

Corporate governance

Exxaro sees good governance as one of its distinguishing features, underpinned by a multi-stakeholder approach. Stakeholders include Exxaro shareholders, employees, customers, the community, government and resource and service providers.

Compliance with Exxaro's code of ethics is monitored by the executive general manager: human resources and the company secretary, and awareness of ethical behaviour is encouraged by regular communication with employees. The Exxaro board accepts its duty to address matters of significant interest and concern to all stakeholders, taking into account greater demands for accountability, and recognising and balancing the interests of all stakeholders for the collective good of the group.

Compliance with King code

Exxaro's objective is to comply with the requirements of the second King Report on Corporate Governance for South Africa, 2002 (King code). All entities in the group are required to subscribe to the spirit and principles of the King code. The tenets and disciplines set out in the code are applied as far as possible in Exxaro's underlying subsidiaries.

Approach to corporate governance

Exxaro's corporate governance approach provides the integrated strategic management framework to achieve the performance standards required to operate in the best interests of its profitability, environment and communities.

The Exxaro board is responsible for:

- approving the company's purpose and values
- directing and controlling the business of Exxaro to achieve sustained levels of prosperity and acting in the best interests of the company
- monitoring, guiding and supervising executive management performance against key performance indicators
- ensuring appropriate balance of power and authority on the Exxaro board
- maintaining suitable governance structures to enable the smooth, efficient and prudent stewardship of the company
- exercising objective judgement on the business affairs of the company
- ensuring Exxaro manages its business with integrity and in line with best-practice standards
- adopting strategic plans and monitoring budgeting and operational performance
- providing a risk management strategy and policy framework
- approving financial statements
- presenting annual financial statements, interim reports and related disclosure requirements
- delegating authority to board committees and executive management
- administering appointments to and removals from the Exxaro board
- overseeing succession planning and director selection
- facilitating Exxaro board performance reviews
- overseeing compliance with laws and regulations
- ensuring effective stakeholder communication.

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Board composition

In terms of the King code, the Exxaro board should be of sufficient size to meet the organisation's requirements. Its membership should ensure an appropriate balance of skills, experience and demographic diversity to ensure effective leadership and sound governance within the organisation.

The Exxaro board currently comprises 15 directors, of whom five are independent non-executive directors, four are executive directors and six are non-executive directors. Once the chief executive officer designate assumes office as CEO, the number of executive directors will reduce to three.

In categorising the capacity of each director as executive, non-executive or independent, Exxaro has been guided by the provisions of the King code.

The members of the Exxaro board were selected based on a set of criteria deemed appropriate, given the nature of the company and the industry within which it operates as well as its transformation objectives. These criteria included:

- functional expertise
- demographic diversity
- experience
- independence
- continuity and specific company knowledge of Exxaro and Eyesizwe.

The majority of members of the Exxaro board are historically disadvantaged South Africans (HDSAs).

To ensure efficient staggering of director rotation, directors are subject to retirement and may be nominated for re-election every three years with the proviso that no director will hold office for more than three consecutive periods of three years. The retirement age for non-executive directors is 70 years, becoming effective at the annual general meeting after the date on which they turned 70.

The chairman and the chief executive officer (CEO)

There is a clear distinction in Exxaro between the roles of the chairman and CEO. The chairman of the Exxaro board will be an independent non-executive director and will be responsible for the effective functioning of the board with his/her primary duties being to:

- preside over meetings of the board of directors to ensure the smooth functioning of the Exxaro board
- serve as the main informal link between the board and executive management to provide support and advice while respecting executive responsibility
- ensure that regular and objective appraisals of individual directors, as well as of the Exxaro board and board committees, are completed to assess the effectiveness of the Exxaro board
- assist with the formulation of an annual work plan for the Exxaro board and ensure that this is strictly adhered to
- lead and direct the proceedings, deliberations and decisions of Exxaro shareholders at shareholders' meetings

- participate in the selection and appointment of new directors when vacancies do occur.

In terms of the articles, the chairman will be appointed for a term not exceeding one year.

The CEO, on the other hand, is formally appointed by the Exxaro board with delegated powers as approved by the board from time to time. The CEO is in charge of the company as a whole and is responsible directly to the Exxaro board. The main tasks of the CEO are to manage the business on a sustainable basis, implement strategies and policies approved by the Exxaro board and serve as the chief spokesperson for the company. The Exxaro board is responsible for monitoring the overall succession process in the company with emphasis on senior management and has specific direct responsibility for succession for the position of the CEO.

Directors

Exxaro's directors are reputable, skilled and experienced and bring appropriate judgement to bear on the main issues. Non-executive directors understand Exxaro's mission, strategy and business and add specialist expertise to the group.

In terms of Exxaro policy, directors have free access to Exxaro's company secretary, and to independent professional advisers, whether in legal, technical or accounting areas, at the group's expense. All directors have unrestricted access to all company information and records, as well as to management.

The company secretary operates well-established practices and procedures to familiarise directors with the group's operations, senior management and business environment and to induct them in their fiduciary duties and responsibilities. Directors may visit operational centres to acquaint themselves better with business operations.

Role of the committees of the board

Specific responsibilities are delegated to three committees to support the functioning of the Exxaro board:

- audit, risk and compliance committee
- safety, health and environment committee
- human resources, remuneration, nomination and transformation committee.

These committees serve under written and approved terms of reference, which are reviewed and updated annually. The minutes of all board committee meetings are presented to the Exxaro board for information. The Exxaro board addresses the performance of the committees as part of an assessment process.

Experienced, knowledgeable, independent non-executive directors chair all board committees. These committees are free to take independent, professional, external advice.

