant and equipment (R225 million)

2014
Mayoko iron ore project (R5 760 million) and intellectual property (R202 million)

2015
The Belfast project is classified as a qualifying asset and minimal expenditure was incurred on this project, as such borrowing costs capitalised were limited

2014
Interest expenses mainly capitalised to the Grootegeluk Medupi expansion project qualifying asset, which was completed

2015
42% decline in iron ore prices, 24% decline in TiO_2 prices and Exxaro's share of R6 billion impairment charges negatively impacted share of equity-accounted (loss)/income from associates SIOC and Tronox

2015
Mainly relating to the derecognition of deferred tax assets which increased the tax expense

2015
The year-on-year increase relates mainly to Exxaro's share of Tronox's foreign currency translation reserve movements as well Cennergi's financial instruments revaluations

Coal (also refer dependency on Eskom)

Coal revenue rose 12% from 2014, mainly from commercial mines, on a combination of higher export sales volumes (including ECC since September) at weaker rand exchange rates and international prices, higher Medupi power station coal sales and lower domestic steam volumes at lower prices.

This first-class performance from our coal team saw the business realise a 29% increase in core net operating profit at a 24% margin, albeit at 23% lower average US$/tonne realised prices. The group realised an average export price of US$50 per tonne in 2015 compared to US$65 in 2014.

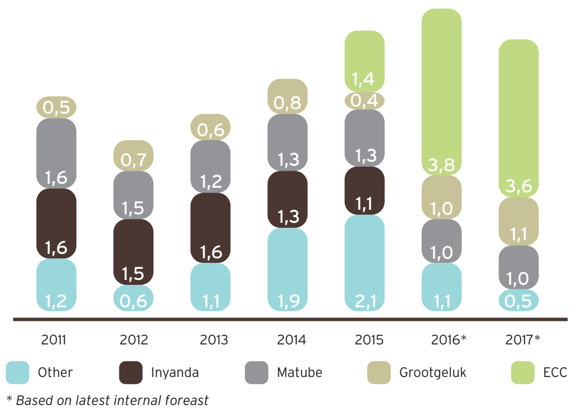
We were forced to cancel trains to RBCT due to low coal demand from the Indian market, but on the positive side continued to develop new markets and, in 2015, we succeeded in delivering some coal to North Africa and the Middle East.

Domestic coal trading conditions remained challenging in 2015. Despite an oversupplied export thermal coal market, we recorded good demand for our export coal. Export volumes rose from 5,3Mt to 6,2Mt, mainly on additional volumes from ECC.

Sales volumes were 1,95Mt higher (5%), also due to increased Medupi offtake and the inclusion of ECC.

Production volumes (excluding buy-ins) were 2,66Mt (7%) higher than 2014, mainly due to the ramp-up on Medupi supply and inclusion of ECC from September 2015 (1,37Mt).

Transnet Freight Rail (TFR) performance from our Mpumalanga mines to RBCT remained on schedule. However, rail performance on the North-West corridor remains a key concern as it impacts materially on Grootegeluk's ability to dispatch trains to RBCT and AMSA. Active engagement with TFR has confirmed its commitment to ensuring adequate rail performance levels are reached and maintained. We will continue to align our Waterberg production with TFR's rail ramp-up schedule.



Exports per mine (Mt)

On the export-allocation profile, we expect Inyanda tonnes to be replaced by ECC, Belfast and Grootegeluk tonnes in future.

The local metals and reductants markets struggled to compete with Chinese imports, weak demand and low international metals prices.

In the reductants markets, various companies in the ferroalloy industry continued to face financial difficulty as they struggled to compete globally due to low ferroalloy prices and high local electricity prices. Given the impact of poor demand on the offtake of semi-coke from our Reductants operation, we have placed the char plant on care-and-maintenance.

Ferrous

Considerably improved financial results from this division are not comparable given that they primarily reflect the non-recurring pre-tax impairment loss recorded in 2014 for the Mayoko iron ore project (R5,7 billion). Net operating losses reduced 95% from R6 238 million in 2014 to R306 million in 2015, mainly due to the non-recurring pre-tax impairment loss recorded in 2014 for the Mayoko project, reduced operational activities at Mayoko (R69 million) and closure of the loss-making AlloyStream operation in the first quarter of 2015 (R108 million). Included in 2015 net operating loss is a once-off tax expense provision relating to non-income-based taxes of R156 million recorded after receipt of the assessment. Exxaro will vigorously contest this assessment by following the appropriate process.

Case study

ENHANCING CUSTOMER RELATIONS

Coal markets, alongside broader commodity markets, have undergone material changes in the past five years. Earlier in the decade, we saw the exuberant rise in commodity prices on the back of unprecedented Chinese demand amid infrastructure-led growth, allowing this country to become the dominant consumer of nearly every bulk commodity. 'Stronger for longer' became the new mantra for commodity producers and massive amounts of capital have been invested in production expansions and new projects to feed the proverbial dragon.

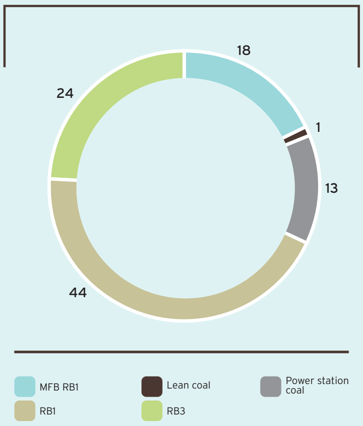
This situation has reversed in the past three years as China moves towards a greener, consumption-driven economy and reduces its demand for commodities. In coal alone, imports into China have declined by 31% year on year, while Europe has scaled down on coal consumption materially as renewables satisfy the energy baseload.

We are now witnessing an oversupply in most commodities as demand remains largely stagnant, with Indian and south-east Asian growth not yet compensating for lower Chinese demand. Specifically in coal, seaborne supply from producers has not been reduced in response to the oversupply, except for the USA and Indonesia. Australia, Colombia and Russia are still expanding their coal exports, cushioned against lower dollar-based prices by depreciating home currencies.

