

Exxaro Resources Limited Integrated Report

2022



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Navigating this report

We use icons to show:

 Read more online at www.exxaro.com under the investors tab

 Read more in this report

Material themes that guide our integrated reporting

 Adapting to a changing context

The capitals we use and affect

 Natural

 Responsible environmental stewardship

 Human

 Building sustainable communities

 Social and relationship

 Helping our people thrive

 Manufactured

 Executing our strategy

 Intellectual

 Driving business resilience

 Financial

 Principled governance

Reporting suite

We are committed to transparent reporting and publish an annual reporting suite detailing our performance:



Environmental, social and governance (ESG) report



Consolidated Mineral Resources and Mineral Reserves (CMRR) report



Group and company annual financial statements



Summarised annual financial statements and notice of annual general meeting (AGM)



These reports and other supplementary reports are available [online](#) and should be read together for a complete understanding of our business and performance.

Connect with us

We encourage and welcome feedback on our reporting suite from our stakeholders. Please send any comments or suggestions to:

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Driving transition through leadership

Welcome to our 2022 integrated report, themed driving transition through leadership. The report unpacks the transformation of our business through a just transition to a sustainable future.

The theme supports the impact pillar of our strategy, encapsulates progress against our key performance indicators (KPIs) stated in 2021 and shows leaders are delivering our objective to empower people to create impact.

When I took the helm as chief executive officer (CEO) in 2022, it was clear to me that, to achieve our strategic objectives and mindful of ESG imperatives, I needed to encourage everyone to "get on the bus", so that together we achieve our goals for a sustainable future.

We are heading in the right direction. Our strategy remains on track despite headwinds from economic market challenges. The capital allocation model has maintained its fitness to support the strategy, and our remuneration structure was implemented from January, to achieve better alignment among management, employees and shareholder interests, rewarding our people for being responsive to the needs of society and the environment.

I invite our stakeholders to join us on this journey and keep us on track.

Dr Nombasa Tsengwa



Realising value creation through integrated thinking and sustainability

Exxaro Resources Limited (Exxaro, the company or the group) is a South African diversified resources company with an existing coal and renewable energy business and acquisitive growth prospects in minerals and renewable energy solutions.

In line with Exxaro's **purpose of powering better lives in Africa and beyond**, our ambition is to provide resources (energy, commodities, capital and people) critical to ensuring a low-carbon world.

We understand that we cannot grow sustainably without creating a positive impact in the environment and communities we serve. We are committed to responsibly maximising the value of our coal assets by reducing stranded assets, and playing an active role in creating a future that realises our **vision: resources powering a clean world**.

Our success lies in the strength of our culture and values, which strengthen our resilience and ensure we deliver stakeholder value, guided by our **Sustainable Growth and Impact strategy**.

Integrated thinking

Our belief in sustainable value creation is inspired by the careful consideration of the relationship between the resources we use and affect, and potential trade-offs inherent in strategic decision making. We integrate the six capitals into our business model and strategy, and continuously strive to positively contribute to, and negate any adverse impact on, these capitals.

Our approach to integrated thinking is translated into the value creation message, content and structure of this report.

Our sustainability framework

Exxaro voluntarily endorses the United Nations (UN) 17 Sustainable Development Goals (SDGs). We also participate in the National Business Initiative (NBI) in South Africa to align the 17 SDGs with the country's National Development Plan and implement leading practices to uphold the most material SDGs so that our business leaves a lasting positive impact. The SDGs that Exxaro impacts are highlighted in colour.



Driving value creation through transition

Our purpose informs and motivates our decisions and actions. Stakeholder value creation is central to our purpose and vision to achieve direct and positive impact on society.

Our value creation is driven by our



It is influenced by factors in the operating environment

Our operating context (page 12)

Forces in our macro-economic context, markets and other social and environmental trends could present opportunities or risks to our business model and thus affect our ability to create value.

Risks and opportunities (page 26)

Material risks and related opportunities are key factors that must be managed to ensure our continued success. We further assess our climate risks according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Stakeholders' needs and concerns (page 36)

Our stakeholder relationships and active engagement form a key process in understanding and delivering value and impact.

Material matters (page 22)

These elements all inform the themes that we consider material to our value creation.

It is achieved through our **business activities** (page 18)

These activities and strategy are key to creating value as we pursue a just transition to a new operating model while balancing our financial performance.

Mining responsibly

Strategising for future relevance and a just transition

Generating renewable energy and delivering related products and services

Delivering sustainable impact and responsible practices

Resulting in an impact across ...

The six capitals

We are mindful of our impact on each capital we use and affect to conduct our business activities and aim to enhance these where possible.



Business model (page 18)

To deliver value to our stakeholders

We strive to create mutual value for and with our stakeholders. They are an integral part of our business because they can impact Exxaro or are impacted by our business.

Stakeholder engagement (page 36)

Ensuring broader impact

We aim to drive a positive impact on the SDGs that we have identified as being areas where we can make a difference. Exxaro aims to fulfil our ESG commitments, including the TCFD principles.

TCFD index (refer to the databook) and **responding to TCFD reporting requirements** (page 112)

Value distributed to stakeholders

Payments to government:
taxation contribution
R7 250 million
(2021: R2 930 million)

Cost of financing
R982 million
(2021: R1 020 million)

Community investment and
volunteerism
R181 million
(2021: R61 million)

Employees' tax
R1 607 million
(2021: R1 390 million)

GreenShare employee
scheme
R121 million
(2021: R164 million)

Cash dividend paid
R6 686 million
(2021: R9 557 million)

Salaries, wages and benefits
R4 310 million
(2021: R4 084 million)

Dividend paid to
non-controlling interest
R2 275 million
(2021: R3 131 million)

About our integrated report

Exxaro's integrated report for the year ended 31 December 2022 is a value creation story for our stakeholders, particularly our shareholders and other providers of financial capital.

Scope and boundary

The report contains material information about our strategic decisions and operational performance for the period 1 January 2022 to 31 December 2022 (the 2022 financial year). It covers the financial and non-financial information of our wholly owned and joint arrangements in South Africa, Europe and Australia. The reporting boundary incorporates material information about Cennergi Proprietary Limited (Cennergi). We consolidated material information related to Cennergi's safety incidents into the Exxaro group's results. Unless otherwise stated, we no longer include information on Exxaro Coal Central Proprietary Limited (ECC) operations since its disposal in September 2021.

We include limited information on operations where we do not have management control but hold an important equity interest, namely Black Mountain, Richards Bay Coal Terminal Proprietary Limited (RBCT) and Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba Iron Ore Limited, or joint control, being Mafube Coal Mining Proprietary Limited (joint venture) and Moranbah South coal project (joint operation).

The 2022 integrated report summarises the most material information of the ESG and CMRR reports. Further detail on our financial performance is available in our annual financial statements, and historical performance in previous reports.

Reporting boundary

(risks, opportunities and outcomes)

-  [Sustainable Growth and Impact strategy](#) (page 44)
-  [Business model](#) (page 18)
-  [Operational performance](#) (page 86)
-  [Material matters](#) (page 22)
-  [Business risks and opportunities](#) (page 26)
-  [Governance](#) (page 51)

Financial reporting entity (control and significant influence)



- Subsidiaries
- Joint arrangements
- Investments

Stakeholders (page 36)

- Government and regulators
- Employees and labour unions
- Communities
- Investors
- Suppliers
- Customers
- Civil society
- Others

We report our progress in creating and preserving value, and preventing the erosion thereof, in the short, medium and long term. The report contains the most material information about our value creation transparently and understandably.

Materiality

We distinguish the information to include in this report through a double materiality determination process, which identifies the matters that impact our ability to create value (financial materiality), and our impact on the environment, communities and society (impact materiality). We group these material matters into themes that link to the resources we use and affect.

Material matters (page 22)

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Frameworks and guidelines

The content of the report is guided by:

- Our materiality determination process
- The Companies Act of South Africa, 2008 (Act 71 of 2008), as amended (Companies Act)
- The Integrated Reporting Framework
- International Financial Reporting Standards (IFRS)
- The JSE Limited (JSE) Listings Requirements
- Department of Trade, Industry and Competition (dtic) broad-based black economic empowerment (B-BBEE) codes of good practice
- Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)
- The United Nations Global Compact (UNGC)
- Global Reporting Initiative standards (elements of the ESG report are cross-referenced for a broader perspective)
- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹
- The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition (SAMREC Code)
- TCFD recommendations
- The Sustainability Accounting Standards Board (SASB)

Assurance

KPMG provided independent reasonable assurance over key sustainability information in this report. The key performance data assured by KPMG is detailed in

[combined assurance for effective governance](#) (page 73).

Board responsibility

The board of directors (board) acknowledges its responsibility for ensuring the integrity of our reporting suite, including this integrated report, which was prepared in accordance with the Integrated Reporting Framework. The board believes the report addresses all Exxaro's material matters and presents a balanced view of our strategy, business model and Exxaro's ability to create and preserve value over the short, medium and long term, as defined by the six capitals. The report remains the ultimate responsibility of the board, is prepared under the supervision of senior management and is subject to rigorous internal and external assurance reviews.

Mvuleni Geoffrey Qhena Independent chairperson	Dr Nombasa Tsengwa CEO
Riaan Koppeschaar Finance director	Dr Geraldine Fraser-Moleketi Lead independent non-executive director
Karin Iretton Independent non-executive director	Ben Magara Independent non-executive director
Isaac Malevu Non-executive director	Billy Mawasha Independent non-executive director
Likhapha Mbatha Non-executive director	Nondumiso Medupe Independent non-executive director
Zwelibanzi Mntambo Non-executive director	Isaac Mophatlane Independent non-executive director
Mandlesilo Msimang Non-executive director	Vuyisa Nkonyeni Independent non-executive director
Peet Snyders Independent non-executive director	Chanda Nxumalo Independent non-executive director
Dr Phumla Mganga Independent non-executive director	

14 April 2023

Understanding our business

We are preparing Exxaro to achieve our vision of resources powering a clean world – with our Sustainable Growth and Impact strategy considering our purpose, prospects and social obligations within an evolving operating context.

- 5 Chairperson's statement
- 7 About Exxaro
- 10 Sustainable growth and impact
- 12 Our operating context



Chairperson's statement

Through the persistent tough macro-economic background that included global inflationary challenges and ongoing logistical constraints, Exxaro continued to deliver excellent results, displaying our agility to navigate the obstacles we faced.

Mvuleni Geoffrey
Qhena
Chairperson



In 2022, we reported a record 78% increase in EBITDA* to R19 002 million and a 28% increase in headline earnings per share (HEPS) at R60.16. This resilient performance was mainly due to the exceptional performance of our coal, driven by high-quality product mix, and increases in export and domestic sales prices. These results reflect that our early value coal strategy is once again delivering results, and the importance of our continuing efforts to deliver on our commitments to stakeholders through the Sustainable Growth and Impact strategy.

Reflecting on Exxaro's strategic progress

Our strategy of transforming Exxaro into a diversified company that thrives in a low-carbon future requires responsibly extracting maximum value from existing coal assets while transitioning from a coal base to a minerals and renewable energy business. The strategy further recognises the important role Exxaro must play in the just energy transition, which considers South Africa's growth and development needs. While balancing these needs can be challenging, we believe that this transition offers opportunities for our organisation to embrace the context and evolve with it.

The board reviewed and recommitted to the strategy, and oversaw several drivers that strengthen, enable and enhance its successful implementation. These included:

- Approving a revised capital allocation model to assist the business in balancing acceptable value distribution to shareholders with long-term investments
- Approving the new Social Impact and diversity, equity and inclusion strategies and human rights policy, which outline Exxaro's commitment to sustainable growth and impact that benefits communities and broader society, and Exxaro's commitment to protecting human rights throughout our value chain
- Setting and monitoring performance and culture expectations for the group through the remuneration-linked short-term incentive (STI) scheme, with the inclusion of new targets for water security and efficiency and energy efficiency to strengthen our greenhouse gas (GHG) mitigation and business resilience efforts
- The appointment of Leon Groenewald as managing director of the renewable energy business in March 2023, further demonstrating our commitment to succession planning
- Overseeing the establishment of the executive ESG steering committee which is mandated to coordinate the integration of the ESG risks and opportunities and ensure outcomes-based measurements and assurance

* Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including transaction differences recycled to profit or loss).

Chairperson's statement continued

In line with our diversification commitments, Exxaro developed a pipeline of renewable and new minerals projects for consideration and performed due diligence on several of these. However, we have not been able to conclude the projects at this stage due to, among other factors, deferring value expectation on those assets.

The development of the Lephalale self-generated solar plant is progressing well with the necessary regulatory approvals being obtained. This further displays our commitment to responsibly transitioning into a low-carbon business.

 [Our strategy: positioning Exxaro for sustainable growth and impact \(page 44\)](#)

Embracing good governance

The board is the custodian of the group's strategy and governance and we believe that robust governance practices provide the foundation for value creation.

Critical to the successful execution of any strategy is the team that leads its delivery. This includes having the right skills, structure and rigour at board level to support decision making. The board is committed to striving for the appropriate size, balance of power, independence, diversity, skills, knowledge and experience to enable it to discharge its governance role and responsibilities objectively and effectively. In line with this commitment, the board adopted a policy that includes a broader definition of board diversity and inclusion, with revised targets, as well as a nomination and appointment policy. The changes made to the board in 2021 and 2022 aimed to strengthen our skills and diversity.

Dr Nombasa Tsengwa has succeeded Mxolisi Mgojo who retired on 31 July 2022. Since taking the helm, Nombasa has skilfully steered the ship, delivering on our strategic promise to stakeholders. We once more thank Mxolisi, who received a Business Leader of the Year award in 2022, for his invaluable contribution to Exxaro.

Nondumiso Medupe was appointed as an independent non-executive director on 3 January 2023. Nondumiso brings a wealth of experience in governance, accounting, risk management and sustainability.

We will bid farewell to three longstanding board members. Ras Myburgh retired by rotation this year, and Vuyisa Nkonyeni and Isaac Mophatlane will retire by rotation at the AGM. On behalf of the board, I would like to thank Ras, Vuyisa and Isaac for their valuable and outstanding contributions to Exxaro over the years.

Prioritising engagements with our stakeholders

In line with King IV, Exxaro embraces a stakeholder-inclusive approach to governance. As part of this process, the board actively balances the needs, interests and expectations of our stakeholders with the organisation's best interest over time. In 2022, several key engagements took place to enhance our relationships through meaningful dialogue.

After two years of COVID-19 restrictions, Exxaro held a three-day governance roadshow with shareholders in September 2022. The roadshow provided a platform for shareholders to meet our leadership and for Exxaro to share insights and progress on issues such as delivering on our strategy, our revised capital allocation model, our shareholder structure and returns, remuneration and our ESG performance, among others. This engagement also allowed us to receive shareholder feedback, which informs our decision making.

We held a stakeholder day at Grootegeeluk, with the board, social, ethics and responsibility committee (SERC) and management in attendance, to share our progress and performance, and receive the community's feedback on Exxaro's social performance and impact. Engagements were scheduled over three days with enterprise and supplier development (ESD) and socio-economic development stakeholders in Limpopo and Mpumalanga. Participants included national, district and local government, community leaders, union representatives, ESD programme implementation partners and social and labour plan (SLP), ESD and mega-project beneficiaries.

These engagements highlight the board's belief that effective stakeholder engagement leads to improved relationships founded on respect and trust, and better informed decision making.

Closing

We expect that the operating environment will remain challenging, with global macro-economic drivers likely to shape the operating context once again. However, I am confident that the work undertaken to date has positioned the business to respond swiftly and with agility.

Safety is one of Exxaro's key priorities. Management continues to lead in this regard and this is also reflected in their performance contracts. Sadly, and after over a five-year fatality-free period, we lost Mathews Moanalo at the Belfast mine. We pass our deepest condolences to his family, friends and colleagues. Exxaro will continue to strive to achieve and maintain our zero-fatality approach in our activities.

My deepest gratitude to my colleagues on the board, the management team, under the leadership of Nombasa and our employees across the business. As we look ahead to 2023, it is thanks to your continued commitment and dedication that we are delivering on our purpose – to power better lives in Africa and beyond.



Mvuleni Geoffrey Qhena

Chairperson

14 April 2023

About Exxaro

Understanding our business

Drivers of value creation
Transitioning the business for growth
Governance for value creation
Our performance
Our Mineral Resources and Mineral Reserves

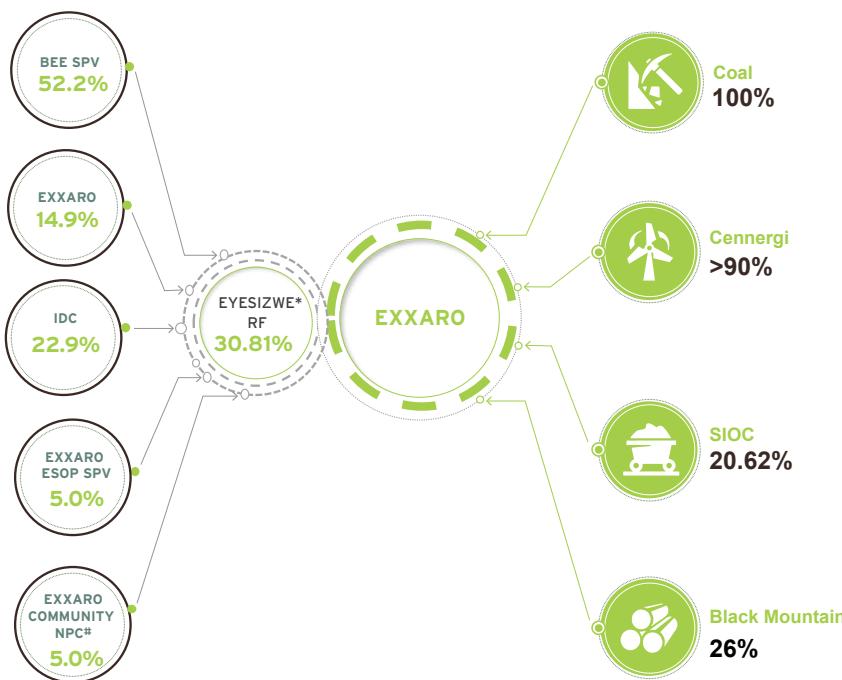
Our business's sustainability and impact depend on our contribution to accelerating economic growth, practicing environmental stewardship and driving positive change.

Our diversified asset portfolio comprises interests primarily in thermal coal (where we are among the top five South African coal producers), a growing renewable energy solutions business and equity-accounted investments in ferrous (iron ore) and zinc among other base metals. We will contribute to a more sustainable future by expanding our business portfolio to include manganese, bauxite and copper. Our business interests in Europe comprise a marketing and logistics office in Switzerland. A joint operation with Anglo Coal Grosvenor Proprietary Limited, the Moranbah South project, is conducted in Australia.

We are aiming to be carbon neutral by 2050, and are committed to being an active participant in the just transition to a low-carbon economy. The renewable energy solutions business and our scope 1 and 2 emissions reduction efforts are critical activities in this regard. Reduction of scope 3 emissions is a longer-term goal influenced by the country's energy mix.

Assets	Coal production	Renewable energy generation	Market capitalisation	Responsible business
R85.1 billion at 31 December 2022 (2021: R75.7 billion)	43.1Mt (2021: 42.3Mt), excluding buy-ins	671GWh (2021: 724GWh)	R75.9 billion (2021: R53.4 billion) Constituent of the JSE Top 40 Index	30.81% black-empowered Among the top 30 in the FTSE/JSE Socially Responsible Investment Index
Five coal mines**				
Two windfarms				

Ownership structure



Our core operation is thermal, semi-soft coking and metallurgical coal mining, supplying Eskom, other domestic markets and offshore markets.

Our coal mining business is structured under four legal entities, all managed and operated by Exxaro, supplemented by a 50% JV with Thungela Resources Limited in Mafube and a 12.04% legal equity interest in RBCT.

Our renewable energy business, Cennergi, consists of 229MW of wind generation assets in the Eastern Cape that contribute to the national energy supply.

SIOC is a leading supplier of high-quality iron ore to the global steel industry and a subsidiary of Kumba Iron Ore.

Black Mountain operates two underground mines and a processing plant in the Northern Cape that produces zinc and other minerals.

We continue evaluating our options to dispose of our shareholding in Black Mountain.

* Eyesizwe (RF) Proprietary Limited (Eyesizwe), a special purpose vehicle (SPV) private company, incorporated under South Africa's laws, holds the black economic empowerment (BEE) shares.

Exxaro Matla Setshabeng NPC.

**Including one joint venture, Mafube.

About Exxaro continued

Our assets

Minerals business

Our minerals business comprises coal operations and our equity investments in iron ore and zinc. We have deep roots in mining with a track record of operational excellence and delivering value. Our coal asset base is a key differentiator and critical part of how we create value for our stakeholders. Only mineral assets with Measured and Indicated Resources are listed in this report. Inferred Resources are reported in the supplementary [CMRR report](#).