Audit, risk and compliance committee

The audit, risk and compliance committee, which meets four times a year, assists the board with the approval of Exxaro's financial statements and ensures that interim and annual financial statements, and any other formal

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announcements on Exxaro's financial performance, comply with all statutory and listings requirements. The focus of the audit, risk and compliance committee includes:

- integrity of financial reporting
- matters relating to financial and internal control, accounting policies, reporting and disclosure
- ensuring that all risks to which the group is exposed are identified and managed in a well-defined process
- reviewing and approving external audit plans, findings, reports and fees
- determining the basis for the going-concern assumption.

The committee is also responsible for setting the principles for recommending the use of external auditors for non-audit services.

Safety, health and environment committee

The safety, health and environment (SHE) committee, which meets three times a year, formulates and recommends policies, strategies and programmes in all matters affecting safety, health and environment on behalf of the group for submission to the board. The SHE committee is responsible for ensuring that these policies and programmes comply with legislation, are effectively implemented and that SHE performance is continuously measured and evaluated.

Human resources, remuneration, nomination and transformation committee

The human resources, remuneration, nomination and transformation committee, which meets four times a year, has a board mandate to:

- ensure the group's chairman, directors and senior executives are rewarded for

their individual contributions to overall performance

- ensure the group's remuneration strategies, packages and schemes are related to the achievement of business objectives and delivery of shareholder value
- ensure appropriate human resources strategies, policies and practices
- review executive and non-executive director succession planning and recommend candidates for positions to the board.

The executive committee

The executive committee (Exco) is chaired by the CEO and currently comprises 13 members (details on page 40). It meets formally every month, with designated corporate staff members in attendance, and informally every week.

Exco is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the board; managing and monitoring the business affairs of the company in line with approved plans and budgets; prioritising the allocation of capital and other resources as approved by the board and establishing best management and operating practices.

Exco is also responsible for structured and transparent management succession planning and the identification, development and advancement of the company's future leaders. Also within Exco's ambit is setting operational standards, codes of conduct and corporate ethics.

Other committees

A structured investment management process ensures that Exxaro invests in projects aligned with group strategy and that yield the required returns. In this process, two forums are engaged where initial assessment is done by the strategic co-ordination forum and, subsequently, a comprehensive review is undertaken by the investment review committee.

To complete Exxaro's primary governance model, the last investment-related committee is the offshore review committee.

Strategic co-ordination forum

The purpose of this forum is to ensure that new initiatives are aligned with Exxaro group strategy. Meeting every six weeks, its primary functions are to:

- ensure alignment of strategy execution and new developments (financial and non-financial)
- determine strategic priorities and co-ordinate, support and monitor strategic initiatives throughout the Exxaro group
- allocate resources and accountabilities for investigations or studies.

Investment review committee

The primary responsibility of this committee is to undertake comprehensive investment reviews and assess the technical feasibility and financial viability of proposed capital projects or investments prior to their presentation to Exco and the board for approval.

The committee meets monthly before planned Exco and board meetings. In carrying out its function, it ensures that:

- each project meets the strategic, technical and investment requirements defined by the board
- critical decisions, project parameters and potential risks are adequately addressed and researched prior to recommending the commitment of funds
- each project enhances the portfolio value of Exxaro.

Offshore review committee

This committee assists the board to financially coordinate Exxaro's portfolio of offshore investments and interests.

The committee meets quarterly, or more frequently if required. Its primary responsibilities include:

- financial control and governance of Exxaro's offshore investments and multidisciplinary interests
- efficient financial structuring
- providing for funding offshore investments and expenditure
- ensuring that financial reporting, auditing and tax-related issues are properly managed
- ensuring the company's overseas offices are effectively staffed, managed and used.

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BOARD AND BOARD COMMITTEE ATTENDANCE REGISTER

For the period 1 January 2006 to 27 November 2006

Kumba Board of directors	Board/special meetings (6 [#])		Audit committee (4 [#])		Safety, health and environment committee (3 [#])		Human resources and remuneration committee (6 [#])	
	Attendance	Composition	Attendance	Composition	Attendance	Composition	Attendance	
AJ Morgan [†]	5	By invitation	2	Member	1		By invitation	5
Dr CJ Fauconnier*	6	By invitation	3	Member	3		Member	6
PM Baum	6						Member	5
BE Davison	5							
TL de Beer ^Δ	1	Member	1				Chairman	5
JJ Geldenhuys [†]	4			Chairman	3		Member	5
MJ Kilbride*	6	By invitation	4	Member	2			
Dr D Konar [†]	5	Chairman	4				By invitation	1
CF Meintjes*	6	By invitation	3					
WA Nairn	3			Member	2			
SA Nkosi	6			Member	3			
CML Savage	5							
Dr NS Segal [†]	6	Member	4					
F Titi	4						Member	5
DJ van Staden*	6	By invitation	4				By invitation	4
PL Zim	4							

BOARD AND BOARD COMMITTEE ATTENDANCE REGISTER

For the period 28 November 2006 to 31 December 2006

Board of directors	Exxaro board meeting attendance(1 [#])
PM Baum	1
Dr CJ Fauconnier*	1
JJ Geldenhuys [†]	1
U Khumalo	1
MJ Kilbride*	1
Dr D Konar [†]	1
VZ Mntambo	1
RP Mohring [†]	1
PKV Ncetezo	1
SA Nkosi*	1
NMC Nyembezi-Heita [†]	1
NL Sowazi	1
DJ van Staden*	1
D Zihlangu	1

Number of meetings for the period

† Independent non-executive director

* Executive director

Δ Individual retired in terms of the company's articles of association as a non-executive director on 12 April 2006