Changing customer behaviours in export markets

Until 2012, Exxaro sold the bulk of its export coal via traders and end-consumers into the European market. These transactions were dominated by term agreements based on long-standing relationships.

Since then, the portfolio of export products has changed and, in line with our strategic decision to diversify our markets geographically, new export markets were developed.



2015 export product mix (%)

New markets, combined with oversupply in global coal markets, have changed consumer behaviour: it is now a buyer's market with buyers spoilt for choice.

As Exxaro edges closer to Eastern and Pacific markets, the more apparent it becomes that customer relationships are short term and typically based on the next deal or vessel. Excellence in customer relationships and service does not necessarily directly translate into more sales.

However, sustaining customer relationships remains vital to ensure we are given an opportunity to compete. As such, Exxaro is focused on maintaining very healthy relationships with both end-consumers and trading companies to ensure effective channels to market.

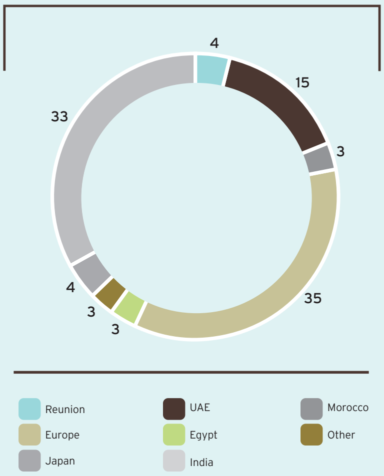
Customer relationships in the domestic market

Exxaro has long-established relationships in the domestic market. In the metals segment in particular these are regarded as strategic partnerships as all parties accept the symbiotic nature of the relationship.

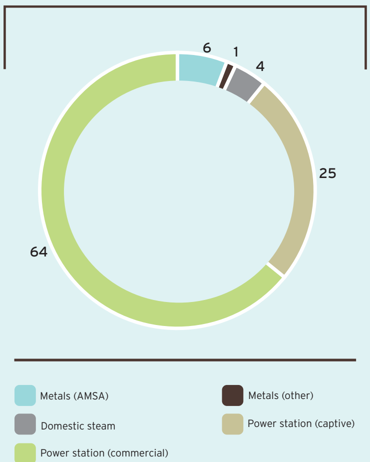
Since the fall in commodity prices worldwide, local markets have come under immense pressure. This is best demonstrated by ArcelorMittal as it deals with low-priced Chinese imports. The Exxaro/AMSA relationship has weathered many commodity cycles over the years, and each is fundamentally aware of the other's business drivers and collateral impact of any negative event. This has allowed us to develop a solid partnership, demonstrated by interaction at all levels of both businesses in the current commodity crisis.

Similarly, relationships in the domestic steam coal segment are very valuable. This is especially evident in the kiln sub-segment (mostly the cement market), where Exxaro has a dominant market share. The boiler sub-segment is a more opportunistic market, requiring more interaction and maintenance in terms of customer relationship management.

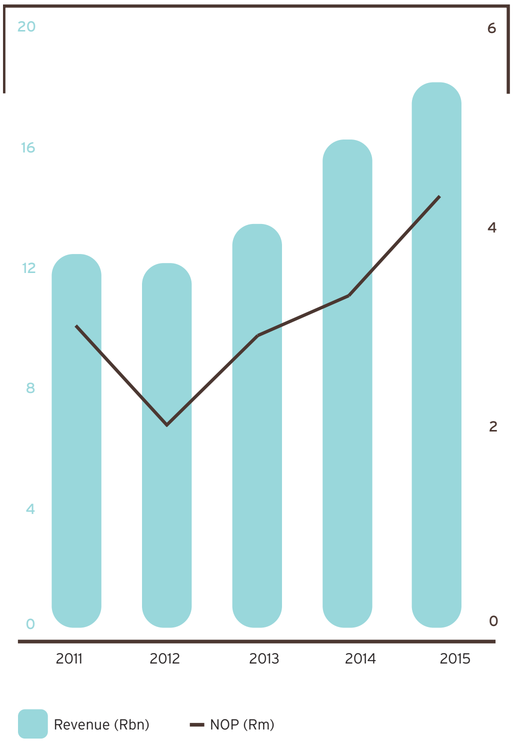
Eskom remains a key customer, with complex business and governance processes. Exxaro is the largest supplier to Eskom and it is essential to maintain this relationship, given the power utility's volume of offtake of our coal production and therefore contribution to total revenue.



2015 export sales destinations (%)



2015 domestic sales volumes (%)



Core coal revenue and net operating profit

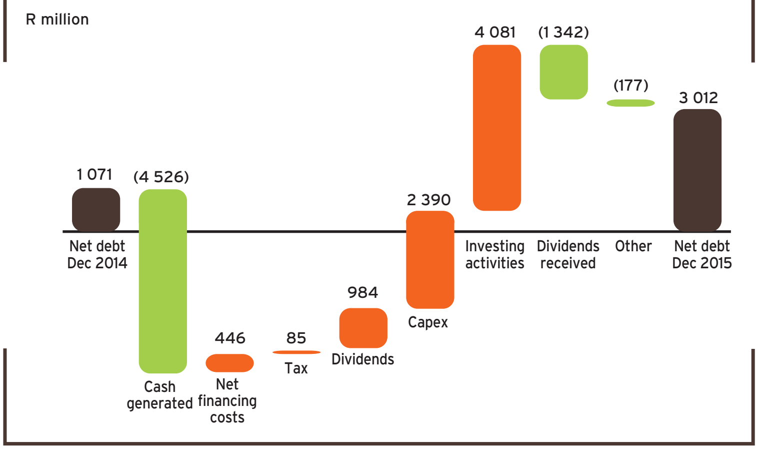
Cash flow and net debt

Cash preservation remained key to managing our business through this challenging period. As noted in the board review and elsewhere, we continued to critically assess our overall project pipeline and the timing of cash flows to prioritise and preserve capital. Cash flow generated from operations was R443 million higher at R4 526 million (2014: R4 083 million), used to pay for capital expenditure of R2 390 million, dividends of R984 million, net financing charges of R446 million and taxation of R85 million.