- Largest high-quality Coal Reserves remaining in the country, providing a platform for early value returns
- Largest supplier of energy coal to Eskom and ArcelorMittal South Africa Limited
- Produced 43.1Mt of thermal and metallurgical coal (2021: 42.3Mt), up 1.9% in 2022 - the majority of power station coal is supplied to Eskom
- Grootegeluk is one of the largest integrated mining and beneficiation operations globally, running the largest coal beneficiation complex, and the only producing mine in the coal-rich Waterberg, adjacent to Eskom's Matimba and Medupi power stations
- As at 31 December 2022, 15% of R1.7 billion capital expenditure was spent on greenfield and brownfield expansion projects (2021: 34%, R2.5 million)

Limpopo



1 Grootegeluk complex

Location: West of Lephalale
Market: Domestic and export

Product: Thermal and metallurgical coal

Coal Resources (inclusive):

- Measured: 3 039Mt
- Indicated: 967Mt

Coal Reserves:

- Proved: 2 034Mt
- Probable: 550Mt

Mining method: Open-cut

Run of mine (RoM): 56.52Mt

Life of mine (LoM): 19+ years*



2 Thabametsi

Location: West of Lephalale
Market: Domestic

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 270Mt
- Indicated: 749Mt

Coal Reserves (inclusive):

- Probable: 130Mt

Mining method: Open-cut

RoM: Project

LoM: 24 years

Mpumalanga



3 Belfast

Location: South of Belfast
Market: Export (alternative domestic)

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 101.6Mt
- Indicated: 8.0Mt

Coal Reserves:

- Proved: 35.8Mt
- Probable: 1.4Mt

Mining method: Open-cut

RoM: 2.65Mt

LoM: 11 years

Mpumalanga



4 Leeuwpan

Location: South-east of Delmas

Market: Domestic and export

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 65.8Mt

Coal Reserves:

- Proved: 36.1Mt
- Probable: 3.3Mt

Mining method: Open-cut

RoM: 3.71Mt

LoM: 7 years



5 Matla

Location: West of Kriel

Market: Domestic (Eskom)

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 657Mt

Coal Reserves:

- Proved: 130Mt
- Probable: 38Mt

Mining method: Underground

RoM: 6.16Mt

LoM: 2+ years*



6 Mafube joint venture (50%)

Location: East of Middelburg

Market: Domestic and export

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 125.0Mt

Coal Reserves:

- Proved: 80.6Mt
- Probable: 40.8Mt

Mining method: Open-cut

RoM: 5.44Mt

LoM: 21+ years*

7 Moranbah South project (50%)

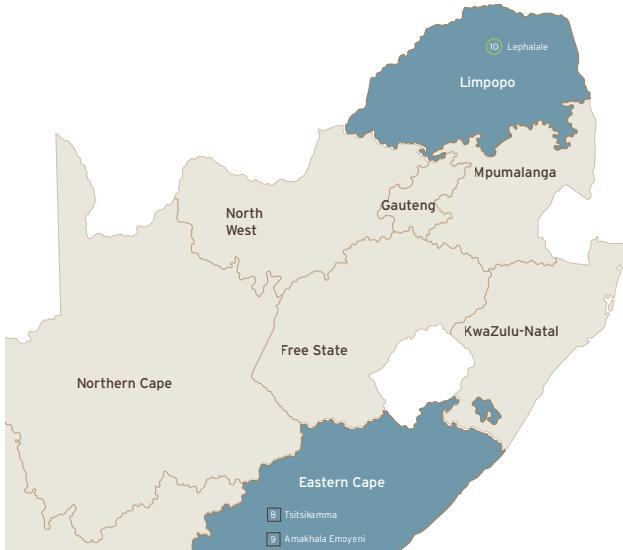
Location: Queensland, Australia

Undertaking prefeasibility study to inform decision for development prospects.



Renewable energy business

Our energy business comprises interests in renewable energy through our wholly owned subsidiary, Cennergi.



Cennergi is a southern African-based independent power producer (IPP) that focuses on developing, owning and operating renewable assets. Cennergi has two established wind projects (the Tsitsikamma community and Amakhala Emoyeni windfarms).

The renewable energy business is also developing the 68MW Lephalale solar project in a ring-fenced SPV that will supply renewable energy to Grootegeluk, reducing the carbon footprint and electricity costs of this mining operation. The energy business has also concluded a joint development agreement with Enerfrag, an established German IPP, to develop projects in Mpumalanga for the mining industry.

Eastern Cape



8 Tsitsikamma community windfarm

Location: Near Tsitsikamma

Capacity: 95MW

Number of turbines: 31 x 3.1MW

Performance: Generation output in line with P50 targets since 2016

Customer: Eskom

Power purchase agreement: 20 years

Commercial operation: 2016

Shareholding: Cennergi (75%), RE Times (16%) and the Tsitsikamma Development Trust (9%)

Limpopo



10 Lephalale solar project

Product: Solar energy

Capacity: 68MW

Customer: Exxaro Coal Proprietary Limited (Grootegeluk)

Power purchase agreement: 25 years

Commercial operation: 2025

Shareholding: 100% Cennergi Holdings Proprietary Limited

Financial close: 31 March 2023

Estimated commercial operation: 2025

9 Amakhala Emoyeni windfarm

Location: Near Bedford and Cookhouse

Capacity: 134MW

Number of turbines: 56 x 2.4MW

Performance: Consistent performance since 2016, albeit at lower than planned P50 generation numbers

Customer: Eskom

Power purchase agreement: 20 years

Commercial operation: 2016

Shareholding: Cennergi (95%), Cookhouse Community Trust (2.5%) and the Bedford Community Trust (2.5%)

Sustainable growth and impact

Our Sustainable Growth and Impact strategy is anchored on measurable and multi-stakeholder value creation. The strategy aims to transform Exxaro in a systematic and integrated manner into a diversified company that will transition from a coal base to a minerals and renewable energy business that will thrive in a low-carbon future.

Forces shaping our strategy

Understanding the narrowing opportunity and the growing exogenous risk as the world accelerates to a net zero carbon economy

We need to balance South Africa's socio-economic development, which relies on coal generated power, with supporting the transition to a low-carbon economy. These are major changes that will raise future challenges and increase external risks for those who do not adapt. They will also present significant opportunities for those who can evolve.

Climate change

Climate change increases competition for scarce resources like water and biodiversity between communities. Factors such as rising heat increase the risk of health and safety incidents at our operations.

Energy transition

The growth in disruptive technology in the energy sector could displace our business in the medium to long term.

Just transition

The transition to a low-carbon economy has significant socio-economic implications for our business and the communities in which we operate.

Stewardship

We believe we do not own coal assets but we are stewards of responsibly maximising their value. We have a responsibility to use these coal assets to build a sustainable business for our investors, employees and communities, and a sustainable future for the planet.

These forces have increased in prominence over the past year. Significantly, the global energy crisis, exacerbated by the Russia-Ukraine conflict, increased global action for decarbonisation, and investor funding targeted to ESG equity funds. These trends support the positioning and direction of our strategy.

Transitioning to a resilient, diversified resources company

Minerals business



Coal

Early value coal to maximise our high-quality assets

- Continue to contribute to energy security in South Africa and beyond
- Decarbonising will further strengthen our existing competitive advantage and extend the horizon of our coal business



Minerals

- Diversify into minerals to support a low-carbon future
- Diversify earnings and contribute to Exxaro's growth
- Clearly defined investment criteria that ensure we invest in the right opportunities within geographies where we can execute
- Balance sheet and capabilities provide a competitive advantage

Energy business



Renewable energy

Build a leading global renewable energy solutions business by 2030

- Own one of South Africa's leading managers of renewable assets
- Strategy underpinned by three interdependent pillars: utility generation, distributed generation and services
- Long-term cash flow stability

As we start implementing our strategy, we are refining and consolidating the drivers of our strategic direction, how we measure our future success and reflect on our past strategic performance. The board fully supports our strategy and we have clearly identified our future path to achieve our vision. We believe our sustainable growth can only be achieved if our communities and broader society benefit from our sustainable impact efforts. In 2022, we developed our Social Impact strategy to support the achievement of this goal.

Our response

The transition imperative

To responsibly enter a carbon-constrained future given our base as a carbon-intensive coal asset, our approach involves:

Energy transition

- Coal and renewable energy businesses play a key role in energy security
- Responsibly optimise the coal business
- Repositioning the business to capture transition opportunities

Just transition

- Prioritising workers, communities and value chain partners as we transition our business in a just manner

This informs our **Sustainable Growth and Impact strategy**

Sustainable

- Be carbon neutral by 2050
- Maximise value from coal through early value and market to resource strategy
- Reduce climate-related risks
- Deliver positive impact through our Social Impact strategy

Growth

- Diversify into resilient future-facing minerals and renewable energy, ensuring a significant EBITDA contribution in these areas by 2030
- Grow renewable energy business to 1.6GW (net) by 2030
- Ensure disciplined capital allocation to maximise value, supported by a robust investment process

Impact

- Deliver social, economic and environmental benefits
- Contribute to sustainable livelihoods
- Strengthen contribution to a just energy transition
- Go beyond compliance to achieve sustainable impact

Strategic objectives

Transition at speed and scale

Make our minerals and energy businesses thrive

Empower people to create impact

Be carbon neutral by 2050

Become a catalyst for economic growth and environmental stewardship

 Refer to [our strategy](#) (page 44) for detail on our strategy, strategic development process and performance against our objectives.

Sustainable impact is at the core of our purpose and future

- Commitment to invest in and support the resilience of society in the just transition
- Remain a responsible custodian of the assets entrusted to us, as evidenced in our ESG performance
- Balancing acceptable value distribution to shareholders with investment for the long term for all stakeholders
- Operate our businesses with social and environmental stewardship

Our operating context

Exxaro's macro-economic operating context and commodity markets include global and domestic factors that affect our ability to create value for our stakeholders over time.

Global and domestic economic conditions	1	Commodity markets	7
ESG	2	Coal markets	7.1
Geopolitics	3	Coal logistics	7.2
Foreign currency market	4	Iron ore market	7.3
Inflation and interest rates	5		
Cyber threats	6		

Our broader operating context: trends influencing our business

1 Global and domestic economic conditions

The Russia-Ukraine conflict and renewed COVID-19 lockdowns in China are among the series of economic shocks that disrupted supply chains, fuelled inflation, increased energy costs and slowed global economic growth. After a strong finish to 2021 at 6.1%, global economic expansion lost momentum in 2022, with a slower growth rate of 3.0%.

Financial market conditions deteriorated during the second half of 2022, and the global economic outlook for 2023 has weakened to fall short of potential growth levels. The end of 2022 experienced the weakest growth and the global economy remained at its highest vulnerability in early 2023, when any major economic shock could have tipped the world economy into recession.

Global gross domestic product (GDP): 3.0% (2021: 6.1%)			
Real GDP growth rate (%)			
	2023 forecast	2022	2021
World	2.1	3	6.1
US	0.7	2	6
Eurozone	0.50	3.6	5.4
China	5.2	3	8.5
India	5.1	6.7	9.1
South Africa	0.6	2.0	4.9
Russia	(1.32)	(2.20)	4.8
Ukraine	8.0	(35.4)	3.4

Source: S&P Global, February 2023.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">• Russia-Ukraine conflict• Renewed COVID-19 lockdowns in China• Slower global economic growth• Unrest in July 2021 and extensive flooding in April 2022 in South Africa• Inadequate electricity supply in South Africa	<ul style="list-style-type: none">• South Africa's energy mix and demand• Higher inflation on operations• Higher interest rates	<ul style="list-style-type: none">• Cost management• Customer engagement• Supplier engagement: cost• Logistics: ensure passage of coal to ports

2 ESG

ESG is an integral part of our Sustainable Growth and Impact strategy. To this end, the executive committee established an ESG steering committee to coordinate the integration of the ESG risks and opportunities and ensure outcomes-based measurements and assurance. These include decarbonisation and social impact.

Global responses to climate change are driving economic reforms, commitments and regulations to steer decarbonisation efforts. The 2022 UN Climate Change Conference (COP27) finalised the details of a work programme to urgently scale up mitigation, ambition and implementation in this critical decade. During this conference, issues impacting developing countries and businesses operating in these countries were highlighted and included:

- **The submission of ambitious nationally determined contributions (NDCs) by countries:** South Africa submitted ambitious NDC targets for 2025 and 2030. It is envisaged that these targets will impact Exxaro and other businesses through stringent climate change policies, carbon prices and carbon budgets
- **Low-carbon technologies** such as hydrogen and carbon capture storage are associated with high costs and not commercially available
- **Energy storage:** Challenges associated with storing renewable energy will impact decarbonisation efforts of businesses like Exxaro, which are targeting 100% consumption of renewable energy and reduction of scope 2 emissions
- **Carbon pricing:** The EU's Carbon Border Adjustment Mechanism and its potential impact on developing countries and businesses operating in these countries. There might be future financial implications for Exxaro associated with carbon-intensive products for export to the EU

Social impact is an outcome of our Sustainable Growth and Impact strategy and addresses material social and compliance matters that concern stakeholders.

Cause	Implications for Exxaro	Our strategic response
<p>• ESG is a priority for all stakeholders</p> <p>• Integration of ESG into corporate strategies, decision making and stakeholder reporting</p> <p>• Countries pledged to scale up carbon mitigation, ambition and implementation</p> <p>• South Africa aims to access significantly higher levels of climate finance during the implementation of NDCs</p> <p>• An increasingly distressed socio-political and strained economic operating environment characterised by inequality, unemployment and poverty</p>	<p>• It is imperative for us to demonstrate our ESG commitments as this impacts shareholders' assessments of our company and our social licence to operate</p> <p>• Stringent climate policy and carbon prices</p> <p>• Increase decarbonisation efforts</p> <p>• Global energy demand and transition</p> <p>• Social impact should result in a harmonious co-existence between Exxaro and local communities, creating a thriving environment</p>	<p>• Established an ESG steering committee</p> <p>• Separate annual ESG report</p> <p>• Invest in and expand a diversified minerals and renewable energy business</p> <p>• Energy efficiency and scope 1 emission reduction</p> <p>• Renewable energy installation (scope 2 emission reduction)</p> <p>• The Social Impact strategy aims for a market-driven, multidimensional and scaled approach to improve the lives of communities. It aims to shift from inequality, unemployment and poverty to empowered communities with skills and capabilities</p> <p>• Upskilling will enable employment and entrepreneurial opportunities, which creates economic wellbeing, social progress and dignified livelihoods</p>

 [Creating value through stakeholder engagement \(page 36\)](#)

 [Our environment \(page 103\)](#)

 [Social licence to operate \(page 101\)](#)

3 Geopolitics

Global geopolitical tensions continued to impact supply-demand dynamics for key Exxaro commodities. The Russia-Ukraine conflict and subsequent sanctions, and continuing US-China and China-Australia tensions were evident during 2022. The European Union's ban on coal imports from Russia and the restart of thermal power plants significantly impacted supply-demand balance, trade flows and seaborne thermal coal pricing.

Cause	Implications for Exxaro	Our strategic response
<p>• Russia-Ukraine conflict</p> <p>• China import restrictions on Australian coal</p> <p>• Global supply chain disruptions</p>	<p>• Opportunities in the European thermal coal market</p> <p>• Higher but volatile seaborne thermal coal prices</p> <p>• Availability and/or higher costs of material input</p>	<p>• Market strategy adapts to changing global flows</p> <p>• Market to resource optimisation</p> <p>• Increased collaboration with stakeholders</p>

Our operating context continued

4 Foreign currency market

Economic turmoil usually brings about two key dynamics of the US dollar:

- The US dollar's continued role as the dominant global reserve currency and the corresponding role played by the Federal Reserve as the world's central bank
- The view that US dollar assets, especially US treasury bills and bonds, are regarded as safe havens

This was no different during 2022. As central banks significantly increased interest rates with recessionary risks on the horizon, the US dollar's exchange value soared in response to rising US dollar bond yields and investor flight to safety. This added to inflation and financial stress in developing and emerging countries.

In South Africa, the rand weakened by 10.7% during 2022 on the back of the strong US dollar, declining commodity prices (with the exception of the energy complex), flight to safety and recessionary risks. The US\$/R exchange rate is expected to remain volatile in 2023, mainly dependent on whether the surge in inflation is brought under control by the major central banks and recessionary risks.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">• US dollar strength• Recessionary risk sentiment• Increasing interest rates to curb inflation	<ul style="list-style-type: none">• Forex volatility, weaker exchange rate favourable to local exports	<ul style="list-style-type: none">• Rand-based pricing for input products• Limited hedging• Local sourcing

5 Inflation and interest rates

Persistent high inflation led to the world's major central banks tightening their monetary policies. In 2022 we saw high interest rate increases and a resolve to restrain actual and expected inflation. Policy trade-offs are challenging as inflation extends beyond food and energy, with risks that over-tightening could tip the global economy into a severe recession and under-tightening could further entrench inflation.

In 2022, South Africa's headline inflation averaged 6.9%, and is expected to remain above the mid-point of the South African Reserve Bank's inflation target range of 3% to 6% during 2023. The repurchase rate increased by a cumulative 300 basis points during 2022. Further normalisation into 2023 may be needed to raise rates to levels consistent with a stable and lower inflation rate.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">• Persistent high inflation• Interest rate increases• Monetary policy trade-offs	<ul style="list-style-type: none">• Cost and revenue escalations• Borrowing cost increases	<ul style="list-style-type: none">• Inflation-linked escalations• Reduce debt levels• Cost management

6 Cyber threats

Exxaro's Digital@Exxaro programme is a key catalyst in driving modernisation and digital transformation.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">• Digital and technological innovation enables improved productivity, safety and environmental management in the mining industry	<ul style="list-style-type: none">• The programme has enabled data-driven decision making and drives end-to-end integration and optimisation of our value chain to remain competitive	<ul style="list-style-type: none">• The Exxaro digitalisation and innovation journey is a strategic initiative driven by the CEO• Our award-winning Digital@Exxaro programme is transforming our company culture to ensure we are more open and agile when we engage with internal and external stakeholders <p> Driving innovation and information management (page 90)</p>

Our markets

During 2022, global markets were affected by the impact of the Russia-Ukraine conflict, renewed COVID-19 infections and lockdowns in China, mixed and volatile commodity prices, continued supply chain disruptions, inflationary and interest rate pressures and global recessionary risks.

7 Commodity markets

Exxaro's commodity markets recorded mixed and volatile performances in 2022. The energy complex markets remained relatively tight compared to industrial mineral markets. Key drivers included the Russia-Ukraine conflict, resurgent COVID-19 infections and lockdowns in China, supply chain disruptions and recessionary risks.

**API4 coal export price averaged US\$270.87/t
 (2021: US\$124.12/t)**

Commodity prices (US\$/t)			
Commodity	2023 forecast	2022	2021
Thermal coal (RB1)	150	270.87	124.12
Thermal coal (RB3)	120	206.05	95.59
Iron ore fines	110	120.03	159.89
Lump premium	11	13.92	22.58

Source: Various commodity market intelligence reports, September 2022 and February 2023.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none"> Mixed price performance European energy insecurity Recessionary risks Supply constraints 	<ul style="list-style-type: none"> Volatile commodity markets Higher received prices for coal exports 	<ul style="list-style-type: none"> Portfolio management Maximise coal exports

7.1 Coal markets

Thermal coal demand remained robust in 2022, largely driven by the higher coal demand from Europe. With the onset of the Russia-Ukraine conflict in March 2022, thermal coal markets experienced significant disruption and volatility as Europe sought alternative high-quality coal supply to reduce dependency on Russia. Low gas stocks, high gas pricing and uncertainty over energy security supported gas to coal switching in Europe.

As the spot demand for high-quality coal increased, record high global thermal coal prices were reached in 2022. With the implementation of the European embargo on Russian coal and the continued Chinese ban on Australian coal imports, global coal flows changed to respond to the new market dynamics. Exports from South Africa into Europe increased and displaced Russian coal was exported to Indian and Chinese markets.

Global thermal coal supply remained tight for most of the year with factors such as heavy rainfall, rail challenges and labour issues impacting the major supply regions and providing pricing support.

Pricing declined from the highs in the second half of 2022, as the European market entered winter season well stocked on coal and gas inventories and experienced milder than normal winter temperatures which in turn lowered heating requirements.

In South Africa, domestic demand remained robust throughout the year. The higher export price improved the attractiveness of alternative export distribution channels allowing for volumes normally destined for the domestic market to be sold in the international market. The resulting domestic supply tightness resulted in higher domestic prices.

Volatility and high prices were the key hallmarks of the 2022 global market for hard coking coal. Market tightness throughout the year was due to supply-side challenges out of Russia and Australia. As 2023 progresses, market prices are expected to trend downward as the results of stronger supply out of Australia, and modest demand, while the positive sentiment out of China is expected to be mostly outweighed by weakness in Europe.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none"> Russia-Ukraine conflict European gas, carbon and coal price shocks Dynamic global trade flow 	<ul style="list-style-type: none"> High API4 index price Market volatility 	<ul style="list-style-type: none"> Early value coal strategy Market to resource optimisation Alternative routes to market

Our operating context continued

7.2 Coal logistics

Transnet Freight Rail (TFR) railed 50.43Mt to RBCT from January to December 2022, compared to 58.12Mt for the same period in 2021. Rail was constrained throughout the year due to locomotive availability and security-related incidents, strike action and multiple derailments. Given these challenges, TFR reduced the contractual and performance commitment from 81Mtpa to 60Mtpa for the 2022/2023 period.

Exxaro's export sales reduced from 7.6Mt in 2021 to 5.2Mt in 2022 due to lower railings to RBCT. To mitigate the impact of the lower rail performance, Exxaro has successfully exported via alternative export ports and continues to strategically develop alternative routes to market.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">Security-related downtime (cable theft, vandalism and sabotage)Locomotive availability	<ul style="list-style-type: none">Reduced export volumes and increased cost of alternative logistics channels	<ul style="list-style-type: none">TFR engagementDevelop alternative routes to market

7.3 Iron ore market

At the start of 2022, the iron ore price was stable, supported by strong Chinese steel production, despite the ongoing property weakness and widespread re-established COVID-19 lockdowns in China. However, the market softened during April/May, after which sentiment strengthened as new stimulus measures were announced by the Chinese government and lockdown restrictions eased. Weak demand sentiment in China and Europe and global recession risks weighed on the iron ore market for the rest of the year.