Net debt increased to R3 012 million, up 181% on R1 071 million in 2014, reflecting a net debt to equity ratio of 8,8% (at 31 December 2014: 3,1%). The increase was mainly due to funding the TCSA acquisition in August 2015. We remain within our financial covenants terms. This is, again, testimony to the success of immediate steps we took to ensure our business resilience and place us in a much better position to continue weathering difficult market conditions.

Our South African credit rating was downgraded in the first half of 2015 by Standard and Poor's Ratings Services from A- to BBB+. We began a process to refinance our R8 billion debt facilities and have received sufficient expressions of interest from potential lenders, confirming there is an appetite to refinance the facility, which we intend to close in the second quarter of 2016.

Changes in net debt



We have engaged with employees specifically on the need for change and Exxaro's sustainability (see R1 billion challenge, discussed under operating efficiencies). As noted in the board review, reducing our headcount was a last resort, culminating in the voluntary separation initiative also discussed under employees.

Shareholder concerns focused on Exxaro's cash-generating capacity and ability to maintain growth and consistent dividend payouts. The cost and capex management programme and the performance of the coal business have enabled Exxaro to remain cash positive, maintain low levels of debt as well as the dividend payout ratio.

We held discussions with the DMR in 2015 to secure the section 11 transfer of the ECC mining licences to Exxaro. As discussed elsewhere, we were required to commit to further empowering the ECC assets to secure this transfer.

An extract from our summarised annual financial statements provides further context.

Audited group statement of financial position

At 31 December 2015

	2015 Rm	2014 Rm
ASSETS		
Non-current assets	46 482	41 408
Property, plant and equipment	20 412	18 344
Biological assets	51	84
Intangible assets	56	34
Investments in associates	19 690	18 588
Investments in joint ventures	1 662	966
Financial assets	4 067	2 853
Deferred tax	544	539
Current assets	6 016	5 693
Inventories	1 240	998
Trade and other receivables	2 666	2 611
Tax receivable	55	78
Cash and cash equivalents	2 055	2 006
Non-current assets held-for-sale	128	328
Total assets	52 626	47 429
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	2 445	2 409
Other components of equity	6 911	6 031
Retained earnings	25 670	25 985
Equity attributable to owners of the parent	35 026	34 425
Non-controlling interests	(800)	
Total equity	34 226	34 425
Non-current liabilities	12 701	9 182
Interest-bearing borrowings	4 185	2 976
Provisions	3 112	2 219
Post-retirement employee obligations	217	167
Financial liabilities	116	88
Deferred tax	5 071	3 732
Current liabilities	4 655	3 590
Trade and other payables	3 546	3 208
Shareholder loans	21	
Interest-bearing borrowings	882	34
Tax payable	48	27
Provisions	158	254
Overdraft		67
Non-current liabilities held-for-sale	1 044	232
Total equity and liabilities	52 626	47 429

2015
Year-on-year increase mainly due to additional interests acquired through the TCSA acquisition in the second half of 2015, share of this subsidiary group's reserve movements and net results in associates and joint ventures

2015
Mainly due to increased shareholder contribution into the Cennergi joint venture

2015
Includes indemnification asset (R1 044 million) as a result of a contractual agreement between Total S.A. and Exxaro on any claims by a third party in relation to the sale of ECC's interest in a joint operation

2015
Assets relate to the proposed sale of the corporate office building and liabilities relate to the acquired liabilities of the Ermelo joint venture (part of the TCSA group), which was already in the process of sale when Exxaro acquired the TCSA group

2014
Related mainly to the assets and liabilities of NCC, which were subsequently sold in 2015

2015
Includes non-controlling interests arising from the TCSA acquired group

2015
Increase mainly due to the acquisition of subsidiaries ECC

2015
We drew R2 billion from our senior loan facility of R8 billion, leaving R3 billion undrawn. We expect to refinance this facility in 2016. We also repaid over R2 billion of interest-bearing debt (including the overdraft recorded in 2014)

To ensure we remain resilient for the foreseeable future, we need to address the cost competitiveness of our products and consider how best (for aspects within our control) to respond to commodity price volatility.

The table below expands on these risks, our critical controls and the year-on-year trend, based on the residual risck score.

As commodity markets remained in surplus (low demand and oversupply), prices where subdued, resulting in related risks increasing, despite controls and mitigating actions.

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
4	Achieve operational and financial excellence	Cost competitiveness of products External and Internal	Short/ medium	• Create strategic joint ventures to optimise economies of scale • Focus on sustainable cost reduction • Business improvement initiatives/ programmes • Investigate and divest non-core assets • Re-optimise capital fleet – mine haul trucks, light vehicles, shovels etc • Review and monitor the performance of suppliers and service providers	Possible	Catastrophic	↑	Likely	Very high
3	Achieve operational and financial excellence	Commodity price volatility External	Short	• Develop a communication plan that quickly communicates changes to operations • Consider how changes to the above affect risk appetite • Improve the speed of mine planning to match price volatility • Match commodity prices to customer base • Negotiate long-term fixed-price contracts	Likely	Major	↑	Likely	Very high

Dependency on Eskom

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Dependency on Eskom	Core operating margin (%)	Financial	18	
	Commodity diversification	Manufactured	CCR, ferrous, mineral sands, energy	

The group relies on two major customers (AMSA and Eskom) for its revenue, at 13% and 53% (2014: 15% and 49%) respectively. Exxaro's sales volumes to Eskom were 92% of total sales, supporting close to a third of Eskom's power-generation capacity.

In 2015, several deliberations between the board and the executive committee were held on the group's dependency on Eskom as a major customer. The outcome focused on positioning our coal business to deliver coal cost-efficiently to customers. As noted by the board, we continue to work with Eskom to ensure electricity supply to South Africa, while maximising export revenue to benefit from the weaker exchange rate.

The board review noted that the materiality of this issue had increased in 2015, largely due to three factors:

- The SRC committee's decision to cease production at Matla mine 1 (after Eskom's delays in spending the requisite capital)
- As part of our continued engagement with Eskom on later dates to commission Medupi power station's next five units, we had initial discussions on a possible addendum 10 to the GMEP CSA, to review options available to both parties to reduce future take-or-pay obligations. Deliveries to Eskom were, however, in line with addendum 9
- Eskom's notice to terminate the Arnot CSA.

Eskom issued Exxaro with a notice that the offtake of coal from Arnot mine would stop after 31 December 2015 (refer SRC committee report). Since then, all production has ceased and an official retrenchment procedure (section 189 process under the Labour Relations Act) was declared. Discussions continue with Eskom on the closure and rehabilitation of this mine (Exxaro owns the mining right while Eskom owns the assets and is responsible for the ultimate mine rehabilitation and post-closure obligations).

Exxaro acknowledges and recognises the long-term relationship we have developed with Eskom over the 40-year tenure of the CSA. We continue to value this relationship, which we anticipate will continue in terms of our remaining coal supplies from other operations.

Our response is firstly to protect the relationship with Eskom through continuous engagement at both operational and corporate levels. Further ensuring a consistent and reliable supply through existing CSA's is critical to fostering a mutually beneficial relationship. Secondly the acquisition of extra export entitlement will provide access to more offshore customers in regions that are growing through coal-based electricity generation.

Completion of ECC transaction

On 20 August 2015, the group acquired 100% of the share capital of TCSA (now ECC) for cash of US$262 million (R3 381 million) from Total Societé Anonyme plus a maximum additional amount of US$120 million structured in a series of deferred payments linked to the performance of the API4 price between 2015 and 2019 (contingent consideration).

As noted in the board review, our strategic rationale for this acquisition was to increase the scale of the group's export allocation and coal portfolio and further entrench Exxaro as a premier coal producer in South Africa. ECC also complements our strategic imperative to focus on our coal business in the short to medium-term and provides access to primary RBCT export entitlement – an opportunity that seldom arises.

The board review and audit committee report dealt with our ability to negotiate a reduced purchase price (following market volatility), as well as the unfortunate need to impair the goodwill.

Since acquisition, we have focused on improving the profitability and cash flow of these assets, producing mainly for lower-grade export markets. Opportunities include different quality grades and volumes, as well as cutting overheads (following due process, retrenchments were limited to 33 people and concluded early in 2016).

To optimise ECC, we are implementing our operating philosophy and the Exxaro operational excellence methodology by:

- Adding a fifth 4-seam section at Forzando South which is expected to contribute 200kt to 2016 production
- Optimising the resource-to-market value chain through plant and product-mix adjustments, taking the acquired export entitlement into account (evaluating 4 800kcal and 5 300kcal option combinations for 2016)
- Rolling out cost-saving initiatives across all operations (R80 million)
- Exploring available adjacent reserves to extend the current life of mine
- Exploring the Eskom market as a potential customer
- The capital expenditure plan is continuously being reviewed and only critical capital expenditure is approved until the actions above have been finalised.

As part of the DMR's conditions for approving the transfer of ECC mineral rights to Exxaro, we are required to include additional BEE participation in the shareholding of ECC assets. This has been combined with the broader empowerment ownership project currently under way at group level.

We remain confident about the long-term strategic value of acquiring the ECC assets, especially the export entitlement.

Exxaro's integrated risk management approach, linked to our strategic focus areas, has helped us to address our reliance on Eskom as a key customer. In our last integrated report, we highlighted that one of our control measures to mitigate this risk was to increase our export allocation. This was fully implemented on completing the ECC transaction.

The table below expands on these risks, critical controls and the year-on-year trend, based on the residual risk score.

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
1	Achieve operational and financial excellence	Dependency on Eskom as key customer External	Short/ medium	• Broadening local and international customer base (incl acquisition of ECC) • Establishment of bespoke rehabilitation trust fund • Cessation of operational activities at Arnot (develop a detailed closure plan for Arnot) • Conduct studies for environmental programme report • Conduct social impact studies for Arnot • Renegotiate Medupi CSA (addendum 10) • Oppose the payment of penalties • Terminate discussions on commercialisation of Matla	Likely	Catastrophic	↑	Almost certain	Catastrophic
6	Achieve operational and financial excellence	Competition and product substitution External	Medium	• Early alerts on regulatory changes • Implement diversification strategy • Proactive engagement with stakeholders • Monitor interdependent sectors	Possible	Major	↑	Likely	Major

Licence to operate

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Licence to operate	Ownership overall group (%) – mining charter	Social	52	
	Employment equity (%) in top, senior and middle management at every business unit – mining charter	Social	60	
	People living with disabilities (%) – mining charter	Social	1,2	
	Human resources development (% of payroll excl levies, incl internal and external training) – mining charter	Social	6,8	
	Woman in mining (%) (internal target as mining charter does not have specific targets)	Social	20	
	Preferential procurement (%) – capital	Social	40	
	Preferential procurement (%) – services	Social	70	
	Preferential procurement (%) – goods	Social	77	
	BBBEE level (BBBEE measures group performance against targets – new codes effective 1 May 2015) – BBBEE codes	Social	Level 2	
	Skills development – learning programmes for black people and people living with disabilities – target set as % of payroll to accommodate for exclusion of mandatory sectoral training – BBBEE codes	Social	2	
	Project delivery measure (%) – local economic development (LED) projects per social and labour plan (SLP)	Social	70	
	Fatality frequency rate (FFR) per 200 000 man hours*	Human	0	
	Lost time injury frequency rate (LTIFR) per 200 000 man hours*	Human	0,17	
	Lost time injuries (LTIs)	Human	29	
	Occupational health incident frequency rate (OHIFR)* – rate per 200 000 man hours. Includes chronic obstructive airways disease (COAD), pneumoconiosis, noise-induced hearing loss (NIHL), silicosis, occupational TB	Human	0,36	
	Number of reportable cases of environmental incidents*	Natural	18x level 2 and 0x level 3 incidents	
	Valid mining rights – % in place – mine works plan (MWP), environmental management plan (EMP) and SLP	Natural	97	
	Enforceable mining rights – based on conditions – % in place	Natural	98	
	Environmental authorisations (%) in place (validity) (IWUL), environmental impact assessment (EIA), waste)	Natural	>90	
	Environmental authorisations compliance to conditions (%)	Natural	<90	
	Number of stoppage directives (includes section 54 under MHSA, section 93 under MPRDA and stoppage directives under NWA and NEMA)	Natural	2	
	(%) environmental liability provisions in place (gap between immediate closure cost and rehabilitation funds available, incl guarantees)	Natural	67 ave	
	Material compliance to King III, full compliance to JSE Listings Requirements and Companies Act	Financial	100	