We anticipate a relatively flat annual global steel production level for 2023. Higher iron ore supply and expected steady demand will likely see seaborne prices testing cost curve support levels. Higher steel production from China presents a key market opportunity and lower-than-expected seaborne supply poses a risk to the market.

Cause	Implications for Exxaro	Our strategic response
<ul style="list-style-type: none">Volatile Chinese steel productionWeak demand sentiment in China and EuropeGlobal recession risk	<ul style="list-style-type: none">Performance of SIOC investment	<ul style="list-style-type: none">Exposure to higher-value iron ore lump product

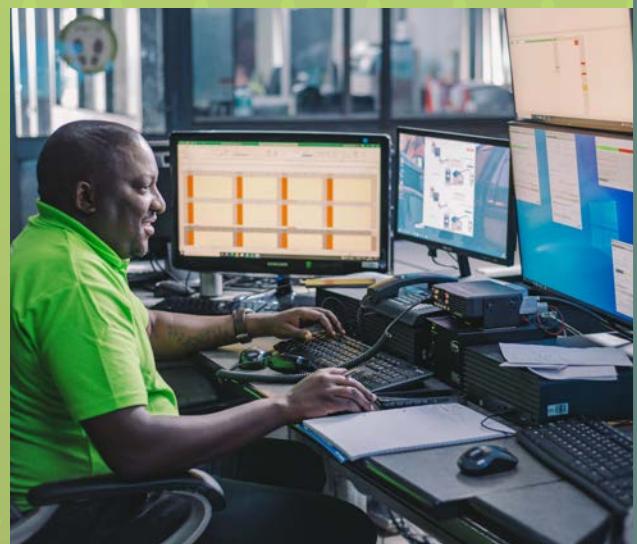


Coal rail transport at Grootegeluk mine

Drivers of value creation

We are driven by our purpose to power better lives in Africa and beyond as we navigate a just transition, considering the needs of our stakeholders, towards a clean world.

- 18** Our business model
- 22** Our material matters
- 26** Our business risks and opportunities
- 36** Creating value through stakeholder engagement



Our business model

Our business model depicts the capital inputs we need to conduct our activities and deliver our products.



Natural capital

The natural resources we rely on to run our business and create our products



Human capital

The people who manage our business and perform our operational activities



Social and relationship capital

The relationships that provide our social licence to operate

Our inputs The resources and relationships we rely on (as at 31 December 2022)

- **RoM:** 74.48Mtpa (2021: 69.4Mtpa)
- **Land managed:** 62 603ha (active and inactive mines)
- **Water consumption:** 10 419ML (2021: 10 281ML)
- **Diesel:** 83 268kL (2021: 84 852kL)
- **Electricity:** 590 078MWh (2021: 601 717MWh)
- **Land rehabilitated:** 2 000ha (2021: 1 933ha)

- **Employees:** 6 745 (2021: 6 745)
- **Contractors:** 12 497 (2021: 12 068)
- **Investment in skills development and talent management:** R331 million (2021: R276 million)
- **Investment in employee remuneration:** R4.3 billion (2021: R4.1 billion)
- **Culture:** connect2NEXT

- **Investment in SLP projects:** R13.38 million (2021: R56.44 million)
- **Investment in ESD:** R291.2 million (2021: R127.7 million)
- **Corporate social investment (CSI) (including disaster relief funds):** R167.93 million (2021: R57.28 million)
- **Stakeholder relationship growth**

The capital constraints and trade-offs we face

These affect our ability to achieve our strategic objectives and value creation.

- Natural resources, including the Mineral Resources we rely on, are finite and must be managed carefully
- Balancing the need for energy that supports economic growth (primarily coal fuelled) with the need to transition to a low-carbon economy

- Attracting and retaining the right employees with the necessary skills for now and into the future remains challenging in a competitive market

- Growing negative sentiment towards companies in the fossil fuels sector
- Increasing expectations on companies to solve societal issues
- Increased reputational risks due to conduct of employees, contractors and suppliers

Our activities

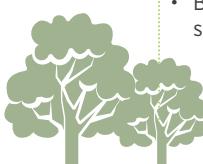
What we do

Our business activities align with our strategy of strengthening our resilience and ensuring we deliver sustainable value through a robust portfolio in a low-carbon economy.

Our activities comprise:

Responsible mining

- Delivering resources to support the country's energy needs
- Responsible environmental stewardship



Renewable energy operations (own use and grid supply)

- Generating renewable energy projects and services
- Build a leading global renewable energy solutions business by 2030





Manufactured capital

The physical mining, energy and property assets that enable us to deliver our products



Intellectual capital

The unique combination of knowledge, experience, innovation and systems that differentiate Exxaro



Financial capital

The financial assets that enable us to deliver on our strategy

- Five **mines** (including one joint venture), **one ferro-silicon manufacturing facility**, **one coal project** and **two windfarms**
- **Sustaining capital:** R1.4 billion (2021: R1.6 billion)
- **Expansion capital:** R0.3 billion (2021: R0.8 billion)
- **Investment in property, plant and equipment:** R1.7 billion (2021: R2.5 billion)

- Continued investment in **world-class digitalisation**
- **Business excellence** integrated into the business
- **Leadership and management training:** 264 people attended (2021: 322)
- Significant investment in **updating and aligning our strategy** to our purpose and long-term goals
- Continued investment in **leading governance structures:** changes in board and engagement with investors

- **Adjusted equity-accounted income:** R7.3 billion (2021: R9.8 billion)
- **Adjusted EBITDA:** R19.0 billion (2021: R10.7 billion)
- **Cash dividend paid to external shareholders:** R6.7 billion (2021: R9.6 billion)
- **Cash dividend paid to BEE Parties:** R2.2 billion (2021: R3.1 billion)
- **Revenue:** R46.4 billion (2021: R32.8 billion)
- **Balance sheet strength**

- Manufactured capital remains costly with delays in project completions hampering growth

- As the world evolves at an unprecedented pace, technologically and in terms of the operating context, rapid innovation and ideation is more important than ever and remains challenging

- In a low-growth environment, financial capital remains costly and scarce

Our purpose guides our activities, ensuring we continue providing critical resources that support South Africa's sustainable economic and social development in a way that will accelerate change and ultimately safeguard the value we create for our stakeholders over time. We are committed to making a deliberate positive impact through our physical outputs and the way we do business.

Strategising for future relevance and a just transition

- Developing a roadmap for a just transition to a low-carbon economy



Diversified equity investments

- SIOC (iron ore)
- Black Mountain (zinc)

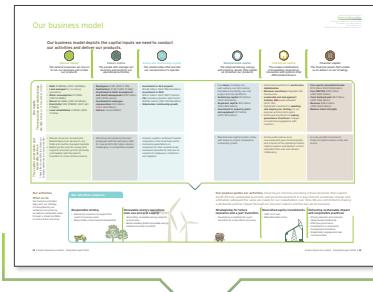


Delivering sustainable impact and responsible practices

- Driving diversity and inclusion
- Values-based leadership
- Effective governance
- Investments in community development initiatives
- Stakeholder engagement and communication

Our business model continued

Although we strive to create value through our business activities and our Sustainable Growth and Impact strategy, we have a negative impact on some capitals. We remain committed to negating these negative impacts while creating positive impacts beyond compliance by using our recognised ESG, brand and culture.



Our outputs
Our product



Coal
43.1Mt product volumes
(2021: 42.5Mt)



Renewable energy
671GWh wind energy
(2021: 724GWh)

Our outcomes

Creating, preserving or eroding value: To ensure sustainability, our positive impacts must reach far and wide. We must be a catalyst for meaningful change with our legacy measurable long after mining ceases.



Natural capital

⊖ Despite a focused approach to environmental stewardship, we have an overall negative impact on the environment and thus erode natural capital. This is because we extract natural resources as part of our business activities and depend on these natural resources.



Human capital

⊕ As part of ensuring we have the right people to drive us forward, we invest in, upskill and offer our employees an attractive value proposition, thereby increasing our overall human capital. This investment extends to potential future employees and the communities who provide labour to our operations.
⊖ We preserve the value of our human capital by being mindful of the health and safety of our employees and host communities, and striving to achieve zero harm through collective responsibility, commitment and risk awareness.



Social and relationship capital

⊕ We deliver value to our host communities through our impact at scale initiatives, SLP commitments, stakeholder engagements, attracting participation from black-owned suppliers and our commitment to the UNGC principles.
⊖ We are aware of the impact mining operations have on host communities, now and at the end of a mine's lifecycle. We aim to mitigate this by ensuring a just transition of our operations and our communities' long-term sustainability.

Our outcomes

How we are improving our outcomes

- Mine responsibly
- Minimise our environmental impacts
- Actively participate in the just energy transition to a low-carbon economy
- Reduce the risk of stranded assets
- Active land management
- Ensure biodiversity stewardship
- Increase the proportion of high-quality coal in our product mix
- Continue improving our good cost control and resource efficiency

- Remain committed to achieving zero harm
- Work with employees and contractors to eradicate any safety incidents
- Continue to invest in employees

- Continuously seek ways to engage and maintain relationships of mutual respect and benefit with our stakeholders
- Maintain a robust ESG framework to enable strategic decision making and governance while considering our long history and purpose to guide our transition within the context of our local and global realities

- ⚠ **Carbon intensity:** 0.5% increase (2021: 13% increase)
⚠ **Water intensity:** 0.5% increase (2021: 9% increase)
⚠ **Environmental incidents:** zero (2021: zero level 3)
⚠ **Valid mining rights:** 100% (2021: 100%)
✓ **Safety stoppage directives:** seven (2021: two)

- ⚠ **Employee and contractor fatalities:** one (2021: zero)
✓ **Lost-time injury frequency rate (LTIFR):** 0.05 (2021: 0.08)
⚠ **Occupational health incident frequency rate (OHIFR):** 0.16 (2021: 0.16)
⚠ **Scarce skills retention:** 4.4% (2021: 3.7% (on target))

- ✓ **Community incidents***: 13 (2021: 14) with one day shift lost at Matla
⚠ **Top-quartile mining performer in ESG governance structure ESG analyst rating:** 4.0 (2021: 3.7)
✓ **BEE level:** 3 (2021: level 2)

* Incidents are protests that did not lead to production stoppage.

Affected SDGs



- Our business model does not operate in isolation. It impacts and is impacted by our:
- Risks and opportunities (page 26)
 - Strategy and resource allocation (page 44)
 - Performance (page 86)
 - Stakeholders (page 36)

Impact on value:	Net increase in value	Net value preservation	Net value erosion
Year-on-year change:	Positive increase Negative increase	Unchanged	Positive decrease Negative decrease



Iron ore (SIOC)
R4.9 billion adjusted equity-accounted income
(2021: R9 billion)



Waste
1 624t hazardous waste
(2021: 520t)
971ktCO₂e emissions
(2021: 995ktCO₂e)

This should be embodied in creating opportunities and economies that sustain communities and broader society for future generations.



Manufactured capital

- + Our investment in our portfolio of quality assets to meet changing market demands increases our manufactured capital.
- However, these investments decrease our financial capital and natural capital.



Intellectual capital

- + We continue increasing our competencies across mining and renewable energy. Our focus on business resilience, investments in innovation, digitalisation and technology – for example, our renewable energy risk and opportunity domain analysis (RRODA) tool/platform – increase intellectual capital.
- + Our collective knowledge, skills and resources positively impact human, social and relationship, and manufactured capital.



Financial capital

- + To ensure we positively impact financial capital and create value over time, we have a strong balance sheet and cash-generative coal business, a strategy that builds off our core purpose and capabilities, and a leadership team fully aligned with the need to create a carbon-resilient business. We deliver financial value and empower people to create impact and self-sustaining economic activity.
- We invest and distribute our financial resources to support our strategy, increase efficiency, expand operations and maximise value.

- Optimise our manufactured assets
- Fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification

- Maintain our competitive advantage through innovation and digitalisation
- Build on an already successful business as we mature, using our intellectual capital and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company
- Become a leading international renewable solutions provider by the end of the decade

- Continue focusing on initiatives designed to lower costs, increase quality and manage our risk profile to deliver financial value
- Carefully consider how we allocate capital to achieve our strategic goals and invest in our current operations and future growth plans
- Create value for our broader stakeholders by continuously delivering solid returns to shareholders and ensuring we have the financial resources to implement our growth plans and social development objectives

- ⚠ Marginal timeline overruns in mega-projects
- ↔ Implementation cost for mega-projects on target

- ✓ **Core system availability:** 97.94% (2021: 99.55%)
- ▲ **Secure scorecard:** 76.35% (2021: 63.45%)

- ▲ **EBITDA margin:** 41% (2021: 33%)
- ▲ **Return on capital employed (ROCE):** 45% (2021: 36%)
- ▲ **Adjusted HEPS:** 6 016 cents per share (2021: 4 683 cents per share)
- ▲ **Market capitalisation:** R75.9 billion (2021: R53.4 billion)



Our material matters

Materiality considerations are a fundamental guide to our reporting. Our material matters reflect the factors that impact our ability to deliver and sustain value for ourselves, stakeholders and the natural environment.

Determining materiality

We annually assess our material matters. Since 2021, we have followed a detailed double materiality determination process to enable us to identify our impact materiality (our impact on society, communities and the environment) and our financial materiality (matters that impact our ability to generate revenue and preserve shareholder value over time). This approach reflects the combined guidance of the Integrated Reporting Framework and GRI, and results in matters that are prioritised and grouped into themes to inform our integrated and ESG report content.

Materiality determination process

- Assess the external context, including global, local and industry risks, opportunities and trends
- Critically assess stakeholder reports
- Analyse external sources, including materiality mappers
- Review and benchmark our peers' material matters
- Consider internal inputs, including risk registers, stakeholder surveys and strategy

- Prioritisation of material matters by senior management and executives
- Review and approval of matters by executives and those charged with governance
- Output: Material matters for reporting purposes

2022 material matters

The 2022 review confirmed that all our previous matters remain material and identified new matters for consideration under our themes. The materiality matrix that follows reflects 35 material matters grouped into seven themes, indicating their respective impact and financial materiality. Recognising that materiality is dynamic in nature, the process is conducted annually, allowing us to regularly and timeously reflect on matters that may evolve from being material from an impact perspective, to being financially material.



* New matter or theme. ** Dual matter (across two themes).

Our material themes



Adapting to a changing context

The operating context is changing rapidly. Social, political and economic issues all impact our ability to create value. We operate in a long-term asset class with significant infrastructure investment. To remain competitive, we must respond to the current context and anticipate the future.

Material matters

- Country risk (failing infrastructure, institutions and service delivery in South Africa)
- Geopolitical context
- Macro-environment
- Supporting a just transition to a low-carbon economy
- Commodity price risk

Related risks

- Key dependency on Eskom as a key customer
- Inflationary pressures
- Water scarcity (medium to long term)
- Country risk (political)

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our operating context](#) (page 12) and [business resilience](#) (page 88)



Responsible environmental stewardship

We acknowledge the impact of mining in our ecosystem. We must ensure we are responsible stewards of natural resources upon which our operations and communities rely to ensure a sustainable future for our employees, communities and the planet.

Material matters

- Water stewardship
- Impact of climate change
- Managing our pollution
- Closure planning and rehabilitation management
- Carbon emissions reduction
- Waste management
- Biodiversity management

Related risks

- Key dependency on Eskom as a key customer
- Inflationary pressures
- Water scarcity (medium to long term)
- Country risk (geopolitical)

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our environment](#) (page 103)



Building sustainable communities

We operate in an environment of stakeholder capitalism^a. Our business activities impact our stakeholders and they, in turn, respond to these impacts.

Our social licence to operate depends on how we look after our communities and the natural world around us, and adherence to legislation.

In addition to the many programmes we have in place to support our communities' health and wellbeing, we are also committed to a socially just transition, sensitive to the potential impacts for Exxaro, our communities, South Africa and the planet.

^a Where organisations are oriented to serve the interests of all their stakeholders.

Material matters

- Social licence to operate (including community relations, collaboration and engagement)
- Social acceptance and community unrest
- Supporting a just transition to a low-carbon economy
- Impacts on local communities (positive and negative)
- Value sharing
- Job and business creation
- Resettlement and land use
- Human rights

Related risks

- Unavailability of rail capacity
- Inflationary pressures
- Water scarcity (medium to long term)

Strategic response

- Empower people to create impact
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Social licence to operate](#) (page 101)

Our material matters continued



Helping our people thrive

Exxaro's employees are the enablers of our performance. To deliver on our strategic goals, we foster a culture that supports adaptability and innovation, while leveraging the strength of diversity, equity and inclusion.

We are committed to protecting our people's health, safety and wellness and building trusting relationships.

Material matters

- Health, safety and wellness
- Workforce: culture, capability, diversity, inclusion and innovation
- Labour relations

Related risks

- Not achieving growth objectives
- Fatal risk incidents

Strategic response

- Make our minerals and energy businesses thrive
- Empower people to create impact
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our people](#) (page 92)



Executing our strategy

Climate change is not a refutable occurrence. We are committed to the Paris Agreement and have established a strategy and business objectives to respond to both the short and long-term risks and opportunities presented by climate change.

Material matters

- Coal portfolio optimisation
- Diversify into minerals
- Build a leading global renewable energy solutions business

Related risks

- Unavailability of rail capacity
- Fatal risk incidents
- Not achieving growth objectives
- Inflationary pressures
- Country risk (geopolitical)
- Water scarcity (medium to long term)
- Legal and regulatory non-compliance

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our strategy](#) (page 44)



Driving business resilience

Underpinning our strategic objectives is the drive to enhance our business resilience through safe production, delivering financial results, effective capital allocation, compliance excellence, entrenching innovation and capitalising on digitalisation.

Material matters

- Supply chain and logistical impediments
- Financial performance and resilience
- Capital allocation
- Cyber risk
- Innovation and digitalisation

Related risks

- Unavailability of rail capacity
- Key dependency on Eskom as a key customer
- Cybersecurity attacks impacting business
- Inflationary pressure
- Country risk (geopolitical)

Strategic response

- Make our minerals and energy businesses thrive
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Business resilience](#) (page 88)



Principled governance

We conduct ourselves so as to strengthen our business reputation as a good corporate citizen and resilience in a changing environment.

Material matters

- Transparency, ethics and integrity
- Embedding ESG in response to increased regulation and for sustainability
- Legal, regulatory and compliance excellence
- Risk management

Related risks

- Unavailability of rail capacity
- Dependency on Eskom as a key customer
- Cybersecurity attacks impacting business
- Inflationary pressure
- Country risk (geopolitical)

Strategic response

- Make our minerals and energy businesses thrive
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



Governance for value creation

(page 51)



Exxaro maintenance team at work

Our business risks and opportunities

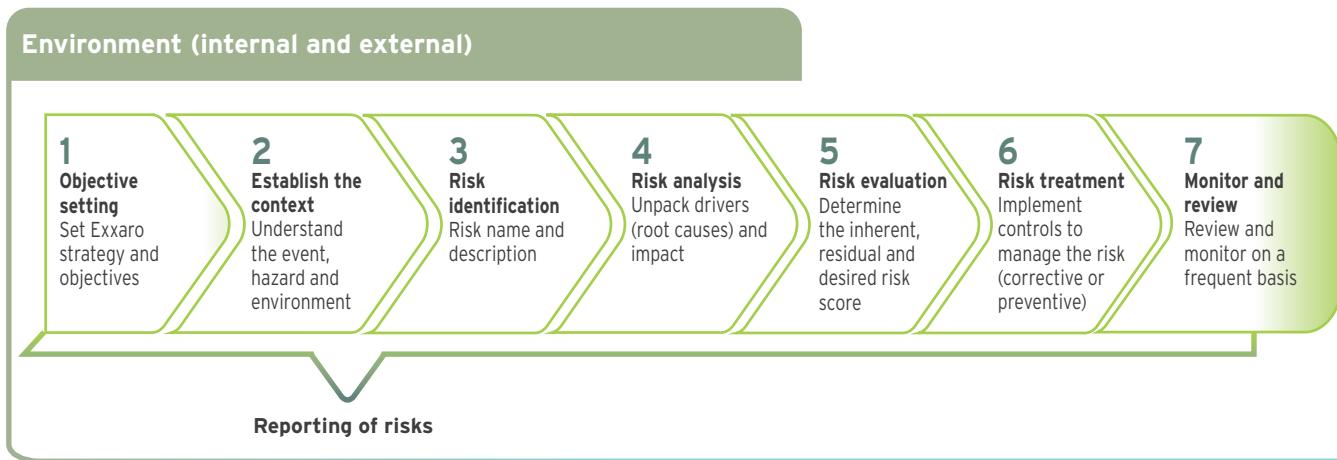
The mining industry has faced numerous challenges in the last three years. In an uncertain and volatile environment, we rely on our mature risk management strategies to make agile and effective decisions to mitigate risk exposure and leverage opportunities.

Our risk management approach and governance

In a volatile political and economic environment characterised by change and uncertainty, risk management is a critical success factor for us to achieve strategic and business objectives to remain sustainable and protect shareholder value. Embedding risk management into our daily activities and processes is key to making informed decisions and proactively planning for possible future unwanted events stemming from internal and external sources.

Our enterprise risk management (ERM) process is a strategic initiative fully supported by the board and executive management. The ERM framework provides a proactive, systematic and integrated approach to risk management. The principles outlined in the framework form the foundation for our risk management philosophy, mission and vision. The ERM framework and process illustrated below are based on principles published by the Committee of Sponsoring Organisations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. It also considered applicable codes of best practice such as ISO 9001, 14001 and 18001. The ERM framework is regularly reviewed to ensure it remains relevant and effective.