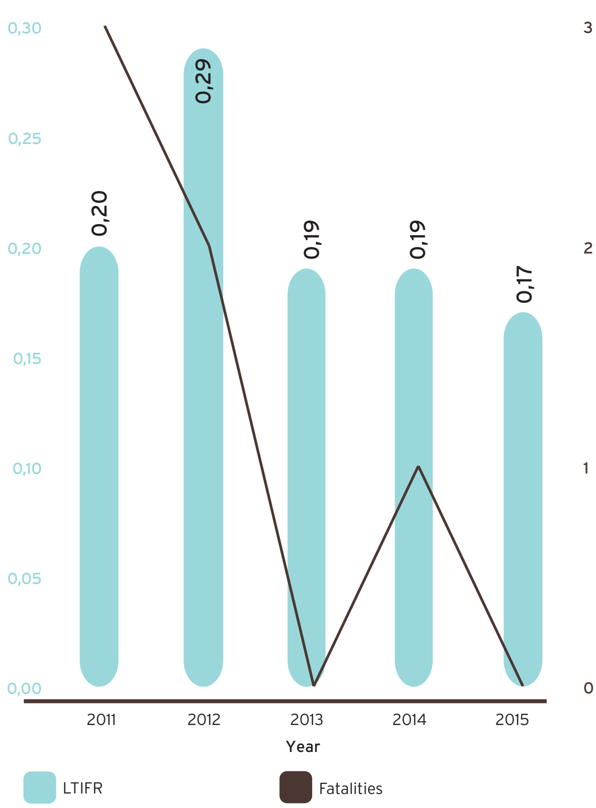
* *PwC external assurance. Refer to supplementary report.*

The safety of our people is fundamental to our business, and we will not rest until we consistently achieve our safety goals through collective responsibility, commitment and ongoing focus. As part of this focus, all operational business units, including ECC mines, have international health and safety accreditation (OHSAS 18001).

By December 2015, Exxaro had recorded another outstanding performance by operating for over 18 months without a mining-related fatality. This followed our first fatality-free year in 2013, and a rolling 12-month fatality-free period in 2014 – proof that our target of zero fatalities is attainable and that no death is acceptable.

As noted by the SRC committee, a material achievement in 2015 was our lowest LTIFR of 0,17. This is an 11% improvement on the LTIFR reported for 2014 and significantly below the peak of 0,39 in 2008 (56% improvement).

Our LTIFR also remains about 30% lower than our coal-industry peers and although still out of appetite, the improving trend is extremely encouraging.



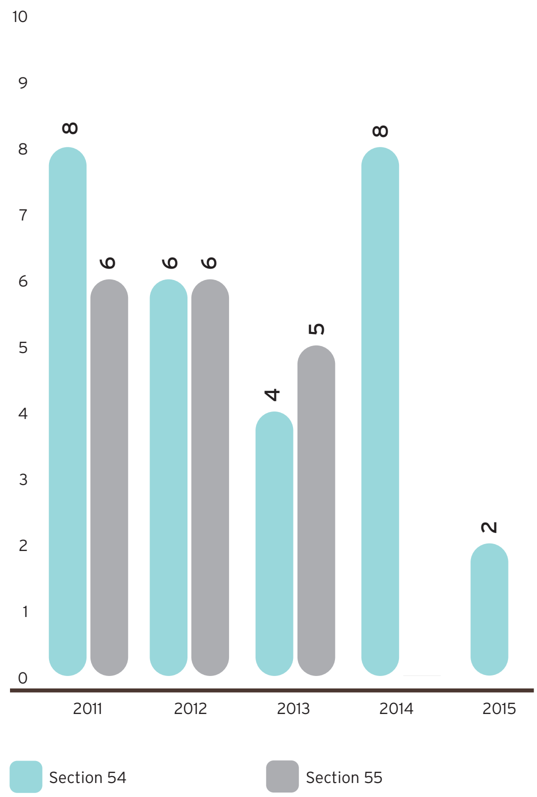
Safety performance

We recorded 29 LTIs against an aspiration of zero harm.

The most common incidents were leg and ankle injuries followed by hand injuries. The highest number of LTIs were recorded at Matla, Grootegeluk and Arnot.

We have focused programmes to empower safety, health and environmental representatives with the knowledge to identify risks better and contribute more effectively to reducing safety risks in the workplace.

In 2015, only two Mine Health and Safety Act 29 of 1996, as amended, (MHSA) section 54 directives were issued by the DMR at Arnot and Matla for identified unsafe practices. These were both resolved immediately to the satisfaction of the DMR. There were no section 55 directives issued by the DMR for any contraventions of the MHSA. We have had a positive trend since 2010 in reducing directives issued after rolling out an internal section 54 inspectorate programmes at all business units, authorising appointed employees to stop unsafe activities and, in time, prevent accidents.



Safety stoppage directives

In engaging with employees on safety, we focused on visible felt leadership (VFL), hazard identification, and response training and leadership empowerment in the workplace. The early benefits of more stringent safety practices are evident in fewer section 54 directives (safety stoppages) issued by the DMR.

Exxaro aims to have every mining right valid and to comply with all conditions and stipulations for each licence and right granted. We define the validity of a mining right by having its three pillars in place: the MWP, EMP, and SLPs.

Our analysis shows our mining rights are 98% valid, with the variance largely due to Strathrae, which has not started mining yet and has therefore not implemented its MWP and SLP.

Every right, licence and permit granted has detailed compliance stipulations. These have been recorded in a central tracking system for every mine and are being actively monitored. In 2015 we focused on improving our compliance to the stipulations.

We define the enforceability of our mining rights by section 93 and section 47 directives issued, any section 102 to request amendments to MWPs, EMPs or SLPs. In addition, it includes submitting reports to the DMR describing future mining activities.

We achieved an overall enforceability score of 98%, largely due to resubmitting the Leeuwpan SLP after an amendment.

Exxaro measures environmental authorisations on two levels: IWULs granted, and environmental impact assessments approved. The reasons for this KPI being below tolerable levels are mainly delays in water use licences, but also include:

- The Arnot and Matla rehabilitation provisions were initially lagging, but steadily improved through 2015. The gap between immediate closure costs and provisions made by Eskom still needs to be closed further
- Delays in obtaining environmental licences for new projects for the Glisa water treatment plant
- Delays in finalising appeals lodged against the Thabametsi and Belfast projects.

Delays and appeals against IWULs granted by the Department of Water and Sanitation have become a risk for new projects and are becoming part of the critical path of projects. To mitigate these long lead times in receiving the necessary permits and licences, we are engaging early with the respective regulators. Stakeholder engagement with every interested and affected party impacted by projects is also being proactively undertaken.

Our greenhouse gas (GHG) emissions are currently not an immediate risk to our licence to operate. However, the outcomes of COP21 held in 2015, also known as the Paris agreement, will have an impact on every country's management and reduction of carbon emissions. Expectations are that initiatives will become more stringent and eventually a compliance requirement.

Paris COP21 and its impact on South Africa

Progress at the 2015 United Nations (UN) climate change conference (COP21 or the Paris agreement) has important (potential) ramifications for the mining industry in South Africa stemming from the national climate action plan submitted by our government.

Broadly, the Paris agreement reflects a hybrid approach, blending bottom-up flexibility to achieve wide participation, with top-down rules to promote accountability and goals.

South Africa pledged to reduce GHG emissions by 42% by 2025 compared to the business-as-usual scenario. The country's plan goes further than most by committing to quantified emissions levels in specific years and by announcing a peak year for emissions.

We have analysed the potential implications for Exxaro, summarised below:

Impact	Implication	Timeline
South Africa will push forward with legislative reforms on GHG mitigation (eg carbon tax, offsets and budgets as well as GHG reporting). This reflects the country's ambition to lead the Africa group and assumes a permanent seat on the UN security council. More onerous GHG reporting and mitigation initiatives will be required.	Exxaro will need new skill sets: climate change scientist, energy efficiency engineers, environmental engineers and environmental strategist.	1-2 years
South Africa is likely to use climate change adaptation as part of broader social redress and development in poor and vulnerable communities.	• SLPs might require climate-change adaptation projects • Corporate social investment contribution to climate-change adaptation projects will be expected • Licence conditions could become more stringent (eg water and atmospheric emissions)	1-5 years
International financing for new coal projects is likely to come under pressure as investors may not be willing to make funds available or be pressured by their governments to stop supporting coal projects.	Self-funding for new coal projects	5-10 years
Long-term coal exports to mainly European countries could come under immense pressure, eg high import tariffs.	Diversifying the portfolio into other commodities	10-15 years

A pending cost element to these emissions is the introduction of a carbon tax which will impact most companies, including Exxaro.

Exxaro has not met its carbon reduction target for 2015 specifically, but has performed well over the last four years. These targets will be reviewed in 2016.

As discussed in the board review, there has recently been much shareholder activism against coal as a source of energy. Exxaro has responded to shareholder enquiries on our strategy to reduce emissions, transition to renewable energy and adapt to the so-called 2ºC climate environment (limiting the increase in global temperature to below pre-industrial levels).

Given the current and expected outlook for South Africa's electricity requirements, we believe coal remains a relevant source of affordable electricity generation for the economy and Exxaro is well positioned to supply this energy source to Eskom. We do, however, regard this as a medium to longer-term risk and it therefore forms part of our diversification imperative.

South Africa is a water-scarce country and Exxaro recognises that water-reduction initiatives are crucial to sustainable operations. Our prime focus is optimising the use of recycled water and developing innovative passive water treatment systems for operations.

Expansions at our operations had a direct impact on the amount of water abstracted and hence our water intensity reduction targets for 2015 have not been met.

We are implementing water treatment plants to reuse and recycle as much water as possible.

BEE amended codes of good practice

The amended codes of good practice have been promulgated after being revised to five elements with more stringent targets. Exxaro has analysed its anticipated performance against the new codes and is putting measures in place to improve on elements where we are not performing well at present. Under current economic conditions, we expect that the target of the ownership element under net value will not be met. We are also focusing on enterprise and supplier development (ESD) which has new compliance requirements.

We have also fallen short of the skills development target as the amended codes have removed all mandatory skills training. We will work towards reaching the targets as soon as possible.

A challenge in the amended codes is the target set for people with disabilities at 2% of the workforce. We are currently 40% below this target and actively driving disability awareness campaigns to identify employees with verifiable disabilities who have not declared these. In advertising careers, we emphasise the fact that a disability is not a barrier. (The limited to no external recruitment, in response to the business resilience material issue, has further negatively impacted our progress against this target).

Case study

NEW WATER TREATMENT PLANT IMPROVES SAFETY, BENEFITS THE ENVIRONMENT AND LOCAL WATER USERS

A new R250 million water treatment plant at Matla reduces the safety risk of water-filled mined-out cavities while benefiting the environment and local water users. The plant treats 10 mega litres (10 million litres) per day, and is part of our holistic strategy to manage our water stewardship by reducing, reusing and recycling water.

Water flows into Matla's underground mining operations from the surface, leading to flooding risks that affect the safety of workers. This could also affect the environment if contaminated water is released to the surface without prior treatment.