Risk management process



We follow a cascade approach by identifying risk events at the organisation's strategic, tactical and operational layers. Significant risks from the strategic layer are filtered down to the tactical and operational layers and are supplemented by the identification of risks that have an impact across the organisation. Significant risks originating at an operational layer will also be elevated to a strategic or tactical layer if the residual risk and residual risk gap exceed certain thresholds. In this way, the process incorporates a top-down/bottom-up view of risks within the organisation.



Risk appetite and thresholds

Exxaro's risk management philosophy identifies risk management as a strategic enabler rather than being compliance-driven. This ensures that we think and act proactively at every layer to pursue the company's strategic objectives.

The board and executive committee monitor KPIs quarterly to ensure all risks and key metrics are within Exxaro's risk appetite. The risk appetite framework is updated annually or when deemed necessary as part of the strategic planning process.



[Performance against our strategy and future focus \(page 47\)](#)

Opportunities

We use the ERM framework to identify and realise opportunities – for example, early value coal extraction to maximise value in the short to medium term in view of the climate change risk. We believe that, for Exxaro to remain sustainable in the short term, it is important to adapt the minerals business to change and identify and pursue possible opportunities that ultimately create value, such as reducing stranded high-value Coal Reserve risk.

The opportunities we identified in 2022 informed our Sustainable Growth and Impact strategy.

Opportunity	Strategic objective
The drive for future-facing minerals presents opportunities to invest in exploration projects at various stages through our balanced portfolio approach towards capital allocation and managing risk and returns	Transition at speed and scale
Private-public participation in local rail operations is an opportunity for value unlock and vertical integration . We are currently investigating this opportunity	Make our minerals and energy businesses thrive
The multidimensional poverty index highlights the drivers of poverty and inequality in our communities, allowing us to focus our social impact efforts towards sustainable impact . We will focus on education, land use and local economic development	Become a catalyst for economic growth and environmental stewardship
The early value coal strategy and our ability to maximise resource to market opportunities by leveraging the low cost and flexibility of our coal assets and reserves	Make our minerals and energy businesses thrive
Accelerated expansion into renewable energy will support our low-carbon transition	Be carbon neutral by 2050 Make our minerals and energy businesses thrive
Impact investments provide an opportunity for Exxaro to leverage this financing market to support our just transition ambitions and align with our Sustainable Growth and Impact strategy	Empower people to create impact
The hydrogen economy was identified as a strengthening signal through our foresight process and market analysis conducted in 2021. Following this analysis, we concluded that hydrogen provides tailwind opportunities for our energy business and is not of significant interest to necessitate a horizon 2 shift at this stage	Make our minerals and energy businesses thrive
Nature-based solutions to mitigate the impacts of climate change were identified as an opportunity, especially in lieu of the vast amount of viable land that Exxaro has at our disposal. We intend to maximise this opportunity through our Sustainable Growth and Impact strategy	Be carbon neutral by 2050
Investing in self-generation facilities is an opportunity we are leveraging, which aligns with our renewable energy growth strategy.	Make our minerals and energy businesses thrive Be carbon neutral by 2050
Exxaro will develop a 68MW photovoltaic farm, near Grootegeluk, through its SPV, Lephalale Solar Proprietary Limited. This is our first self-generation project to expand and diversify within the renewable energy space, supporting low-carbon emissions, and long-term savings on electricity usage at Grootegeluk	
The global energy transition provides an opportunity to mine and supply the minerals that support green technologies. Through a rigorous screening process, Exxaro identified copper, manganese and bauxite as being most aligned to our experience, capabilities and market forecast	Make our minerals and energy businesses thrive

Our business risks and opportunities

continued

2022 risk trend

The trend report indicates changes in the residual risk score when comparing the 2022 and 2023 financial years. Our risk scores are derived from the product of the likelihood and the impact of the unwanted event*. The top 10 risks are arranged from highest to lowest risk score.

The 2023 ranking represents the key possible unwanted events we anticipate having a potential impact on our ability to achieve our strategic imperatives in 2023. These risks are reviewed on a quarterly basis and could change significantly depending on the internal and external root causes that drive these risks to materialise. These risks are prioritised and treatment strategies have been designed and implemented. The effectiveness of these treatments will be monitored on an ongoing basis to ensure the risks are managed down to acceptable risk levels.

2022 top risks	Ranking	2023 top risks (forward-looking)	Ranking in top 10 trend	Comments
Unavailability of rail capacity	1	Unavailability of rail capacity	➤	TFR productivity remains a new challenge. Closing the gap initiatives implemented to reduce impact of TFR performance on exports (other optionality and Free Carrier sales). High level engagements with TFR continue with view to find solutions to current challenges and improve train availability.
Eskom systemic risk	2	Key dependency on Eskom as a key customer	➤	The utility continues to have operational challenges. Some of the challenges experienced by Eskom require additional funding which will place the utility under financial strain.
Community unrest	3	Cybersecurity attacks impacting business	▲	The risk of cyberattacks remains high. Following an incident in October 2022 and the outstanding items on the cybersecurity score, a comprehensive list of actions was compiled to lower the residual risk. There are two categories of actions: (a) actions from the forensic report received from the Microsoft Detection and Response Team and (b) a list of actions identified internally with service providers.
Cybersecurity threats	4	Fatal risk incidents	▲	Exxaro's focus will be on our five strategic pillars: <ul style="list-style-type: none">• Incredible leadership• Safety communication• Risk management• Safety training• Consequence management
Health and safety concerns	5	Not achieving growth objectives	▲	The primary growth lever for the organisation is inorganic growth through acquisition. Possible contributing factors could also include: <ul style="list-style-type: none">• Core merger and acquisition capabilities• Ability to structure and execute a deal• Risk appetite associated with making deals• Access to possible deals (beyond publicly listed)• Competition for assets• Speed at which we are able to process deals
Cost competitiveness of products	6	Inflationary pressures	➤	Higher than inflation increases in the cost of consumables (eg oil prices, logistical costs, etc) and lower production volumes result into an increase in unit cost.
Climate change concerns	7	Country risk (geopolitical)	▲	The current political environment, slow economic recovery, deteriorating state infrastructure and other macro-economic factors have an adverse effect on the country risk assessment.
Loss of social licence to operate	8	Loss of licence to operate	➤	Ongoing monitoring of compliance with specific focus on licence to operate.
Unable to secure sufficient insurance cover	9	Legal and regulatory non-compliance	▲	Changes to regulatory framework in mining and energy are constantly monitored. Awareness and training on compliance matters are planned for 2023. Ongoing monitoring of legal and regulatory compliance.
Country risk (geopolitical)	10	Water scarcity (medium to long term)	▲	Additional augmentation of the Mokolo Crocodile Water Augmentation Project (MCWAP) scheme through sourcing additional water from Crocodile River system (MCWAP2) will strengthen the yield of the overall system and alleviate the medium to long-term risk at our Grootegeluk operation. Our Mpumalanga operations are less vulnerable to water scarcity as they have an overall positive water balance. Exxaro will set an internal price of water in 2023 to further drive water conservation awareness at our operations.

* Risk = f (likelihood of risk occurring x Impact of the risk).

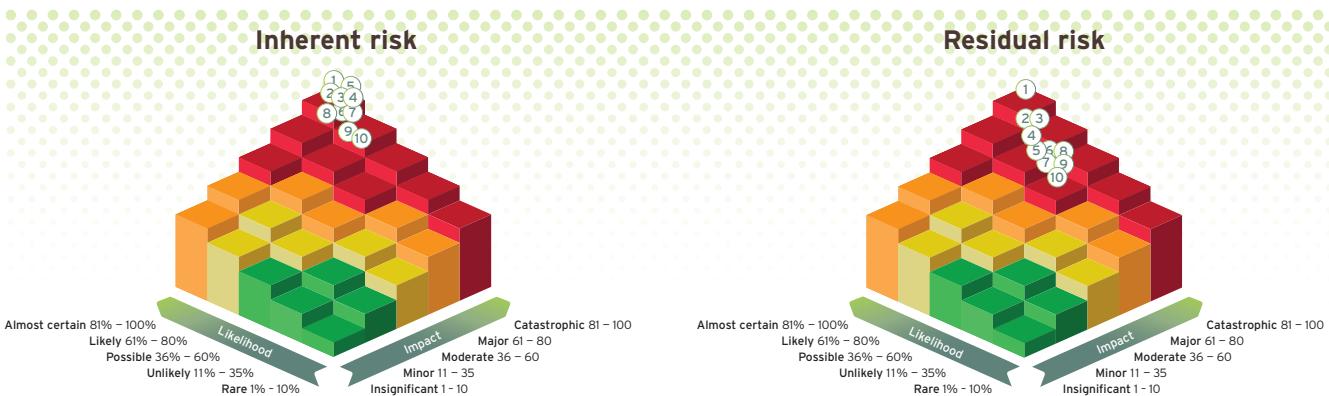
▲ Ranking in the top 10 is higher compared to previous year

➤ Ranking in the top 10 remained unchanged compared to previous year

▼ Ranking in the top 10 reduced compared to previous year

Top 10 heat map

Exxaro's top 10 risks are plotted inherently (before controls) and residually (after controls) on the heat maps below, followed by an outline of our key identified risks, the main drivers, their potential impacts and mitigating treatments. We have considered internal and external risks. Our mitigation strategies depend on the severity of impact and likelihood of occurrence.



Managing our risks

Various risk treatment strategies are evaluated, including risk avoidance, reduction, sharing, acceptance or transferring. When selecting risk treatment options, we consider the values and perceptions of stakeholders and the most appropriate ways to communicate them.

The decision to implement a treatment is based on risk tolerances, the effect the treatment will have on the impact and likelihood ratings, and the results of the cost versus benefit evaluation. Once a risk treatment is implemented, Exxaro develops ongoing mechanisms to monitor the implementation and effectiveness of the risk treatment.

Lines of defence
1 Management of risk (risk owner)
2 Management support and oversight
3 Independent assurance

Risk trend
▲ Residual risk increased compared to previous year
▼ Residual risk decreased compared to previous year
➤ Residual risk remained unchanged compared to previous year
★ New

1. Unavailability of rail capacity (2022: 1)

Drivers	Impacts	Material theme
<ul style="list-style-type: none"> Cable theft and derailments Transnet's locomotive availability Inadequate fleet maintenance due to lack of spares at TFR Financial viability of Transnet TFR skills shortage to maintain operations 	<ul style="list-style-type: none"> Operational stoppages Financial loss Unable to meet contractual agreements and 2022/23 budget Unable to grow and execute the value extraction strategy Shareholder dissatisfaction on lower returns Impairment of RBCT investments 	
Treatments	Outlook	Capitals impacted
<ul style="list-style-type: none"> Marketing and logistics team exploring options to evacuate export-bound coal Continuous engagement with TFR to understand issues and provide assistance Engage Transnet Port Terminals for a possible contracting to export via Richards Bay Transnet Port Terminals Implement a logistics solution (alternative options) 	<p>Operational and maintenance challenges are expected to continue to have a significant impact on Exxaro. Sustainable solutions to current challenges will be explored through proactive engagement with Transnet and the industry.</p>	
Strategic KPIs	Strategic objective impacted	Line of defence
<ul style="list-style-type: none"> Core operating margin Annualised ROCE Annual core HEPS and net debt to annualised EBITDA 	Make our minerals and energy businesses thrive	

Our business risks and opportunities

continued

2. Key dependency on Eskom as a key customer (2022: 2)

Drivers	Impacts	Material theme
<ul style="list-style-type: none"> Inadequate environmental financial provision at tied operations Environmental rehabilitation fund shortfall at Matla Realisation of approved funding for capital requirements (Matla capital project programme) Further delays in Eskom's Medupi power station operating at full capacity Eskom not honouring commercial rights and obligations as per coal supply agreements (Eskom liquidity) Eskom liquidity risk Commercial risk attached to long-term contracts 	<ul style="list-style-type: none"> Cost of coal production becomes uncompetitive at Matla (lack of capital) Loss of revenue Reputational damage Operational constraints National grid failure Eskom declares force majeure 	 Capital impacted 
Treatments	Outlook	Lines of defence
<ul style="list-style-type: none"> Enforce coal supply agreements and award arbitration in terms of environmental funding Stakeholder engagement Ongoing discussions on coal supply agreements 	<p>Eskom's financial challenges will remain a concern in the short to medium term as government continues to reform South Africa's electricity sector and Eskom implements its turnaround strategy and restructuring.</p>	1 and 2 
Strategic KPIs	Strategic objective impacted	Risk ranking trend
<ul style="list-style-type: none"> Adjusted operating margin Annualised ROCE Annual adjusted HEPS and net debt to core EBITDA 	<p>Make our minerals and energy businesses thrive</p>	

3. Cybersecurity attacks impacting business (2022: 4)

Drivers	Impacts	Material theme
<ul style="list-style-type: none"> Large number of devices connected (especially in operations) to the corporate network that requires to be managed (security updates) Vulnerability due to lack of awareness. People exposing Exxaro to cyberattacks Most employees working remotely 	<ul style="list-style-type: none"> Production loss and ransom resulting in financial loss Loss of information Business interruption Legal and regulatory impacts (Protection of Personal Information, 2013 (Act 4 of 2013) (POPIA) implications) 	 Capitals impacted 
Treatments	Outlook	Line of defence
<ul style="list-style-type: none"> Ensure we have monitored security governance in place Data loss prevention strategy Stricter security practices Ensure regular and ongoing security awareness Monitor compliance with POPIA Business continuity management plan and disaster recovery testing 	<p>The prevalence of cybersecurity attacks, specifically ransomware the most prevalent, is expected to increase. We will continue to improve the robustness of the cybersecurity posture.</p> <p>Exxaro continues to benchmark its cybersecurity profile to enhance our efforts on vulnerability identification and management.</p>	1, 2 and 3 
Strategic KPIs	Strategic objective impacted	Risk ranking trend
<ul style="list-style-type: none"> Microsoft Secure Score 	<ul style="list-style-type: none"> Make our minerals and energy businesses thrive 	

4. Fatal risk incidents (2022: 5)

Drivers

- Lack of fatal risk ownership and leadership support
- Under-classification of critical controls to manage fatal risk
- Inadequate resource allocation to implement and manage critical control management programme

Impacts

- Fatal health and safety incidents
- Operational stoppages
- High insurance premiums
- Loss of licence to operate
- Decrease in quality of life
- Section 54 by the Department of Mineral Resources and Energy (DMRE)
- Loss of productivity (deaths, medical incapacity or sick leave)

Treatments

- Implementation of critical control management programme with strong emphases placed on the effectiveness of preventive controls
- Evaluate the effectiveness of the critical controls through compulsory quarterly verifications
- Identification of the critical control performance trigger for shutdown, critical control review or investigation

Outlook

Our employees' safety remains a top priority. Although good safety performance (LTIFR) has been demonstrated in the recent past, we continue to implement our safety strategy with a focus on safety improvement in our quest for zero harm.

Strategic KPIs

- Fatalities
- LTIFR
- OHIFR
- Number of health and safety stoppage directives in terms of section 54 of the Mine Health and Safety Act, 1996 (Act 29 of 1996)

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence

1, 2 and 3

Risk ranking trend



5. Not achieving growth strategy (new top 10)

Drivers

- Volatile economic and market conditions
- Perceived increased business risk
- Regulatory uncertainty in South Africa
- Speed at which we are able to process deals
- Competition for assets
- Access to possible deals
- No risk appetite associated with making deals
- Unavailability of skills

Impacts

- Reputational damage
- Unable to transition from coal to other minerals

Treatments

- Regular communication on strategy, capital allocation and returns against targets
- Disclosure of target and performance against strategy and capital allocation
- Build critical skills and capacity to achieve strategy
- Clarity of transition strategy to low-carbon future and expected returns

Outlook

The primary growth lever for the organisation is inorganic growth through acquisition. We will continue to pursue opportunities for growth through mergers and acquisitions.

Strategic KPIs

- All

Strategic objective impacted

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Material themes



Capitals impacted



Lines of defence

1, 2 and 3

Risk ranking trend



Our business risks and opportunities

continued

6. Inflationary pressures (2022: 6)

Drivers	Impacts	
<ul style="list-style-type: none"> Not achieving productivity indices (benchmark standards) Cost containment discipline not uniform Deteriorating mining conditions (decreasing yield and increasing stripping ratio) Not meeting production volumes Exchange rate volatility Commodity price decline Inaccurate financial modelling Higher fixed costs (corporate office costs charged to business units (BUs)) South African geographical constraints 	<ul style="list-style-type: none"> Financial loss Margin squeeze Premature mine closure and allocation of costs to other operations Reduced earnings will impact approval of capital projects 	Material theme 
Treatments	Outlook	
<ul style="list-style-type: none"> Embrace technology and innovation initiatives to improve productivity performance Optimise operating model and avoid duplicated activities Create strategic partnership to leverage economies of scale Ensure balance between capital optimisation and prioritisation Investigate and divest non-core and non-robust assets Review and monitor performance of suppliers and service providers Increased awareness of cost management Focus on sustainable cost reduction programmes and business improvement initiatives Planned reviews by coal operating company Rebalancing product chains for better use of infrastructure 	<p>Inflationary pressure is expected to continue given challenges in the global economy exacerbated by the Russia-Ukraine conflict.</p> <p>We continue tracking and monitoring production efficiency initiatives to manage ongoing volatile conditions and cost pressures, focusing on reducing consulting costs and continued focus on production efficiencies.</p>	Capitals impacted   Lines of defence 1, 2 and 3 Risk ranking trend 
Strategic KPIs	Strategic objective impacted	
<ul style="list-style-type: none"> Adjusted operating margin Annualised ROCE Annual adjusted HEPS and net debt to annualised EBITDA 	Make our minerals and energy businesses thrive	

7. Country risk (geopolitical) (2022: 10)

Drivers

- Lack of investment and low employment creation
- Uncertainty about land ownership and security of tenure
- Limited local government capacity to deliver services
- Potential for nationalisation sentiment
- Continued poor economic performance will influence policy and political outcomes
- Slow implementation of required reforms
- Corrupt practices (private and public sector)
- Rating agencies downgrade South Africa to junk status
- South Africa's real GDP growth forecast to be 0.6% for 2023
- Limited fiscal capacity
- National party leadership elections every five years
- Nature of influence of opposition parties
- Political instability
- Policy uncertainty

Impacts

- Possibility of community unrest for political support
- Stakeholder dissatisfaction
- Potential regulatory penalties/oversight
- Increased compliance burden
- Potential increase in royalties/taxes
- Reduced investment opportunities (increase in cost of capital)
- Increased cost of doing business (due to increased compliance burden)
- Fewer opportunities for co-investment with government in community development
- Breakdown in government relationships with Exxaro
- Higher expectation from society and government for more social investment
- Potential for junk status rating and/or downgrade of Exxaro's credit status due to link to Eskom
- Pressure on revenue

Treatments

- Align our purpose with governance and ethics
- Continuously monitor independent country risk assessment report
- Engage with shareholders on minerals business and capital allocation for new strategy
- Establish and participate in collaborative regional development platforms for community impact
- Develop renewables strategy that could result in new investment and electricity security
- Long-term investment perspective for growth, development and impact
- Municipal capacity building
- Ongoing engagement with Minerals Council and provincial and local governments
- Strive for full compliance with relevant legislation for business continuity
- Continued support of relevant business lobby groups to engage business and government
- Increased and improved analysis of dynamic political landscape and impacts on stakeholders
- Increased focus on provincial and local players and intensified engagement across local stakeholder networks to mitigate shocks "from above"

Outlook

Socio-political risks, policy uncertainty and sluggish South African economy are expected to continue influencing this risk.