After discussions with the national departments responsible for water, environmental affairs and mineral resources, Exxaro mapped out a sustainable solution. Underground water is pumped to the surface where innovative filtration processes remove contaminants and purify the water. Of the 10 mega litres treated each day, two thirds is discharged into the Olifants River and the balance is used at Matla operations or for drinking water at the mine.

The Matla water treatment plant is a prime example of our approach to water stewardship and one of three in our Mpumalanga region forming part of our long-term water management strategy.

Benefits of the water treatment plant

By actively managing and limiting the volume of water underground, Matla has:

- Improved the safety levels of employees and the underground working environment
- Reduced its daily intake of fresh water, thus reducing its water footprint
- Provided high-quality water for farmers and other users by discharging clean water into the Olifants River.

In addition, 200 temporary jobs were created during construction and 14 permanent jobs to operate the water treatment plant.

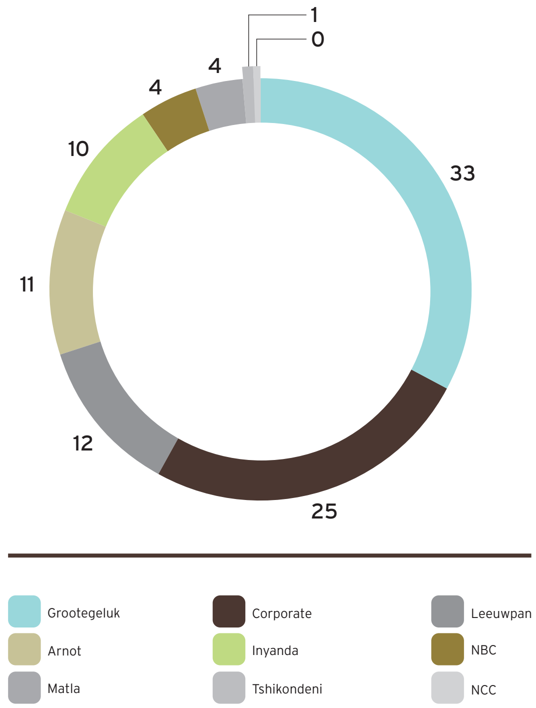
As noted in the board review, minority shareholders responded negatively to the financial assistance provided to Main Street 333 to maintain our BEE status.

We have also responded to general enquiries from shareholders on our approach to climate-change risks and heightened activism against coal as an energy source. A key concern for shareholders was the potential risk of stranded coal assets, given the scale of coal resources held by Exxaro. Although we are exploring business opportunities beyond coal, in the medium term, the South African energy mix remains dominated by coal and coal is thus a key element of our strategy. As also discussed earlier, given the outlook for the country's electricity requirements, we believe coal remains a relevant source of affordable electricity generation for the economy and Exxaro is well positioned to supply this energy source to Eskom.

Community development projects are implemented by each operation in terms of its SLP, under the broad mandate of the Exxaro Chairman's Fund and Exxaro Foundation. Total expenditure is detailed in the social and ethics committee report. We also responded to our communities' needs by refining our social return on investment (SROI) methodology to improve the quality and sustainability of projects to better meet community expectations (see Exxaro Chairman's Fund and Exxaro Foundation annual report for 2015 on the Exxaro website).

Senior management, led by the CEO, engaged with provincial and local government leaders about regulatory and local development issues. Key to these discussions was the role of Exxaro as a mining company in contributing to socio-economic and environmental development in each region.

Investment per focus area 2015 – total R56,3 million



Socio-economic spend per operation (%)

Exxaro's integrated risk, compliance and assurance framework has enabled us to meaningfully improve our performance in this area over the past three years. Our safety risk management process has been fully integrated into our enterprise risk management framework and both operate from an integrated systems platform.

The table below expands on the risks, critical controls and the year-on-year trend, based on the residual risk score.

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
2	Demonstrate responsibility and accountability	Safety concerns Internal	Short/ medium	• Analyse historical incident data to identify trends and root causes • Conduct compliance awareness training • Continuously review industry safety benchmark • Continuous reporting of incidents • Incident management • Establish compliance-based committees to manage, educate and communicate safety programmes • Integrate reporting system (plant maintenance, safety, HR) • Implement safety, health, environment and community risk management tool • Invest in education, training, communication and behaviour-based safety programmes • Review operational processes to capitalise on advances in technology	Likely	Catastrophic	↑	Likely	Catastrophic
7	Demonstrate responsibility and accountability	Maintain a social licence to operate External	Medium	• Adhere to commitments in SLPs as a minimum • Conduct SLP audits • Proactive involvement in sustainable socio-economic development initiatives • Pursue identified initiatives to progressively improve Exxaro's BBBEE rating • Regular engagement with government • Reporting on mining charter requirements (external and internal) • Reporting on SLP requirements (external and internal)	Possible	Major	↑	Possible	Major

Capital projects

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Capital projects	Capital project delivery measure (time and cost variance)	Manufactured	On target	
	Country risk as per assessment criteria (key drivers are physical security and security of tenure)	Manufactured	Achieved: • Security of tenure • Physical security • Board-approved countries	

In terms of capital management, we remained prudent by striking a balance between returning cash to shareholders, managing debt, and selectively reinvesting in Exxaro for growth. Through cutbacks and deferrals, we have reduced our expansion capital expenditure (capex) by 15% over the next five years while critically evaluating sustaining capex to preserve cash flow in this period (refer graphs in the board review).

- At R2 390 million, capital expenditure decreased by 25% in 2015 compared to 2014. R727 million (2014: R1 737 million) was invested in new capacity (expansion capital)
- R1 663 million (2014: R1 460 million) was applied to sustaining and stay-in-business capital
- Of the funds spent on stay-in-business capital, R833 million was for Grootegeluk's replacement of trucks, shovels and stacker reclaimers.

The Waterberg capex programme extending to 2020 has also been revised to R15 billion (sustaining and expansion).

With every growth and sustaining project now reviewed, our disciplined decision-making approach to allocating capital considers the expected investment rate of return; net present value; cost curve position; payback period; risk and mitigation balance; as well as overall impact on shareholder returns.