Material theme



Capitals impacted



Line of defence

1

Risk ranking trend



Strategic KPIs

- N/A

Strategic objectives impacted

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Our business risks and opportunities

continued

8. Loss of licence to operate (2022: 8)

Drivers	Impacts	Material themes
<ul style="list-style-type: none"> Delays in approval of licences and authorisations Increased state interventions in the mining sector: expectations to invest and transform Unable to achieve SLP targets as approved (annual and five-year projects) Unable to meet legislative targets, eg Mining Charter and B-BBEE Lack of understanding of collaboration principles by other stakeholders Increased social activism 	<ul style="list-style-type: none"> Directives issued by DMRE to remedy Reputational damage Penalties and fines Financial loss Community unrest Production stoppages 	
Treatments	Outlook	Capitals impacted
<ul style="list-style-type: none"> Adherence to commitments in the SLP as a minimum Implementation of human resource development programme Pursue identified initiatives to progressively improve Exxaro's B-BBEE rating Compliance performance management Conduct SLP audits 	<p>We will continue focusing on delivery of our commitments to our licence to operate. Furthermore, the implementation of the Social Impact strategy is expected to deliver greater impact on the communities where we operate</p>	
Strategic KPIs	Strategic objective impacted	Lines of defence
<ul style="list-style-type: none"> B-BBEE level Mining Charter III KPIs Compliance KPIs (safety, health and environmental) 	<p>Make our minerals and energy businesses thrive</p>	1, 2 and 3
Risk ranking trend		

9. Legal and regulatory non-compliance (2022: 12)

Drivers	Impacts	Material theme
<ul style="list-style-type: none"> Inability to influence legislative changes Lack of awareness/knowledge around regulatory requirement Culture of non-compliance in South Africa New laws and regulation enacted with high frequency in South Africa and globally Uncertainty around energy legislation 	<ul style="list-style-type: none"> Operational stoppage Reputational damage Stoppage directives Penalties and fines Potential civil and criminal liability Delays in licence approvals 	
Treatments	Outlook	Capitals impacted
<ul style="list-style-type: none"> Conduct compliance awareness training on licence to operate requirements Early alerts on prospective changes in legislation Compliance programme Legal industry engagement through the Minerals Council about prospective changes Perform consequence management on deviations Internal and external compliance audits 	<p>Changes to regulatory framework in mining and energy are constantly monitored.</p> <p>Ongoing awareness and training on legal and regulatory requirements</p>	
Strategic KPIs	Strategic objective impacted	Lines of defence
<ul style="list-style-type: none"> Compliance KPIs 	<p>Make our minerals and energy businesses thrive</p>	1, 2 and 3
Risk ranking trend		

10. Water scarcity (medium to long term) (2022: 18)**Drivers**

- Drought exacerbated by climate change
- Limited water resources in South Africa
- Delays in the building of water infrastructure by government
- Competing demands of agriculture, mining and general population
- Traditional areas of operation have little water especially in the Waterberg
- Mismatch of what is approved and what is required on the water use licence (WUL)

Impacts

- Operational stoppage
- Escalation of cost of water
- Legal and health impacts
- Opportunity loss of starting a new venture
- Net present value

Treatments

- Implement a water security and management strategy
- Board approved MCWAP2
- Recycling of water
- Water treatment plant ensuring water efficiency and treatment
- Liaison with government via the Chamber of Mines
- Engaging in industry forums for catchment management planning
- Establishment of public-private partnerships

Outlook

Additional augmentation of the MCWAP scheme through sourcing additional water from MCWAP2 will strengthen the yield of the overall system and alleviate the medium to long-term risk at our Grootegeluk operation. Our Mpumalanga operations are less vulnerable to water scarcity as they have an overall positive water balance. Exxaro will set an internal price of water in 2023 to further drive water conservation awareness at our operations

Strategic KPIs

- Water intensity

Strategic objective impacted

- Make our mineral and energy business thrive
- Become a catalyst for economic growth and environmental stewardship

Material themes**Capitals impacted****Lines of defence****1, 2 and 3****Risk ranking trend**

Matla pollution control dam

Creating value through stakeholder engagement

We protect and maintain our licence to operate by building long-term, stable, mutually beneficial relationships, enabling us to create shared value with stakeholders. Our engagements also serve as a key treatment in the response to and management of organisational risks.

Our approach to meaningful stakeholder engagement

The value we create for our stakeholders is as important as the value we create for ourselves. We understand our social impact, as well as stakeholder needs and interests, which we identify through regular and ad hoc in-person engagement as well as through social impact assessments and a variety of surveys. This understanding enables us to respond appropriately during the course of business. We live our purpose to strengthen and maintain our stakeholder relationships, facilitating shared, sustainable value creation and impact.

 Refer to the ESG report for more information about our approach to [stakeholder management](#) (page 24) and engagement planning.

We have differentiated the layout of the stakeholder report between the ESG report and the Integrated Report. For this report, we describe our stakeholder management through the lens of our enterprise risk framework – that is, where stakeholder management was instrumental in responding to a key risk in 2022. However, in the ESG report, we have maintained a stakeholder lens to describe key stakeholder relationships and the issues we addressed during our engagements.

Stakeholder universe

We use our ERM process and regular BU and project workshops to identify our stakeholders and assess our impact on them, and their impact on our business. We categorise our stakeholders into four main clusters of government, communities, business and value chain participants and identify relevant engagement strategies and engagement objectives as required.

 [Stakeholder management](#) (page 24) in the ESG report explains the nature and quality of our relationships with strategic stakeholder groups discussed on the pages that follow.



Assessing engagement effectiveness

Engagement effectiveness is assessed through assurance and audits on our procedures and changes in risk ratings. We also measure perceptions of our engagement performance as part of a stakeholder survey. We conducted our first reputation tracking survey in 2022 following a baseline study in 2018.

Material engagements in 2022

Exxaro has many stakeholders but for the purpose of this report, we have focused on engagements most material to value creation and preservation. The related stakeholders and the detail of specific engagement are unpacked accordingly.

	Quality of relationship
★☆☆☆	No existing relationship or the relationship has challenges
★★☆☆	Established relationship but can be improved
★★★☆	Good relationship with opportunity for improvement
★★★★	Very strong relationship based on mutual trust and respect

2022 risk: Unavailability of rail capacity

Engagement purpose: Collaborate in finding solutions to improve logistics

Stakeholder: Transnet

Quality of relationship: ★★★★☆

Further reading

 [Our business risks and opportunities](#) (page 26)

Key engagements and outcomes

- Continued engagement through the Minerals Council South Africa (Minerals Council) with TFR and the Department of Public Enterprises to set up a collaborative forum between the mining industry and TFR. This is envisaged to take off in 2023

Strategic objectives

- Make our minerals and energy businesses thrive

Stakeholder expectations and issues

- TFR performance: Cable theft and security, train and driver availability, locomotive spares and derailments, force majeure

Material themes



2022 risk: Key dependency on Eskom as a key customer

Engagement purpose: Eskom continues to be a key customer for Exxaro. In 2022, 75% of Exxaro's sales was attributed to Eskom. The long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. We engage regularly in light of the challenges facing Eskom.

Stakeholder: Eskom

Quality of relationship: ★★★★☆

Further reading

 [Our business risks and opportunities](#) (page 26)

Key engagements and outcomes

- Matla:** Engagements to renegotiate the Matla cost plus agreement, due to expire mid-2023, are underway
- Grootegeeluk:**
 - Medupi power station:** Engagement on Exxaro's support regarding Eskom's emissions abatement obligation
 - Matimba and Medupi coal supply agreement contracts:** Regular planning and operational alignment engagements

Strategic objectives

- Transition at speed and scale
- Make our minerals and energy businesses thrive

Stakeholder expectations and issues

- Coal supply agreements

Material themes



Creating value through stakeholder engagement continued

2022 risk: Community unrest

Engagement purpose: We aim to build relationships and our understanding of community needs to enable collaboration and the successful delivery of socio-economic development projects. Engagements enable us to proactively resolve any issues or concerns raised before protest action occurs. We further aim to communicate how we create shared value through local employment and procurement, community development initiatives, skills development and ESD.

Stakeholder: Communities

Quality of relationship: ★★★★☆

Further reading

-  [Our business risks and opportunities](#) (page 26) and [social licence to operate](#) (page 101)
-  [Communities](#) (ESG report, page 78)

Key engagements and outcomes

- Continue engaging with communities and local municipalities through existing platforms such as stakeholder engagement forums to address local recruitment and procurement expectations. Regrettably we continue to experience interference in our supply chain processes
- The board held a follow-up community stakeholder engagement day in Limpopo
- We initiated engagements with key representatives of the Department of Cooperative Government and Traditional Affairs with the objective of strategic alignment on supporting socio-economic development in traditional authority areas
- Our new Social Impact strategy was approved by the board in November 2022. This will enable us to identify and develop impact projects
- Continue our efforts to reflect South Africa's diversity in the development and outcomes of all our projects

Strategic objectives

- Become a catalyst for economic growth and environmental stewardship
- Empower people to create impact

Stakeholder expectations and issues

Our communities expect Exxaro to employ, uplift and empower locally, enabling South Africa's development. Communities highlighted infrastructure, service delivery, procurement and youth and skills development as key issues during the year.

Material themes



2022 risk: Fatal risk incidents

Engagement purpose: Align employees' focus with our health and safety strategy and culture for competitive advantage and resilient business performance.

Stakeholder: Employees

Quality of relationship: ★★★★☆

Further reading

-  [Our business risks and opportunities](#) (page 26) and [our people](#) (page 92)
-  [Employee engagement](#) (ESG report, page 68), [health and wellness](#) (ESG report, page 64), and [safety](#) (ESG report, page 62)

Stakeholder expectations and issues

- Health and safety standards.

Material themes



Key engagements and outcomes

- Continued implementation of the COVID-19 awareness and vaccination programme with an average vaccination rate at our BUs of 90% against the industry target of 80%
- Daily reminders on safety issues at operational level, annual BU safety indabas and regular communication of safety messages across a variety of platforms
- Annual leadership safety day and sustainability summit
- Ongoing safety and safety risk management training
- Our employee wellness programme (EWP) is communicated on multiple internal platforms alongside daily inspirational SMS messages and weekly mental health masterclasses
- Engaged with employees about Exxaro's code of conduct

Strategic objectives

- Make our minerals and energy businesses thrive
- Empower people to create impact

2022 risk: Climate change concerns

Engagement purpose: Understand regulatory policy, empower employees, communities and value stream participants to manage climate change impacts, contribute to thought leadership and communicate our decarbonisation plan.

Stakeholders

- Government and regulators
- Employees and unions
- Communities
- Investors
- Customers
- Suppliers
- Trade and research associations

Quality of relationship: ★★★★☆**Further reading**

- 📄 [Our business risks and opportunities](#) (page 26)
[TCFD](#) (page 112)
- 👤 [Our people](#) (page 92)
- 🌐 [Social licence to operate](#) (page 101)
- 🌍 [Our environment](#) (page 103)
- 🌐 [Climate change resilience](#) (ESG report, page 38) and [social](#) (ESG report, page 59)

Stakeholder expectations and issues

- A just transition
- Climate change adaptation and mitigation
- Carbon pricing
- TCFD and decarbonisation plan
- Green procurement
- Biodiversity, waste and water
- Policy

Material themes**Trade and research associations**

As a member of the **Industry Task Team on Climate Change**, we worked with government and other businesses to address South Africa's international climate change obligations, supporting the low-carbon transition, carbon price merits, collaboration and the just transition.

Our **NBI** membership enables us to contribute to thought leadership on issues such as the just transition and the role of business in ensuring the transition to a low-carbon economy, preparation for COP meetings and alignment with the SDGs.

Through the **Minerals Council**, we were involved in discussions with government on the implications of environmental policy, carbon tax, and waste and water management in a changing climate.

We engaged with other businesses through **Business Unity South Africa** on macro-economic and high-level issues that affect the country at national and international levels.

Exxaro was also among the **Business Leadership South Africa** members focused on securing energy supply.

As part of the **Energy Intensive Users Group of South Africa**, we worked with government, power utilities, industry and other stakeholders to ensure a financially viable, technically healthy and well-managed energy supply sector for South Africa. We discussed energy efficiency, energy strategy and policy implementation with government and other businesses through the **Energy Efficiency Leadership Network**.

We also engage with various stakeholders such as government, NGOs, communities and industry, on air quality management in priority areas through multi-stakeholder reference groups and implementation task teams for the Highveld and Waterberg-Bojanala priority areas.

Strategic objectives

- Transitioning at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050

Key engagements and outcomes**Government and regulators**

Engagements with leading national authorities on climate change and carbon budgets included effective application of instruments designed to meet South Africa's international climate change obligations, particularly the NDC. We engage with the Department of Forestry, Fisheries and the Environment (DFFE) (lead department on climate change) and National Treasury (lead department on the Carbon Tax Act). Discussions with the Department of Energy included our renewable energy strategy and potential future investments in renewable energy.

Employees and labour unions

Our energy management efforts and implementation of cleaner energy sources at our operations drive carbon emissions reductions. Reducing and offsetting our footprint in line with the NDCs is a priority.

Communities

We are engaging with communities on climate change mitigation, adaptation and resilience with the aim of increasing the adaptive capacity of host communities. We are also communicating our decarbonisation plan.

Investors

We have shared our strategic approach to climate change mitigation, adaptation and business resilience as well as risks and opportunities, carbon pricing, TCFD recommendations and broader ESG issues.

Customers

We engaged with downstream customers who impact our carbon footprint, business strategy and ambition to be carbon neutral by 2050 about our Sustainable Growth and Impact strategy, decarbonisation plan and divestment from some coal operations. Engagement explored collaboration in emissions reduction, aiming to reduce our scope 3 emissions and customers' scope 1 and 2 emissions.

Suppliers

Our green procurement strategy prioritises sustainable supplier engagement with critical objectives including increasing the adoption of environmentally friendly, natural resource-efficient equipment, products and technology at Exxaro's operations.

Creating value through stakeholder engagement continued

2022 risk: Loss of social licence to operate and country risk

Engagement purpose: Proactive engagement supports our efforts to drive business resilience and manage risk. Collaborating and partnering with government is how Exxaro plays a role in finding solutions to socio-economic challenges and contributes to shaping government policies.

Stakeholder: Government

Quality of relationship: ★★★★☆

Further reading

-  [Our business risks and opportunities](#) (page 26)
-  [Social](#) (ESG report, page 59)

Material themes



Stakeholder expectations and issues

- The role of big business in solving broader societal issues
- Responsible water management, minimising environmental impact and overcoming climate change issues
- Life after mining, job development, community upliftment*
- TFR performance*
- COVID-19 response support*
- B-BBEE level – net profit after tax (NPAT) impact
- Socio-economic development*
- Municipal service delivery*
- Local procurement*

* This is a multi-stakeholder issue.

Key engagements and outcomes

- Department of Public Enterprises – continued engagement through the Minerals Council regarding TFR
- Departments of Health in Limpopo and Mpumalanga to support COVID-19 response strategies, and vaccine and booster vaccine roll-out programmes
- Engaged dtic regarding changes in NPAT and double treatment of dividend income. The challenges and proposed solutions were well received by the dtic. The dtic confirmed that these are areas of concern they are aware of, but that changing the codes is a lengthy process
- Engagement with the Department of Cooperative Government and Traditional Affairs, the Municipal Infrastructure Support Agency and the South African Local Government Association to find innovative responses to address service delivery challenges at local government level
- Regular engagement with the provincial leadership of Limpopo and Mpumalanga and their economic growth agencies to discuss development priorities and provide feedback on Exxaro's socio-economic development initiatives
- Engagement with the Presidential Climate Change Commission regarding our just transition response strategy

Strategic objectives

- Become a catalyst for economic growth and environmental stewardship

Case study: Reputation management top of mind

Perceptions of Exxaro's reputation and business ambitions have improved significantly since 2018 among the majority of Exxaro's key stakeholders, according to the stakeholder reputation survey conducted in 2022.

The survey reached out to 1 487 participants (government, investors, media, civil society, customers, suppliers, organised labour, communities and employees) online, by phone and in group sessions.

The survey was conducted against a global climate of generally declining trust in business to operate in the best interest of society. However, among Exxaro's stakeholders, trust in mining companies to operate in the best interest of society was up from 2018. The overall results show significantly improved trust and reputation indicators for the company compared to the baseline survey conducted in 2018.

Key findings

While all stakeholders agree that Exxaro delivers on its purpose, they also feel that there is an opportunity for us to increase the intensity of feedback, especially to communities. It is interesting to also note that other than communities, all stakeholders believe that we have a role to play in South Africa's transition away from fossil fuels.

Expectations from Exxaro on the community front remain very high. While our community development efforts are acknowledged, "more and better" is expected from the company given the increasing level of social and economic distress among our local communities.

Reputation resilience

The survey outcome shows that, while our overall relationships with stakeholders (measured through stakeholder engagement efficiency) are good, additional effort is required in relation to civil society and communities. In response, we have developed strategies for each stakeholder group to guide future engagement that will address concerns and reinforce mutually beneficial areas.

Transitioning the business for growth

Our Sustainable Growth and Impact strategy will deliver our long-term strategic objectives, measured and managed through KPIs for our progress on the journey to become carbon neutral by 2050.

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- 78 2022 strategic KPI performance
- 50 Key strategic trade-offs



CEO's report

Exxaro displayed tremendous resilience in navigating a tumultuous operating environment during the financial year, characterised by economic disruptions from the Russia-Ukraine conflict and resulting energy crisis, market volatility, domestic challenges, and evolving geopolitics.

Since Exxaro's creation in 2006, we have weathered international and domestic disruptions, among others, the global financial crisis, the commodity downturn and more recently COVID-19, while responding to the resonating global call to action against climate change to reduce carbon emissions in the face of South Africa's energy security challenges.

This is a time of many shifts - both externally and in our industry. Geopolitical changes, the global energy transition, and the move away from fossil fuels toward renewable energy will lead to varied regional impacts that will disrupt social structures and local communities. As such, we are conscious of the uncertainty among our stakeholders as we embark on our business transformation and transition to sustain Exxaro on the road to a low-carbon future. We are equally conscious of our leadership role and responsibility in society to carve a path to a positive legacy for generations to come.

Exxaro's value proposition

Our strategy is responsive to the changing operating environment. Key strategic shifts include *optimising our portfolio* to maintain our robust and resilient long-life coal assets, which are cost competitive and continue to deliver operating margins above 20%. We unlocked significant value for shareholders by disposing of non-core assets.

Our *early value coal strategy* was our foremost response to climate change - to limit stranded high-value Coal Reserves and increase the proportion of high-quality (high energy value) coal products in our export mix. Combined with our market to resource approach - to inform operational plans with market insights to deliver coal products that meet customer specifications - this strategy provides optionality and flexibility in terms of coal blending to supply different markets during the prevailing European energy crisis.

We have a *robust capital allocation framework* that supports our business and future plans, through which we aim to maintain our sustaining capital at an average R2.5 billion a year for the

Dr Nombasa Tsengwa



coal business. We foresee a consistent dividend policy of 2.5 to 3.5 times adjusted group earnings, translating to a pay-out ratio of up to 40%. To facilitate our minerals and renewable energy growth opportunities through mergers and acquisitions, we are maintaining sufficient cash holdings and have sufficient debt facilities, as shared elsewhere in this report. In addition, macro-risks demand that we maintain an above normal level of financial liquidity.

Investment in renewable energy and minerals

Cennergi will begin construction of the 68MW Lephalale solar plant and enter into an offtake agreement with Grootegeleuk mine. Future merger and acquisition opportunities will further grow the generation capacity from the 229MW base of wind energy generated in the Eastern Cape. We aim to grow to 1.6GW of generation capacity from wind, solar and battery storage by 2030. This renewable energy investment will contribute significantly to South Africa's decarbonisation plans.

In the minerals portfolio, we have reviewed opportunities in our targeted commodity interests, namely manganese, copper, and bauxite. The commodity sector remains competitive with high expectations for valuations, consequently, limiting access to opportunities and delaying our pace of development. Therefore, when pursuing acquisitions within these minerals, we balanced the need to transition at speed with our investment criteria and capital allocation requirements to balance risk and returns.

Our performance for the 2022 financial year

The past financial year was undoubtedly challenging for Exxaro, but it also presented opportunities and demanded agility and proactive response. Overall, the results of a record safety performance and EBITDA were commendable. The tenacity and excellent safety performance of our people, coupled with higher coal prices, combined to deliver this value to our stakeholders.

Unwavering in our commitment to safety

Safety remains a top priority for me and the Exxaro family at large. Encouragingly, our LTIFR performance continues to improve. We achieved a rate of 0.05 ahead of our 0.06 target, which is an industry-leading performance.

Sadly, following a five-year record without fatalities, it was a lowlight when we lost Mathews Moanalo in an accident involving mobile mine machinery at Belfast on 15 August 2022. It was a stark reminder that consistent vigilance is critical in mining environments, given prevailing energy levels. We extend our sincere condolences to Mathew's family, friends and colleagues

who can find comfort in Exxaro's support as we come to terms with this tragedy.

Our safety performance, combined with other sustainability factors, such as community development, biodiversity management, our decarbonisation plan and overall good corporate governance, contributed to an improved FTSE Russell ESG Index performance rating from 3.8 to 4.0 out of 5.0. We have identified further opportunities, such human rights practice and policy disclosure, to improve this scorecard performance and demonstrate the reduction in risk to our investment proposition.

Delivering against logistics constraints

The most significant hurdle to overcome was ongoing logistics constraints, which limited our export volumes at a time of record coal prices (reaching US\$271.63/tonne for RB1 and US\$205.43/tonne for RB3 thermal coal), arising from the Russia-Ukraine conflict and consequent European energy crisis. After a record 12Mt of exports in 2020, we are disappointed that we could not achieve our export sales capacity of between 15Mt and 16Mt following our expansion of the rapid load-out station, Grootegeluk 6 (GG6) project and Belfast mine development.

We delivered maximum sales tonnage of 42.1Mt into a favourable domestic and seaborne price market. While this outcome contributed to the record revenue of R46.4 billion and EBITDA of R19.0 billion, the financial opportunity lost is unfortunate. Reflecting on this performance over the past five years, revenue and EBITDA growth was 82% and 161%, respectively, the latter demonstrating consistent cost management and despite a worsening logistics performance. We are working closely with TFR, government and the Minerals Council to remove logistics constraints in the short term, including security of the coal line and performance efficiencies.

Our continued focus on cost management has ensured that we remain below mining inflation, despite the aggressive inflationary increases observed during the year. Cost competitiveness is an essential lever for our business's sustainability. We achieved a coal cost performance increase of 12.7% versus mining inflation of 13.8%.

Driving operational and production performance

Our people exerted energy and displayed tenacity to ensure maximum export volumes under difficult conditions. We achieved a 1% increase in overall production and sales volumes. We improved our coal product mix through higher RB1 grade export volumes to achieve the highest coal price level, despite worsening rail logistics constraints. We successfully maintained our coal supply to Eskom for electricity generation at Medupi, Matimba and Matla power stations and responded to various other coal product markets.

 Cennergi delivered renewable energy in line with planned design output. However, poor wind conditions in 2022 resulted in a 7% decline in energy generated of 671GWh compared to 2021.