The most notable coal project delays include:
- Moranbah South
- Mafube (Nooitgedacht)
- Grootegeluk 6
- Grootegeluk load-out station.

The impact of these delays on production growth and operating profit is expected to be mainly on projects already approved for implementation (primarily Belfast, which has been delayed by appeals).

Project higlights:

- **Grootegeluk:** To date, the ramp-up of coal supply to Medupi power station has progressed as scheduled (addendum 9) and coal stockpiles are being built.
- **Thabametsi:** The timing of certain future phases depends largely on progress with infrastructure (rail, water and roads) developments in the Waterberg. In the fourth quarter, we completed the bankable feasibility study of phase 1 to supply 3,9Mtpa of coal to the Thabametsi independent power producer (IPP), and the IWUL was approved in January 2016. An appeal was lodged and Exxaro is following due legal process.

  The mining right approval is imminent and first run-of-mine coal production to the Grootegeluk beneficiation complex could therefore be achieved by 2018. The subsequent rate of production ramp-up will depend on the IPP procurement programme for its coal baseload and Waterberg infrastructure development schedules.
- **Thabametsi IPP:** A bid was submitted by the Thabametsi IPP in the first bid window under the Department of Energy's coal baseload IPP procurement programme on 2 November 2015 for a 630MW coal-fired power station. Marubeni Corporation is the lead developer and Korea Electric Power Corporation the co-developer on this project. Preferred bidders are expected to be announced in the first quarter of 2016. Based on this, we expect early construction works to begin in the second quarter of 2016.
- **Belfast:** Following authorisation of the integrated water use licence in 2014, an appeal was lodged and the licence suspended. We expect the appeal case to be heard by the water tribunal in the second quarter of 2016. We also expect the tribunal hearing on the objection against the project's rezoning application received in 2015 to be heard in the second quarter of 2016. Only 7% of the approved project start-up capital budget has been released to date, primarily for detail engineering designs and activities beginning in 2016, until we have more certainty on the regulatory process for this project.
- **Mafube Nooitgedacht:** This project has been delayed by 12 months with first coal now forecast in first-quarter 2018, mainly due to environmental permits required to mine the Springboklaagte pans.
- **Mayoko:** Our iron ore project in the RoC has been placed on care-and-maintenance until we see signs of improving market conditions and developments in the logistics infrastructure. We continued to drive down operating labour costs (the labour force was reduced from 140 to 15 employees in 2015) and we halted all capital expenditure.

  Despite submitting all documents to the RoC parliamentary authorities in 2015, the mining convention has not yet been ratified.

  Given the delays in ratifying the mining convention, our efforts in 2016 will remain limited to maintaining the Mayoko mining right while finalising future options. We expect to spend R60 million in 2016 on this project to protect the mining right, maintain stakeholder relations and our reputation, while finalising the disposal of rolling stock and completing environmental impact assessments. Through these disposals we aim to be cash neutral in 2016.

  Most of the rolling stock on the Mayoko project, except for two locomotives, was sold in 2015.

Capital allocation has been a key concern for our shareholders as commodity markets weakened. Opportunities for commodity diversification (such as our Mayoko project and increasing interest in Tronox) were constrained by the weaker investment outlook. As discussed in the board review, in addressing our business resilience and in response to this stakeholder concern, our capital profile was materially amended by postponing, reducing and reprioritising projects after prudent review.

Capital project execution has remained on the top ten strategic risks of not only Exxaro, but most mining companies internationally. The importance of managing time and budget overruns is even more vital under current economic circumstances, with the resultant need for cash preservation.

The table below expands on these risks, critical controls and year-on-year trend, based on the residual risk score.

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
5	Improve Exxaro's portfolio	Capital project execution Internal	Medium	• Asset portfolio review and management • Disciplined execution of the value engineering study review encourage a culture to report both successes and failures (lessons learnt) • Ensure project and supply chain performance is monitored and managed • Establish a contingency plan (plan b) • Establish a robust governance structure • Implement advanced assurance frameworks (independent review and oversight) • Implement an effective risk management process • Improve capex forecast accuracy • Monitoring and tracking the progress of capital projects. • Project role clarification and accountability • Secure contractor's commitment to assigning a strong and experienced management team • Standardise design and construction methodologies	Possible	Catastrophic	↑	Possible	Catastrophic

Operating efficiencies

Material issue	Key performance indicator	Sustainability capital	Current performance	Legend (indicator)
Operating efficiencies	People productivity (% improvement of total tonnages handled/FTE from base)	Manufactured	18	
	People productivity (% improvement of production tonnages/FTE from base)	Manufactured	16	
	Growth from coal commodities (% deviation from budget)	Manufactured	(4)	
	Core assets (priority 1 solutions) overall performance against SLA (%)	Manufactured	99	
	Asset availability of enterprise resource planning system (ERP) (%)	Manufactured	99	
	Data loss prevention (physical data loss, not intellectual property, ie enterprise backup success rate) (%)	Manufactured	99	

The wide-ranging cost reductions of 2015 will continue in future, aimed at managing what is in our control, namely the coal business and our operating costs. Initiatives to date include:

- In February 2015, the CEO asked Exxaro's people to 'find me R1 billion' (to improve our 2015 results through cost saving and revenue-generating initiatives) although rapidly changing economic conditions soon meant more was required. Key achievements during the year included a R504 million improvement in profitability from the coal business, and R288 million in value realised from supply chain management teams.

  Despite the exceptional efforts of our people across the organisation, we were unable to achieve the full R1 billion target.
- In July, the phased Exxaro improvement initiative was launched to deliver maximum value through operational improvements, consolidation, exploiting synergies, increased throughput and embracing a continuous improvement culture. Results from the diagnostic phase indicated areas for improvement, summarised below:
  - We analysed our corporate office and support function costs, including external spend, and compared these (including a benchmark study) to our peers (similar-sized resources/mining companies in South Africa). Our costs, overall, were higher than our peers.
  - Through a comprehensive activity analysis, we have identified areas where we can consolidate duplicated costs and streamline processes.

- 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