Delivering against our strategy and outlook

The Sustainable Growth and Impact strategy remains on track to deliver on our strategic objectives. Our progress during the year and outlook is as follows:

- **Transition at speed and scale:** the commodity market for acquisition opportunities remains competitive but not impossible. We have developed a pipeline of potential target opportunities and remain prudent in our approach to ensure we do the right deal at the right price. In the meantime, the coal business remains robust, given the resource and reserve quality. While we foresee thermal coal prices softening, through our early value coal strategy and delivering high-quality volumes as a proportion of our total exports, we will be able to achieve the highest price levels. We firmly believe that this dual strategy of managed coal operations and growing future-facing businesses is the most optimal pathway for the energy transition, enabling us to journey along with our employees, communities and all our stakeholders

- **Make our minerals and energy businesses thrive:** cost management is critical to maintain the competitiveness of our operations and protect margins, especially during a high-inflationary environment. We achieved a below-inflation cost increase for the coal business, a level of performance we will continue to aim for; ongoing stakeholder relations management ensures that we create harmony between operations and community stakeholders for business continuity; our regular engagement with shareholders ensures that our investment thesis remains top of mind; and the rail performance will remain a challenge. However, formally established structures between industry, Transnet and government will expectantly show positive developments in the first half of 2023
- **Empower people to create impact:** as a critical enabler of our vision, we strengthened and reinforced our human resources development and skills programmes following the COVID-19 disruption. We are bolstering our skillsets in renewable energy in anticipation of the growth. In relation to our communities, we achieved record financial support of R291.2 million to local SMEs through our ESD programme and, combined with supply chain efforts, achieved a record R1 097 million in local procurement - an increase of 11.5% that exceeded our annual 10% target. Our SMME development programme has created over 2 000 employment opportunities since inception in 2017/18
- **Be carbon neutral by 2050:** we remain on track, despite short-term volatility and our disposal of Leeuwpan being withdrawn until further notice, towards a 43% reduction in scope 1 and 2 carbon emissions by 2026. Decarbonisation of our business is an essential tenant of our business model
- **Becoming a catalyst for economic growth and environmental stewardship:** our Lephalale solar plant project reached financial close in April 2023 and construction will commence in the first half of the year. Further to our SMME development programme, our Social Impact strategy aims to deliver significant investment in education, land use management and related skills, as well as ongoing local economic development. This strategy was approved by the board in November 2021. Execution plans will be shared with the board for approval in the second quarter of 2023

Appreciation

Reflecting on my journey, I am deeply grateful for the support received and the lessons learned along the way. It has been a journey of growth, self-discovery and several changes in my professional life. The journey also prepared me for the period we find ourselves in today. I firmly believe that, on the journey ahead, there is a better place to be tomorrow than where we are today.

I would like to thank our investors and funders for their continued support. To my board, thank you for your counsel and insights. To our stakeholders, including among others, our government partners, organised labour, regulators and community members, I extend my gratitude for your support in building the Exxaro of tomorrow. Not least of all, to our employees, you provided an opportunity for me to engage with you on our "get on the bus" roadshows, which was one of the highlights of my year.

Thank you all for your commitment and dedication as we work together to build for a tomorrow we can be proud of.



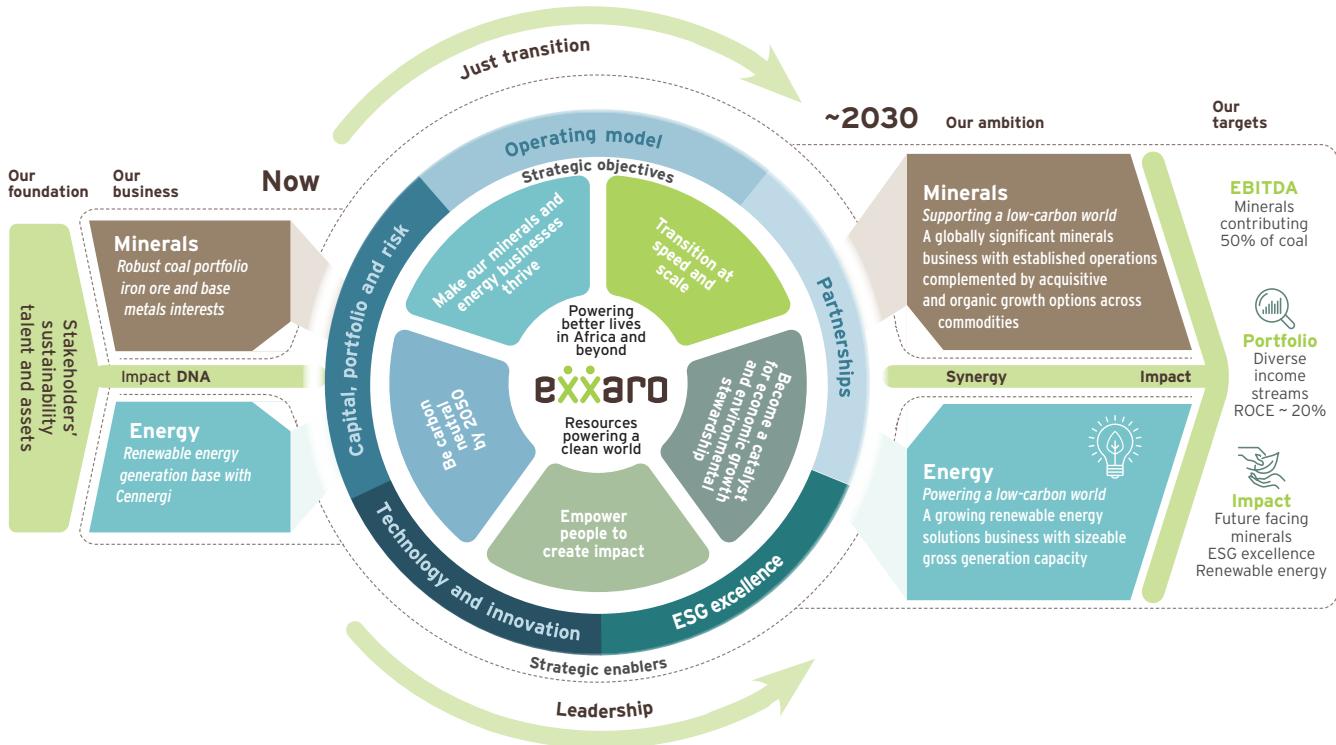
Dr Nombasa Tsengwa
CEO

14 April 2023

Our strategy: positioning Exxaro for sustainable growth and impact

We aim to create and preserve value by delivering sustainable growth and impact. Sustainable growth means we are transforming our business at prudent scale, evolving into a diversified company that will thrive and contribute to a low-carbon future. Sustainable impact means we aim to do this responsibly by addressing our broader impact and material ESG and compliance matters. The Sustainable Growth and Impact strategy is an integrated, multi-stakeholder approach to positioning the business for a resilient and sustainable future.

We are determined to play an active role in creating a future that enables our vision: resources powering a clean world, as we transform the business. During 2022, we further refined and consolidated our strategy in response to the rapidly changing macro-economic environment. As part of this, we revised our capital allocation model to guide decision making in line with our enterprise ambition. Our north star is to harness, harvest and harmonise *resources powering a cleaner world*.



Our strategic objectives

- Transition at speed and scale:** Transition our business with measured urgency given the growing need for the low-carbon transition. We will do this while creating positive social impact. We will leverage our innovation, organisational intelligence and learning culture to navigate this transition
- Make our minerals and energy businesses thrive:** Enhance focus on our core delivery areas, minerals and renewable energy, by increasing our footprint in these areas, divesting of non-robust assets and ensuring continued operational and digital excellence
- Empower people to create impact:** Ensure our people and partners have the capabilities, mindset, environment and passion to achieve our purpose
- Be carbon neutral by 2050:** Reduce our carbon footprint and become carbon neutral by 2050. We will achieve this through our focused portfolio decarbonisation and social impact initiatives
- Become a catalyst for economic growth and environmental stewardship:** Positively impact our ecosystem during and after our operations in minerals and renewable energy, building community projects and businesses into investable impact programmes, which can lead to sustainable, scalable economic upliftment and prosperity, independent of our continued operations in these environments.

The details of our strategy

We intend to deliver our long-term strategic objectives by aligning our resources to the following areas:

- Delivering value in existing coal assets
- Growing our renewable energy solutions business
- Providing minerals that support a low-carbon world

We are leveraging the following strengths and capabilities:

- Mining and bulk commodity
- Balance sheet strength
- Technical and commercial due diligence
- Business integration
- Newly acquired expertise in renewable energy

Over the next five years, we will use the following to enable the execution of our strategy:

- Clear targets
- A robust capital allocation model
- Monitoring performance through KPIs
- Accountability
- Skills and executing culture

Capital allocation

Our ambition to be a diversified carbon-neutral minerals company with a significant renewable energy business can be realised through effective capital allocation. Our revised capital allocation model will enable us to continue delivering shareholder value and create a sustainable, resilient and robust enterprise that can withstand dynamic markets shifts. We revised our approach to capital allocation to grow our minerals and energy businesses while fully understanding their associated risks and rewards. The model ensures strategic decision making between competing business investment interests and ensures alignment with our strategic intent.

We introduced additional criteria to ensure we embed disciplined and data-driven capital allocation aligned with our enterprise ambition.

Our capital allocation criteria include:

1. Strategic fit: metrics that evaluate financial and market performance, capability alignment, ESG performance and diversification of product, geography and customers
2. Pacing: prioritising timing of investment decisions and considering factors such as time to earnings, organisational readiness and stakeholder considerations to ensure timely value realisation

Our capital excellence programme demonstrates our vigilance to optimising how we use our financial resources to create sustainable value. Robust capital allocation is informed by our enterprise KPIs:

- Growth in minerals earnings
- Decarbonisation of portfolio
- ROCE
- Growth in renewable energy generation
- ESG and licence to operate

Timeframes

Our strategy will be delivered in phases with clear outcomes for each focus area.

Ambition targets



Accountability

Our strategy is implemented in three tiers of accountability:

- Tier 1 board: establish vision, mission and set direction of the business
- Tier 2 executive management: apply approved strategy into business plans
- Tier 3 executive BUs: translate business plans into detailed execution plans

Our strategy: positioning Exxaro for sustainable growth and impact continued

Our renewable energy business

To be a leading international renewable energy solutions provider by 2030

Renewable energy

- A significant contributor of renewable energy solutions (renewable assets and services)
- Servicing the public and private sectors in South African and other markets
- Focus on three renewable energy areas:
 - Distributed generation: Our growth in renewables will be internally led by providing our existing operations with self-generation. We have two large windfarms and micro-grids in operation, and the Lephalale solar project under development. We will then look to providing generation for customers in mining and select markets
 - Utility generation: We intend to provide utility generation in select markets. We will determine markets for focus through selection criteria
 - Services: We will build our energy services business by growing our existing renewable energy business and augmenting our generation business. We will also offer asset management, energy management, digital services and virtual power

Why

- Transition Exxaro to a carbon-neutral future as a start
- Provide diversification and long-term sustainability to Exxaro's cash flow including providing cost-competitive energy solutions
- Become a prominent player in the energy security industry in South Africa

How

- Leverage Exxaro's advantage, which includes our internal energy requirements, a healthy balance sheet, resource evaluation skills, excellence in project management and optimisation, and experience in the project lifecycle
- Invest in renewable energy with an acceptable risk profile targeting a portfolio return of 15% equity internal rate of return over a period of time
- Strategic acquisition of skill and market entries to grow at scale
- Partnering to improve skills, credibility and growth

Competitive advantage

- Renewable pedigree: We have a significant local IPP in South Africa and have had exposure to the renewables business since 2009
- Strong Exxaro brand: Includes a strong balance sheet to back this new strategic pillar
- Adjacency advantage: All our operations require decarbonisation. Operations are often located in clusters with other mining peers also requiring solutions
- Partnerships: We have formed partnerships that enable growth and contribute key offtake opportunities

Our minerals business

To utilise Exxaro's mining skills to supply minerals that power a clean world and provide our shareholders with superior returns while driving decarbonisation ambitions

Coal

Our coal business continues to deliver value for Exxaro and is key in providing the country's primary energy source

New minerals

Diversify into new mineral assets (manganese, copper and bauxite) that are vital to a low-carbon future

Why

We believe that the coal assets under our care do not belong to us. Therefore, we have a responsibility to manage them appropriately. To do this, we must ensure that, on our way to a low-carbon future, we do not leave high-value assets sterilised and stranded.

Why

- Diversify revenue for Exxaro's growth
- Clearly defined investment supporting the right opportunities
- Balance sheet and mining capabilities provide a competitive advantage

How

- Ensure a robust coal asset portfolio, which includes divestment from resources that do not suit our future portfolio
- Optimise our market to resource capability
- Digitalise our operations with a focus on value creation
- Optimise capital allocation supported by our capital excellence programme
- Minimise emissions at our existing operations

How

- Exxaro has developed a minerals business approach that enables a just transition to a low-carbon world while leveraging our core competencies as a bulk miner
- Robust screening criteria enable us to continuously review and identify the minerals we should be focusing on for our future growth
- Our initial targeted minerals (manganese, copper and bauxite) offer the best risk to reward ratios to:
 - Deliver our bold EBITDA target
 - Support our ambition to power a clean world
 - Benefit from the decarbonisation tailwinds that will drive world economies into the future

Competitive advantage

- Specialised skills: We have roots as a diversified miner with recognised specialised skills in mining. This includes open-pit and bulk commodity experience, base metals, mineral sands and industrial minerals
- Project execution excellence: Through expansion successes, delivering digital innovation through our Digital@Exxaro programme and continued operational excellence from our high-performing coal operations
- Recognised for our ESG performance, brand and culture

We unpack our progress against delivering on our strategy on the following pages.

Performance against our strategy and future focus

Building traction as we transition to our new strategy

We are in the process of transitioning into and embedding our Sustainable Growth and Impact strategy. We have clear objectives to achieve this strategy and have provided an overview of our traction thus far in the table below. To best measure and manage our progress, we have identified KPIs that we will measure our performance against over time. These have been carefully selected by considering our previous KPIs (which reflected the capitals of value creation that we use and affect) and our future goals. The resultant indicators are refined and targeted, designed to monitor momentum on strategy while catalysing management discussion and analysis within the organisation. They also ensure all previous ESG commitments are covered in their achievement.

	Performance overview	Looking forward	Material themes	SDGs impacted
Transition at speed and scale	<ul style="list-style-type: none"> Partnered with Enertrag to jointly develop renewable energy solutions, especially in Mpumalanga, to enable a just energy transition Completed several minerals due diligence studies and decided against acquisitions due to unfavourable return characteristics Developed robust capital allocation model 	We aim to transition at speed and scale but not at all costs. Our investments in minerals and energy will be governed by our prudent capital allocation framework and rigorous investment criteria positioning our portfolio within our desired risk-adjusted return levels	 	  
Make our minerals and energy businesses thrive	Achieved record financial and safety performance	Safety, cost optimisation and business improvement remain our priorities across our minerals and energy businesses		 
Empower people to create impact	Implemented the group incentive scheme aligning individual and team goals to group objectives	Continuous development of our people, processes and platforms to ensure we build on our learning culture and achieve our strategic objectives		  
Be carbon neutral by 2050	<ul style="list-style-type: none"> Established ESG steering committee with clear terms of reference Self-generation renewable energy projects are planned for implementation at our Grootegeluk and Belfast operations in the short term 	Our key focus in the short term will be our detailed stakeholder-centric decarbonisation roadmap with clear objectives and milestones, including on scope 3 emissions		 
Become a catalyst for economic growth and environmental stewardship	<ul style="list-style-type: none"> Developed detailed Social Impact strategy with clear targets, actions and focus areas Partnership with Endangered Wildlife Trust to develop a monitoring programme to enhance our biodiversity management processes 	We aim to progress our industry leading ESG performance towards delivering sustainable impact at scale		  

2022 strategic key performance indicators

For the past seven years (2015 to 2022), we have measured our strategic performance against the following dashboard of strategically important KPIs. These KPIs align to our objectives as well as the capital sources of value we use or affect. These indicators are under review but will continue to be measured as they support our ESG commitments and the successful execution of our new strategy.

For 2022, we continued to measure our performance against these while we transition to our Sustainable Growth and Impact strategy, and appropriate metrics and strategic KPIs were being finalised.

Our KPIs are outlined in the strategic performance dashboard below.

KEY

Trend^

-  Deteriorated
-  Improved
-  Unchanged
-  New KPI this period

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Indicator					

 Natural capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator^
Reportable environmental incidents (levels 2 and 3)	Be carbon neutral by 2050	0 level 2s 0 level 3s	0 level 2s 0 level 3s		6 level 2s 0 level 3s		
Carbon intensity (scope 1 tCO ₂ e/total kilotonnes mined (kTTM))	Be carbon neutral by 2050	Actual for previous year less 5%	0.5% reduction		Actual for previous year less by more than 5%		
Carbon intensity (scope 2 tCO ₂ e/kTTM)	Be carbon neutral by 2050	Actual for previous year less 5%	0.8% increase		Current year less than previous year		
Water intensity (kL/tonne RoM)	Improving water efficiency	0.15 to 0.18	0.15		0.149		
Percentage environmental liability provision in place – commercial and captive operations	Be carbon neutral by 2050	80% to 100%	Between 50% and 80%		72%		
Physical rehabilitation (actual versus budget)	Become a catalyst for economic growth and environmental stewardship	0% deviation from budget	Between 25% and 50% deviation from budget				

 Human capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator^
Fatalities	Empower people to create impact	0	1		0		
LTIIFR	Empower people to create impact	0.06	0.05		0.08		
OHIFR	Empower people to create impact	0.18	0.16		0.16		
Skills provision (percentage of appointment of employees within)	Empower people to create impact	60%	64%		62.17%		
Scarcity skills retention (percentage turnover)	Empower people to create impact	5%	4.4%		3.7%		

[^] The trend-based indicators are in accordance with Exxaro's internal sustainability framework.

 Social and relationship capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator^
B-BBEE contribution level	Empower people to create impact	Level 1	Level 3		Level 2		
Black ownership	Become a catalyst for economic growth and environmental stewardship	30%	47.1%		47.1%		
SLPs project delivery (time variance)	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	40% behind schedule		8% behind schedule		
SLPs project delivery (cost variance)	Become a catalyst for economic growth and environmental stewardship	0% over budget	16% over budget		19% over budget		
 Manufactured capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator^
Capital project delivery measure (time variance)	Make our minerals and energy businesses thrive	0% behind schedule	0.4% over schedule		10.3%		
Capital project delivery measure (cost variance)	Make our minerals and energy businesses thrive	0% over budget	0% over budget		3%		
 Financial capital	Strategy	Target	Actual 2022	Indicator	Actual 2021	Indicator	Trend based on indicator^
Adjusted operating margin	Make our minerals and energy businesses thrive	20%	35.2%		24.4%		
Adjusted ROCE	Make our minerals and energy businesses thrive	20%	46.9%		33.6%		
Net debt to EBITDA (excluding Cennergi)	Make our minerals and energy businesses thrive	1.5 times	*		*		

* Exxaro is in a net cash position.

Key strategic trade-offs

We understand that, to create sustained value for our stakeholders, our strategy must recognise and balance the inherent trade-offs we face.

In developing our strategy, we consider the potential trade-offs our strategic decisions create to ensure we fully comprehend these decisions as well as work to maximise positive outcomes and curb negative impacts.

We can link each of our trade-offs to the achievement of one or more of our strategic objectives.

We know that achieving our objectives must be balanced and we will not necessarily be able to maximise all objectives concurrently. However, we have robust processes and decision-making frameworks to make choices and trade-offs between these objectives. Over time, each objective will be realised.

Balancing the adverse environmental impact of coal with the need to support South Africa's socio-economic development

As a developing country, South Africa depends on reliable energy to fuel its growth. However, coal has a noticeable impact on environmental systems. As the frequency and scale of climate change-related events continue to grow so has the imperative to transition to a low-carbon economy. We support this imperative but we are mindful that structural economic transitions take time. Without adequate planning, transitions like these have historically had negative impacts on the most vulnerable in society. Our purpose is to power better lives in Africa and beyond. To achieve this, we continue carefully considering the critical trade-offs of the economy's immediate and affordable energy needs along with the growing and urgent need to reduce carbon emissions to sustain our environmental systems. Our Sustainable Growth and Impact strategy is designed to balance these seemingly competitive needs, ensuring we participate in the just transition to a low-carbon economy while delivering on our early value coal strategy in a prudent and responsible manner.

Related SDGs



Balancing capital allocation with our growth areas

Given that we intend to become a multi-core business, our capital allocation approach must support our short and long-term growth ambitions. We will need to allocate finite capital to opportunities in minerals and renewable energy that will enable our strategic objectives.

Our approach to capital allocation is agile and an integral component of our strategy creation and delivery. Our capital allocation process is supported by governance that supports disciplined and unbiased decision making aligned to our portfolio ambition.

Our strategic objectives and their metrics (which include stringent financial return metrics for each growth area) will continue to provide the guide for capital allocation so that we objectively assess strategic trade-offs related to capital allocation.

Related SDGs



Balancing our growth ambitions with our carbon-neutral targets while appreciating that absolute carbon (total emissions) might increase with acquisitions

The intent to decarbonise is at the heart of our Sustainable Growth and Impact strategy. Our acquisition targets will include their own carbon emission and carbon intensity figures that we will have to evaluate in our growth journey.

Key measures related to carbon intensity and emissions are included in our strategic performance metrics and will be a key tool for evaluating and balancing trade-offs related to growth. A key role of our decarbonisation roadmap is to give us a better understanding of future scenarios and projections for our business. This will give us further clarity on potential shortfalls and opportunities.

Related SDGs



Balancing operational focus and the need for diversification

As a business that is transitioning towards a carbon neutral portfolio by 2050, we recognise that portfolio diversification is essential in balancing risk and reward across multiple time horizons.

Our operating coal business remains a key source of capital to support this transition and managing this business optimally while motivating our workforce is essential in achieving our ambition. We enable this through balanced performance scorecards at all levels of the business, clear alignment of strategic goals, and candid conversations led by our CEO and executive team.

Related SDGs



Balancing short-term business performance against long-term ambition

Our scenario and risk modelling process highlights a potential global recession scenario and the implications this will have on our business in the short term. Reducing coal prices and increasing inflation and energy costs result in lower margins unless stringent cost optimisation is undertaken.

We have to balance the need for short-term business resilience against resource allocation research and development that is essential in achieving our long-term strategy.

Our portfolio approach towards resource allocation guides us as we manage this tension.

Related SDGs



Governance for value creation

Our governance processes and practices steer us in the right direction with the pillars of exemplary corporate citizenship – transparency, accountability and integrity – as our guides.

- 52 Our leadership
- 55 Summarised governance report
- 73 Combined assurance for effective governance



Our leadership

Board of directors

The board is responsible for setting the strategic direction, supervising the operational activities of Exxaro and its performance while balancing the company's interests as a responsible corporate citizen with the legitimate needs and expectations of stakeholders. For the year in review, we are proud to present the following board members:



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1. Mvuleni Geoffrey Qhena (57)

Board chairperson and independent non-executive director, nomination committee chairperson and remuneration committee member

Director since 19 April 2021 and board chairman from 27 May 2021



2. Dr Geraldine Fraser-Moleketi (62)

Lead independent non-executive director, SERC chairperson and remuneration committee and nomination committee member

Director since 18 May 2018



3. Karin Ireton (67)

Independent non-executive director and SERC member
Director since 7 February 2022



4. Ben Magara (55)

Independent non-executive director and risk and business resilience (RBR) committee member

Director since 7 February 2022



5. Billy Mawasha (44)

Independent non-executive director, investment committee member and audit committee member

Director since 7 February 2022



6. Nondumiso Medupe (52)

Independent non-executive director and audit committee member

Appointed 3 January 2023



7. Dr Phumla Nganga (54)

Independent non-executive director, remuneration committee chairperson and nomination committee member

Director since 7 February 2022



8. Isaac Mophatlane (49)

Independent non-executive director, investment committee chairperson, audit committee member and SERC member

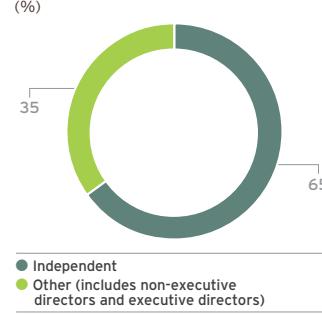
Director since 22 May 2018



Chairperson

- B Board
- A Audit committee
- I Investment committee
- NOM Nomination committee
- RBR RBR committee
- REM Remuneration committee
- SERC SERC

Independence (%)



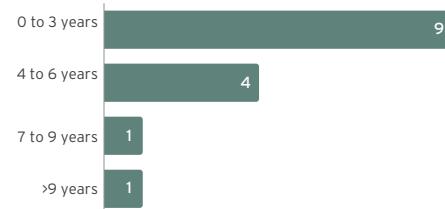
Gender (%)



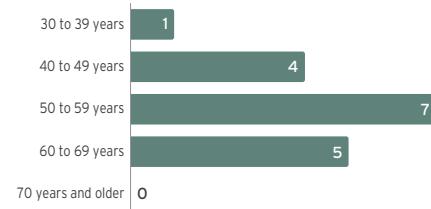
Member

- A Audit committee
- I Investment committee
- NOM Nomination committee
- RBR RBR committee
- REM Remuneration committee
- SERC SERC

Director tenure



Age diversity (%): Number of directors (17)





9

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9. Vuyisa Nkonyeni (53)

Independent non-executive director, audit committee chairperson and investment committee member
Director since 3 June 2014

**10. Chanda Nxumalo (39)**

Independent non-executive director, audit committee member, RBR committee member and investment committee member
Director since 1 February 2021

**11. Peet Snyders (62)**

Independent non-executive director, RBR committee chairperson, SERC member and investment committee member
Director since 1 July 2016

**12. Isaac Malevu (48)**

Non-executive director and investment committee member
Director since 22 June 2021

**13. Likhapha Mbatha (68)**

Non-executive director and SERC member
Director since 6 March 2018

**14. Zwelibanzi Mntambo (65)**

Non-executive director, remuneration committee and nomination committee member
Director since 28 November 2006

**15. Mandlesilo Msimang (46)**

Non-executive director, investment committee member and RBR committee member
Director since 15 March 2021

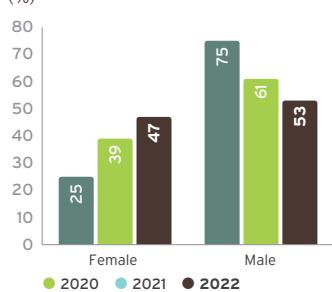
**16. Dr Nombasa Tsengwa (58)**

CEO and executive committee chairperson
Executive director since 16 March 2021

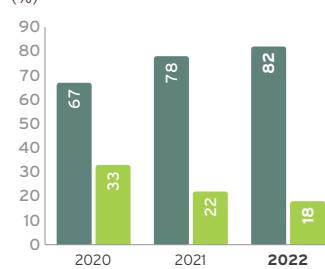
17. Riaan Koppeschaar (52)

FD
Executive director since July 2016

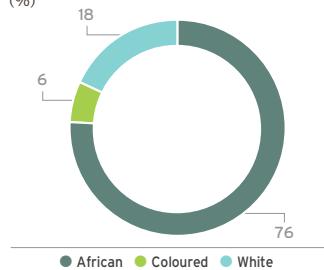
Gender diversity year-on-year (%)



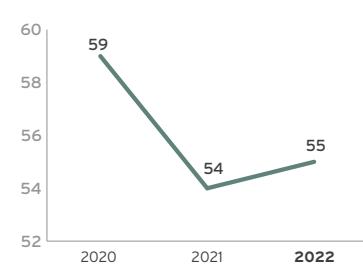
Racial diversity year-on-year (%)



Racial diversity (%)



Average age per year



The ESG report includes details on the **board's composition, diversity and experience** (page 110).

Our executive team

Working tirelessly to deliver on Exxaro's Sustainable Growth and Impact strategy, our executive team includes:



Dr Nombasa Tsengwa (58)

CEO



Riaan Koppeschaar (52)

Finance director



Hemuna Bhola (51)

Acting executive head:
human resources



Alex de Angelis (42)

Executive head:
strategy and business
transformation



Leon Groenewald (56)

Managing director:
energy

Appointed March 2023



Kgabi Masia (47)

Managing director:
minerals



Johan Meyer (54)

Executive head:
projects and technology



Mzila Mthenjane (52)

Executive head:
stakeholder affairs



Mongezi Veti (59)

Executive head:
sustainability



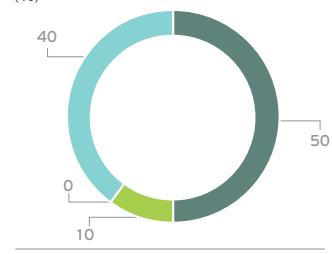
Andiswa Ndoni (55)

Group company secretary
(*ex officio*)

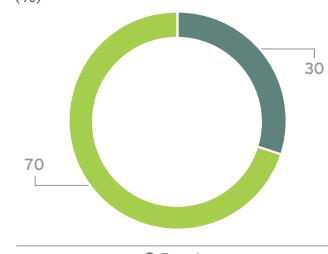
Executive age diversity



Executive race diversity (%)



Executive gender diversity (%)



The ESG report includes details on our [executive committee](#) (page 116).

Summarised governance report

The Exxaro board applies good corporate governance to ensure sustainable growth while transitioning to a low-carbon world, an ethical culture and delivering on the promise of human rights.

Exxaro's board is the focal point and custodian of good corporate governance for the group. The board sets Exxaro's short, medium and long-term strategic direction through our  [Sustainable Growth and Impact strategy](#) (page 44). By approving a new capital allocation model and budget, setting and monitoring performance and culture expectations as well as a governance framework for the group, the board enables sustainable value creation.

At the core of Exxaro's corporate governance are principles that guide the board in meeting its responsibilities to the company, the group and its stakeholders. These principles enable the company to achieve the King IV governance outcomes and fulfil its purpose to power better lives in Africa and beyond.



In addition, through good governance, our board is committed to contributing positively to achieving SDG 16, which seeks to promote peaceful and inclusive societies for sustainable development, provide access for all, and build effective, accountable and inclusive institutions.

Ethical culture



Performance and value creation



Adequate and effective control



Trust, good reputation and legitimacy



The board therefore regards good corporate governance as fundamentally important to create value and achieve the above King IV governance outcomes in its own ethical and effective leadership.  In line with King IV's recommendation to apply and explain how Exxaro practices good governance, we include our detailed King IV application register in the ESG report (page 142). This sets out each principle with an explanation of steps taken as well as Exxaro's policies and processes.

Material themes in focus

The following material themes received focused attention in 2022:

-  Adapting to a changing context
-  Responsible environmental stewardship
-  Building sustainable communities
-  Helping our people thrive
-  Executing our strategy
-  Driving business excellence
-  Principled governance

These material themes were addressed as described below.

CEO transition

The board welcomed Dr Nombasa Tsengwa as CEO of Exxaro from 1 August 2022, and expressed confidence in her expertise and leadership as Exxaro's first female CEO, taking the company further on its journey to achieving its Sustainable Growth and Impact strategy. She succeeds Mxolisi Mgojo who retired on 31 July 2022. The board thanked Mxolisi, who received a Business Leader of the Year award in 2022, for his invaluable contribution and wished him well in his retirement.

Board diversity and independence

The board expressed commitment to contributing to diversity, equity and inclusion in its composition, and to promote independent character and judgement within the board.

To this end, the board achieved the following outcomes:

- Identification of new directors to take over in future as chairpersons of board committees as part of succession planning
- The board continued to address independence, gender diversity as well as strategic skills, experience and competencies (including sustainability, ESG, human resource governance, energy and hard rock mining) in line with Exxaro's strategy and succession planning

The following directors were appointed:

Independent non-executive directors	Appointed
1 Karin Ireton	
2 Ben Magara	7 February 2022
3 Billy Mawasha	
4 Dr Phumla Mnganga	
5 Nondumiso Medupe	3 January 2023

Ras Myburgh, an independent non-executive director since 1 September 2016, indicated that he would not be available for re-election at the AGM on 25 May 2022 and retired by rotation. The board expressed sincere appreciation to Ras for his dedication, commitment, and invaluable contribution to Exxaro during his tenure as an independent non-executive director and chairperson of the remuneration committee.

Nondumiso Medupe's appointment as an independent non-executive director and audit committee member (effective 3 January 2023). Vuyisa Nkonyeni and Isaac Mophatlane will retire by rotation, as independent non-executive directors, with effect from the date of the AGM, being 18 May 2023.

 [Board composition, diversity and experience](#) (ESG report, page 110)

Summarised governance report continued

Governance roadshow 2022

Following two years of COVID-19 restrictions since the last governance roadshow in 2019, and in an attempt to improve ongoing engagement with shareholders, Exxaro held a three-day governance roadshow with equity shareholders in September 2022.

The purpose was to:

- Introduce Exxaro's new board leadership, represented by the chairpersons of the board and remuneration committee, accompanied by the group company secretary and executive head: stakeholder affairs
- Provide insight on the shareholder structure and returns, ESG performance, Sustainable Growth and Impact strategy, concrete plans to drive decarbonisation, the updated capital allocation model and response to society's needs
- Provide feedback to shareholders on progress in addressing concerns about executive remuneration and incentives raised during the 2019 governance roadshow
- Confirm the board's commitment to Exxaro's Sustainable Growth and Impact strategy, as communicated in September 2021, and listen to feedback about the strategy, capital allocation and other governance-related issues

Shareholders' views were considered and the board committed to continuing the annual governance roadshow to keep shareholders informed about progress in meeting the abovementioned commitments.

Climate change response

We intentionally focus on positioning Exxaro for growth, anchored on the just transition principle, which seeks to balance our financial performance, South Africa's economic development needs, ecosystem protection and society's adaptive capacity in the face of climate change.

Exxaro believes that our greatest opportunity is to help steer South Africa towards a sustainable future through undiluted focus on low-carbon minerals and energy with the goal to be carbon neutral by 2050. The board is committed, beyond compliance, to mitigating the impact of climate change with a robust Sustainable Growth and Impact strategy.

The board has oversight of climate-related impacts, risks and opportunities. This is included in the SERC and RBR committee terms of reference and annual work plans.

Actions that honoured this commitment in 2022 included:

- Exxaro continued implementing the National Energy Regulator of South Africa-registered 68MW Lephalale solar project with the first phase of this multi-technology solution, designed for Grootegeluk's demand profile, fast-tracked to reduce up to one third of the BU's scope 2 emissions and significantly save electricity costs
- Review of Exxaro's strategic objective (evident in total carbon abated) to realise our goal to be carbon neutral by 2050 through scope 1 and 2 emission reductions with current initiatives as well as other opportunities presented at COP27 and concrete plans to drive decarbonisation. The objective will be indicated by the total amount of carbon abated
- Review of the minerals diversification strategy in a low carbon future as growth in these future facing minerals become critical
- Exxaro to implement Taskforce on Nature-related Financial Disclosures pilot in the 2023 financial year
- To strengthen our GHG mitigation and business resilience efforts, water security, energy and water efficiency targets have been included as part of the group incentive scheme in 2022

 [Climate Change Response strategy](#) (2020 investor tab)

 [Governance oversight of climate change](#) (ESG report, page 13)

Strategic direction

As sustained value creation is founded on good governance and on responsiveness to significant social and environmental challenges, our strategy is continuously monitored and assessed, and formally presented to the board for approval at least once a year. Before executive leadership's strategy presentation to the board, iterative strategy workshops, following bottom-up process, and board governance sessions afford integration of inputs into the group strategy. The board therefore supports King IV principles regarding strategy setting through an iterative process.

As part of the strategy process, a risk and opportunity assessment is conducted, including emerging risks and assessment of material sustainability issues.

Top five risks at the end of 2022:

- 1 Unavailability of current rail capacity
- 2 Eskom systemic risk
- 3 Community unrest
- 4 Cybersecurity threats
- 5 Health and safety concerns

 [Our business risks and opportunities](#) (page 26) and [our strategy: positioning Exxaro for sustainable growth and impact](#) (page 44)

Diversity, equity and inclusion strategy

 Exxaro's [diversity, equity and inclusion strategy](#) (ESG report, page 68) supports the achievement of our transformation commitments through employment plans, Mining Charter III targets and the B-BBEE scorecard that uphold our licence to operate.

The board approved the strategy in July 2022 when diversity, equity and inclusion principles, strategic priority areas and success measures were identified. The concept of "equity" was added as a key success factor for diversity, equity and inclusion within Exxaro. The strategic objectives include gender identity and equity, racial equity, disability competence, inclusive culture, external inclusivity, leadership, and communication.

Our diversity, equity and inclusion principles include:

- 1 Promoting an environment of respect for all
- 2 Building an environment of trust
- 3 Establishing processes free from prejudices
- 4 Zero tolerance of discrimination and harassment
- 5 Promoting diversity, equity and inclusion

Exxaro's gender equality charter (launched in 2021) was enhanced with our anti-gender-based violence (GBV) footprint and implemented in the first quarter of 2022.

 [Outcomes and value delivered](#) (ESG report, page 24)

Corporate calendar 2022

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Approved the group's annual financial statements and final dividend declaration	Approved re-pacing of the Sustainable Growth and Impact strategy relating to minerals and energy as well as capital allocation	<ul style="list-style-type: none"> Considered the going concern assessment Approved the assessment of the group's liquidity and solvency in the context of distribution to shareholders and trading statement 	Mandated management's COP27 participation
<ul style="list-style-type: none"> Considered the going concern assessment Approved the assessment of the group's liquidity and solvency in the context of distribution to shareholders and trading statement 	Information management deep dive: information management strategy, governance processes, risk management, applications and current initiatives	Approved the group interim financial results and interim dividend declaration	 Deliberated and approved the group's Social Impact strategy (ESG report, page 78)
Considered and approved: <ul style="list-style-type: none"> Board committee composition Rotation and independence of directors Group company secretary evaluation Prescribed officer determination 	Considered amended conflicts of interest, gifts and benefits policies	<ul style="list-style-type: none"> Considered delegation of authority policy and framework amendments Reviewed board committee terms of reference 	Approved the consolidated group annual budget
<ul style="list-style-type: none"> Approved the governance report to be included in the ESG and integrated reports Considered the JSE compliance certificate 	Held the group's third hybrid AGM	Governance roadshow	Approved group delegation of authority and human rights policy
Executed return-to-work action plans to minimise production impact, focusing on cost containment and productivity	<ul style="list-style-type: none"> Strategy sessions First governance session 	Stakeholder days	Second governance session

Summarised governance report continued

Governance that supports our sustainability drive

"We conduct our business activities in a way that creates success for Exxaro and society. From how we mine to what we mine, we are stewarding our natural assets and social capital to uplift our communities." Dr Nombasa Tsengwa

The company recognises that it forms part of an interrelated community. As such, it may have positive and negative impacts on society and the global SDGs. Exxaro believes that investing responsibly and strategically in commodities will help sustain life on the continent, and is committed to being an environmentally responsible organisation, driving sustainability throughout our business while building on our delivery track record.

The board sets the ultimate direction for sustainability considerations, including committee and individual responsibilities for oversight of sustainability-related impacts, risks and opportunities by ensuring these are reflected in board and committee terms of reference, annual work plans, and other relevant policies and processes.

The board's oversight of sustainability is best illustrated by the distribution of ESG matters among the respective board committees reporting to our board (as outlined below).

Board and board committee oversight of ESG matters (per committee terms of reference and captured in annual work plans):

	Audit	Investment	Nomination	Remuneration	RBR	SERC
Environmental						
Climate change		x			x	x
GHG emissions					x	x
Energy, water and waste					x	x
Pollution					x	x
Environmental compliance					x	x
Biodiversity and land use					x	x
Resource scarcity		x			x	x
Social						
CSI				x	x	x
Training and education				x		x
Diversity and equal opportunity				x	x	x
Non-discrimination				x	x	x
Human rights				x	x	x
Health and safety				x	x	x
Privacy and security	x				x	x
Labour relations				x	x	x
Local community impact		x			x	x
Governance						
Board diversity and structure			x			x
Board performance			x			
Ethical culture	x		x			x
Executive pay			x	x		
Anti-bribery and anti-corruption	x				x	x
Audit and assurance	x				x	x
Stakeholder engagement	x		x	x		x
Procurement practice	x				x	x
Risk management	x	x			x	
Regulatory compliance	x		x	x	x	x
Internal policies	x			x	x	x
Information technology governance	x				x	
Tax transparency	x					

Statement of strategic ethical intent:
Exxaro aspires to build an ethical culture based on Exxaro's values. To do this, Exxaro is committed to operating ethically by living the Exxaro values with dignity, transparency, consistency, fairness and respect in all that we do.

Ethical commitment

Recognising that our public reputation is one of our most important assets, the organisation is committed to achieving the highest ethical standards. We recognise our obligations to our stakeholders, particularly shareholders, clients, employees, business partners, competitors, authorities, the environment and the wider community. Maintaining the trust and confidence of our stakeholders is the responsibility of every Exxaro employee. As Exxaro is committed to doing the right thing, even when no one is watching, our employees are expected to be able to distinguish between right and wrong, and commit to what is right. By emphasising our ethical commitment, we continue to grow as a business.

Ethics management strategy

Building organisational ethics is a journey. Our board assumes responsibility for ensuring that organisational ethics is managed effectively and governs the group's ethics to support the establishment of an ethical culture. In line with this responsibility, the board adopted a statement of strategic ethical intent as well as an ethics management strategy. The strategy sets out various strategic focus areas as well as interventions to be implemented and overseen by the group executive committee and management ethics committee. The following strategic focus areas have been identified:

- Ethics awareness
- Ethics accountability and responsibility
- Ethics talk
- Senior management, management and employee commitment to ethics
- Unfair people practices

Code of ethics

Our code of ethics confirms that the organisation's ethical principles promote values such as trust, acceptable behaviour and fairness.

Exxaro values provide general guidelines for interactions with each other and our stakeholders, and reflect what is important to Exxaro and how we conduct ourselves.

The following fundamental values are expressed in the code of ethics:

- Empowered to grow and contribute
- Teamwork
- Committed to excellence
- Honest responsibility

Our group policies and procedures, relating to specific issues, processes and situations, support the code of ethics. The following policies (with several reviewed in 2022), among others, support an ethical culture:

- Code of ethics
- Anti-bribery and anti-corruption
- Conflicts of interest
- Exxaro's supplier code of conduct
- Fraud prevention
- Fraud investigation process
- Fraud response
- Gifts and benefits from suppliers
- Recruitment and selection

- Whistleblowing
- Insider dealing
- Political donations
- Nepotism
- Diversity, equity and inclusion framework (including people with disabilities policy and gender equity charter)

Monitoring ethical culture

The board monitors the group's ethical culture through its reporting structures, including two board committees (SERC and audit committee), the ethics management committee, the internal audit function, chief audit officer and newly appointed chief ethics officer.

An independent risk assessment by The Ethics Institute in 2021 to measure the state of ethics at Exxaro, focusing on ethical behaviour and ethical culture, recommended that an ethics strategy and management plan be designed to enable Exxaro to actively manage ethics and address identified concerns.

A detailed ethics strategy and management plan were designed and approved by the board upon recommendation by the ethics committee, executive committee and SERC.

The risk assessment also measured employees' ethical behaviour defined as the frequency with which employees observe unethical behaviour on a day-to-day basis in Exxaro. Exxaro group ranked 91 out of 100, which is unethical conduct never observed or rarely observed, and therefore considered low risk. Behavioural risks encountered frequently by employees included bypassing rules and unfair people practices. These risks are addressed in the ethics strategy and management plan.

Ethics talk

Informed by the Companies Act, King IV and strategic focus areas identified in the ethics management strategy, the group company secretary started 2022 by distributing a governance newsletter, focusing on ethical culture, to the board. The newsletter highlighted:

- Ethics is not only compliance with policies, rules and regulations but integrity in doing the right thing because one believes that it is the right thing to do
- Ethical conduct is required of individual directors and the board as a collective

Organisation for Economic Co-operation and Development recommendations related to ethical behaviour

ENSAfrica conducted an ISO 37001 readiness assessment in 2018 and identified a gap in ensuring that new third-party exposures are assessed as part of a due diligence process. Exxaro has since introduced due diligence processes for suppliers, customers, employees and business partners.

A comprehensive evaluation of the fraud hotline in 2020 identified areas needing improvement such as the composition of the management ethics committee, a process for tabling forensic reports, monitoring BU investigations and updating escalation protocols. All the recommendations have been addressed and reaudited to the satisfaction of the internal auditor. As part of this, Exxaro is committed to an independent review of the hotline every three years. The next audit is in 2024.

In addition, the ethics management training, and anti-bribery and anti-corruption programmes were reviewed, and the executive committee approved an updated anti-bribery and anti-corruption programme.

Ethical culture continued

Fraud and ethics hotline

We encourage employees and stakeholders to report suspected fraud or corruption to Exxaro's  [fraud and ethics hotline](#) (ESG report, page 128).

The hotline is independently managed and reports to the SERC and management's ethics committee.

Due to the importance of retaining the integrity of the hotline, it is necessary for Exxaro to, as far as reasonably possible, protect the interests of the disclosing parties. As the hotline plays an important role in combating fraudulent activities, Exxaro has successfully defended a court application for the disclosure of an anonymous complaint, which could have undermined the system's confidentiality.

Supplier ethics

-  The [supplier code of conduct](#) (supplier tab) was developed to assist employees in selecting suppliers who operate in a manner consistent with Exxaro's values and relevant standards
- The code aims to communicate Exxaro's mandatory selection standards to prospective suppliers
- In addition, it promotes the company's commitment to ethical conduct among suppliers
- As part of the supply chain pre-qualification process, suppliers must disclose details of shareholders, directors and other associates who are current or former Exxaro employees in compliance with the conflicts of interest policy
- Employees who evaluate requests for proposals or recommend contract awards must declare that they have neither an interest in nor a close relationship with the supplier that may be construed as a conflict of interest

Board charter and code of conduct

Our board charter and code of conduct (board charter) regulates the parameters in which the board operates and ensures the application of good corporate governance principles in all dealings in respect and on behalf of the company and the group. It sets out the roles and responsibilities of the board, individual directors, chairperson, CEO, lead independent non-executive director and group company secretary.

The board charter requires board members to be individuals of calibre, integrity and credibility with the necessary skills and experience.

The nomination committee must ensure continuity of directorships and undertake succession planning on behalf of the board. This includes identification, mentorship and development of future candidates.

The board charter was reviewed in 2022 to include consideration by the board of the need for periodic independent assurance in respect of areas such as:

- Infrastructure, information technology and systems
- Sound governance of the company including corporate governance, risk management, ethics and internal controls
- Compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

Focused governance sessions

The group company secretary hosts two annual, fixed, governance-related intervention sessions for the board, to which the executive leadership is also invited. These sessions are an opportunity to provide directors with a deeper understanding of corporate governance matters, including an opportunity to focus on new regulations or amendments to the regulatory environment within which Exxaro operates. These sessions are included in the annual corporate calendar to ensure maximum attendance by directors.

The themes of the two governance sessions in 2022 were:

- Regulatory framework I (the regulatory universe applicable to directors and prescribed officers as well as proposed amendments to energy regulation)
- Regulatory framework II (competition law and amendments to the debt and equity listing requirements)

Avoiding conflicts of interest

In terms of the Companies Act and King IV, directors and prescribed officers have specific duties regarding disclosure of actual direct and indirect conflicts of personal financial interests as well as the perception of a conflict, including that of their related parties.

The group has a conflicts of interest policy, which was extensively reviewed in 2022. Focus was on line managers and management assessing declarations received from employees. Additional clarifications and guiding principles were included following questions from employees and learnings from previous years.

[Conflicts of interest policy and register](#) (reflecting material disclosures in line with the JSE Debt Listings Requirements)

The policy continues to place an obligation on directors, prescribed officers and employees (as well as their related parties) to firstly avoid conflicts of interest. It also lists several unacceptable conflicts that may not be approved when declared.

Annual general declarations of outside interests are required from directors and prescribed officers in accordance with section 75(4) of the Companies Act. In terms of the policy, annual declarations are also required from all employees in the group.

In addition to the annual declarations:

- An item dealing with the declaration of interests at the beginning of each meeting appears on every board, board committee, executive and management committee agenda
- All meeting attendees are required to formally declare that none of them, nor their related parties, have any personal financial interest in any matter on the agenda
- The abovementioned declarations are recorded in meeting minutes
- A director or prescribed officer must indicate personal financial interest in a matter to be decided through written resolution by informing the group company secretary

Implementation and review of an electronic platform to facilitate reporting, workflow approvals and an auditable communication trail for disclosures by directors and employees began in 2022 and is effective. This includes the gifts and benefits register, director trade clearances and policy management.

Performance and value creation

Strategic direction

King IV articulates the responsibilities of the board, which is to steer an organisation strategically in line with its core purpose and values by approving as well as monitoring an informed short, medium and long-term strategy while considering sustainability-related impacts, risk and opportunities.

The board sets Exxaro's short, medium and long-term strategic direction through our Sustainable Growth and Impact strategy. It enables sustainable value creation through approval of a new capital allocation model and budget, setting and monitoring performance and culture expectations as well as a governance framework for the group.

Business continuity and crisis management plans

The board adopted an emergency response plan in 2019, focusing on capability interfaces for crisis management and business continuity, to ensure integrated disaster or incident response and recovery.

The RBR committee oversaw the process of updating the following business continuity governance documents:

- Emergency response plan
- Crisis management policy
- Business continuity plan
- Information management disaster recovery plan to reflect changes in the internal and external environment

Furthermore, this process sought to align BUs with the board-approved business continuity plan template, which is aligned to ISO 22301 and British Standards Institution 11200:2014.

Performance targets to support our Climate Change Response strategy

To strengthen GHG mitigation and business resilience efforts, we included targets on water security and efficiency as well as energy efficiency in the group's STI scheme in 2022.

The energy efficiency targets relate to diesel and electricity consumption. Diesel accounts for over 95% of our scope 1 GHG emissions, while coal-based electricity is 100% of our scope 2 emissions.

Implementation of these two KPIs is a progression of our Climate Change Response strategy, our goal to be carbon neutral by 2050 and further alignment with the TCFD.

Internal reporting

We introduced a new format for internal reporting to the board in 2022. Management is required to detail the outcomes of proposed recommendations to the board in respect of:

- Strategy implications
- Financial implications
- Risk and compliance analysis
- ESG implications

Transparency

The board is committed to clear and comprehensive financial reporting and disclosure as well as constructive shareholder engagement, including transparency of activities and performance. The board therefore ensures that reports issued by the company enable stakeholders to make informed assessments of the group's performance as well as its short, medium and long-term prospects.

Assurance

 Refer to [combined assurance](#) (page 73) for detail on assurance over key sustainability information in this report.

Performance evaluation

KPIs track the execution of Exxaro's strategy for the board, board committees, group and energy executive committees.

Exxaro uses a strategic performance dashboard that supports reporting on the achievement of these KPIs. The dashboard was reviewed in 2022 and its reporting philosophy revised. To measure execution of Exxaro's refined Sustainable Growth and Impact strategy, reporting will focus on exceptions (out of appetite or worst tolerable) going forward to ensure execution and tracking of performance towards achieving the strategy and desired portfolio.

Through a cascade principle, the group executive committee drives and reports on the selected board KPIs. The status of the strategic performance dashboard is reported at board meetings throughout the year, focusing on reporting to the board what matters.

 [Strategic performance dashboard](#) (page 48)

Adequate and effective control

Group governance framework

To further allow Exxaro's core businesses to thrive in an increasingly dynamic market and industry sector, and to continue to support the execution of the approved strategy, group governance was extensively reviewed in 2021. The board adopted a framework that provides an overview of governance structures, principles, policies and practices, which together enable the company to meet statutory and regulatory requirements, and direct stakeholder engagements.

The legally sound framework guides monitoring and oversight of business affairs to achieve accountability, authority and sound decision making as well as policies to support the group in achieving the Sustainable Growth and Impact strategy. It is an entrenched governance principle within Exxaro that group wide policies require board approval. All group-wide policies are therefore submitted to the board for final approval.

The framework sets out the following:

- Statutory and regulatory framework of corporate governance
- Various group governance structures and role players
- Guiding principles that underpin effective corporate governance and describe the role of the board regarding reserved matters, delegations, policies and frameworks that apply across the group
- The roles of:
 - Shareholders and stakeholders as well as shareholder reserved matters
 - The board, board committees and reserved matters
 - Executive management and the executive committee
 - Independent control functions and structures within the group
 - The holding company, subsidiaries and other entities

Delegation of authority

The delegation of authority policy and framework defines the limits of authority designated to specific positions of responsibility in the company and the group's management structure. It also defines commitments and transactions that may include capital amounts approved by individuals on Exxaro's behalf. The final approval of commitments and transactions outlined in the policy must always be made by parties with designated authority.

The policy and framework are regularly reviewed to ensure aligned decision making within a changing business environment. This also provides direction and clear delegation of power to management. The framework is adopted by our subsidiary company boards and implemented throughout the group as part of the overall group governance framework.

In 2021, the energy business-specific delegation of authority was subjected to a rigorous review process by the executive and the board with various opportunities to provide input around delegations and oversight requirements. A revised energy-specific delegation of authority framework was approved by the board and adopted by the subsidiary company. Following this, a review of sub-processes was scheduled for 2022 as it is a critical governance pillar to ensure an effective control environment and is a key enabler for the achievement of group-wide objectives.

A comprehensive review of the group delegation of authority framework was conducted in 2022. Major changes were made in respect of legends used to ensure clarity, further enhancements as well as changes to actual delegations. It is planned to provide separate approval frameworks for the subsidiary entities in 2023.

The board is satisfied that the delegations in place contribute to role clarity and the effective exercise of authority and responsibilities.

Board committees

Exxaro's corporate governance structure supports its ability to create value in the short, medium and long term. Through this structure, the board exercises effective control, builds and protects the organisation's reputation and legitimacy. We consider good corporate governance the responsibility of our board, as well as our executive leadership, management and all our employees.

The board committees enable the board to deal with more issues with greater efficiency by having focused expertise considering specific areas on behalf of the board. If approached appropriately, the involvement of a committee should ideally also enhance the objectivity of the board's judgement. Therefore, to assist the board with the execution of its functions, the board delegates activities to board committees through formal terms of reference. It should be noted that the board retains full and effective control of the business and company affairs, and does not assume management's functions, which remain the responsibility of the executive directors, prescribed officers and other senior management.

In 2020, board committees embarked on a significant transformation journey, focusing on reimagining the operating model, acquisitions and evolving the broader business strategy. This was driven by a changing business environment and regulatory developments. To this end, Exxaro revisited and enhanced the respective terms of reference of its corporate governance structures. In line with King IV, these included:

- Exxaro's current operating environment and the impact of its activities on public interest
- Effective collaboration through cross-membership between committees
- Balanced distribution of power

The terms of reference of the respective committees were reviewed in 2022, including key focus areas and annual work plans being revisited.

The board confirms that it is satisfied that the board committees executed their roles and responsibilities. In this regard it is confirmed that the audit committee has executed the responsibilities set out in 3.84(g) of the JSE Listings Requirements.

Subsidiary companies

The board, on behalf of the company, recognises the statutory and fiduciary duties of directors of subsidiary companies and, in particular, their duty to act in the best interests of the subsidiary company at all times whether or not the director is nominated to the board of the subsidiary company (in its capacity as holding company). In the case of a conflict between the duties of a director in a subsidiary company and the interests of the company, as holding company, the duties of the director in the subsidiary company must prevail.

The framework seeks to mitigate possible tension between the holding company and its subsidiary boards through the following measures:

- The board assumes overall responsibility for organisation and strategic coordination within the group, including its vision, mission and strategic direction, and oversees the group's performance
- Control of a subsidiary is achieved by implementing various measures including:
 - Approving its memorandum of incorporation (MoI) and any amendments. In this regard, Exxaro's wholly owned subsidiaries have a pre-approved standard MoI applied on establishment and any amendment will be considered for approval by the RBR committee

- Election of directors by the subsidiary shareholder (which may be delegated by the board as representative of the subsidiary shareholder in the delegation of authority policy and framework)
- Establishment and clear communication of the group's general strategy and its adoption by the subsidiary companies
- Requiring a shareholder vote or consent rights for specific matters as per the subsidiary Mol and the delegation of authority policy and framework (such as amendment of the Mol or election of directors)
- Adoption of policies for key matters informed by the corporate governance principles and reflected in the framework
- Adopting the delegation of authority policy and framework on establishment and when it is updated by the board
- Financial control through capital allocation and budget approval for the group
- Having regular monitoring meetings among representatives of Exxaro and its subsidiaries (as part of the Exxaro business) to follow up on implementation of directives and performance through regular reporting into the board committees
- Setting a corporate-wide independent internal audit function with a direct reporting line to the group audit committee as well as appointment of the group external auditor
- Implementing group-wide risk and compliance management practices and other independent control functions
- Establishing an efficient information management system to monitor key strategic indicators

The subsidiary directors are bound to adhere to the framework and adopted group policies. This does not absolve the directors of subsidiary boards from exercising their fiduciary duties. If directors breach their fiduciary duties, they may be held liable under section 77 of the Companies Act. This responsibility is clearly highlighted for subsidiary directors.

Group-wide control functions

The group control and oversight functions consist of the corporate secretariat, risk management, compliance management, legal, strategy, internal audit and assurance, and finance (as it relates to financial compliance), which are responsible for providing enterprise-wide oversight on operational management and consolidated reporting. The heads of these functions have direct access to the board, audit committee and the RBR committee (as appropriate).

The internal audit function does not receive delegations through the CEO but is delegated authority directly by the audit committee to execute responsibilities in terms of the internal audit annual plan. The chief audit officer reports administratively to the finance director.

The board is ultimately responsible for overseeing the effectiveness of the oversight functions and ensuring an effective internal control environment within the group.

 [Ownership structure](#) (page 7)

Board's access to information

The board charter guides our directors and management on the information requirements to be shared with the board while the onus remains on each director to advise the chairperson and/or CEO should he or she be of the opinion that the information provided is insufficient to enable informed decision making.

In addition, the board has unrestricted access to all company employees, information, records, documents and property, and a process to guide directors is provided should such access be required. The board, in carrying out its tasks, may also obtain outside or other independent professional advice it considers necessary to carry out its duties. The required protocols for requests of this nature is set out in the board charter.

Technology and information management

The board governs technology and information management in a way that supports the organisation setting and achieving its strategic objectives.

The board has mandated the RBR committee, as part of its business resilience focus, to oversee Exxaro's ERM process, including key risks facing the company and group and responses to address these risks, including information management risks. In addition, the RBR committee has a specific mandate to oversee governance of the information management strategy as well as integration of overall direction, context and objective for the improvement programme, and ensure alignment with the enterprise business strategy, governance and risk management. In addition, the audit committee is responsible to ensure adequate information technology governance through delegation to the information management steering committee.

Information management risks and mitigation measures are monitored continuously, including assessment of emerging risks, and reported to the RBR committee quarterly.

The top five information management risks identified at the end of 2022:

- | | |
|---|--|
| 1 | Cybersecurity: data theft |
| 2 | Availability and quality of data |
| 3 | Information technology disaster recovery strategy, plan and procedures |
| 4 | Cyber threat: malware |
| 5 | Cyber threat: disruption of operations |

Cybersecurity remains the biggest identified and managed risk. EY concluded a cybersecurity assessment in 2021, assessing the same metrics as in 2018, and found a substantial improvement across all metrics. Exxaro's scores are much higher than the mining industry peer group. Based on the assessment, a new cybersecurity programme was defined to achieve further improvements. Exxaro's cybersecurity profile (Microsoft Compliance Score) rating at the end of September 2022 was 75.73%, which meets the 70% target for the year with stretch target of 80%.

Integrated ERM

Exxaro's ERM framework provides a process for effective management of all types of risks. We follow a layered approach (top-down and bottom-up) considering all risks and impacts. The same terminology and assessment mechanisms are used across the organisation from finance to projects, safety and operational risk management, etc. A set of risk names is in our risk catalogue, and one impact and one likelihood scale is used across different disciplines to ensure management concentrates efforts and resources on material activities.

The company links all risks, assurance activities and material issues to reduce assurance costs and derive greater value from auditing controls. A tracking and monitoring system is applied for transparency in audit findings to be closed out. The risk management function, through the combined assurance model, coordinates with internal audit to obtain evidence on the effectiveness of treatment and control activities in achieving the desired and planned risk treatment outcome. Assurance providers (internal audit, sustainability KPI audits, external assurance providers, self-assessments and accreditation reviews) monitor effectiveness of significant risk treatments and compliance with

Adequate and effective control continued

regulatory requirements, non-binding rules, codes and standards as well as policies and procedures.

The ERM framework and process are based on principles published by the Committee of Sponsoring Organizations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. It also considers applicable codes of best practice such as ISO 9001, 14001 and 18001.

The ERM framework is reviewed regularly to ensure alignment with current governance practice and standards. The board is satisfied that the company and group have a mature risk process that ensures risks potentially impacting its strategic objectives are pursued by management to create shareholder value.

In terms of our group governance framework, risk management is an independent control function across the group and our chief risk officer is a standing invitee to RBR committee and group executive committee meetings.

The strategic risks profile, highlighting the group's material risks, including Cennergi's top risks, and emerging risks are reported quarterly to the RBR committee and the board.

[Our business risks and opportunities](#) (page 26)

Beyond compliance

The group is committed to:

- 1** Maintaining high standards of integrity, professionalism and ethical behaviour in its relationships
- 2** Compliance with the letter and spirit of the law and regulations governing its conduct by ensuring the organisation acts with due skill and diligence
- 3** Conducting its business in adherence to statutory, supervisory and regulatory requirements

While Exxaro drives compliance with relevant regulatory requirements in its jurisdictions, the law serves as a minimum standard of conduct. Beyond complying with the law, Exxaro promotes a compliance culture at all levels.

The group's compliance philosophy is captured in a compliance policy, which supports ethical and responsible corporate citizenship, and seeks to create sustainable value for all stakeholders by striving for operational efficiency, growth and regulatory compliance with applicable laws.

The regulatory environment in which the group operates is regularly revisited by management to identify material legislation and to categorise each using a risk-based approach.

Key focus areas of the 2022 annual compliance plan included:

- Closing out of the POPIA implementation project with an internal audit to ensure compliance
- Updating regulatory compliance content available to business as well as the compliance calendar

Notwithstanding the regulatory jurisdiction of the business, Exxaro has a compliance function that reports to the chief risk officer. The group governance framework confirms the role of the chief risk officer with respect to regulatory compliance in that the person has oversight over group compliance management to monitor regulatory compliance and ensure consolidated compliance reporting.

Exxaro's board is responsible for ensuring that the company and its employees comply with all applicable laws and regulations, and consider non-compliance with legal and regulatory requirements a key risk. Accordingly, the board has delegated the responsibility for managing Exxaro's compliance risks to the RBR committee.

The board's RBR committee is responsible for:

- Overseeing regulatory compliance risks, policies and frameworks
- Monitoring compliance with agreed policies, national and international protocols and procedures on non-financial aspects in collaboration with the SERC

- Ensuring compliance is continually monitored and reported by management, and external and internal audit

Combined assurance model

Exxaro applies a combined assurance model to optimise assurance by management, as well as internal and external service providers, while fostering a strong ethical climate and mechanisms to ensure compliance. Using our board-approved ERM approach, management identifies key risks facing Exxaro and implements the necessary internal controls with comparable information for trend analysis where possible.

The audit committee is responsible for overseeing the use of a combined assurance model to achieve the following objectives:

- Enabling an effective internal control environment
- Integrity of information used for internal decision making by management, the board and its committees
- Supporting the integrity of external reports

The board and audit committee found the effectiveness of controls for the year ended 31 December 2022 as satisfactory. This was concluded principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

Exxaro defines assurance broadly to cover all sources, including external assurance, internal audit, management oversight and regulatory inspections. The three lines of defence clearly delineate the roles of internal stakeholders, ensuring common procedural understanding when tackling risks.

Our combined assurance model includes and optimises all assurance services and functions to collectively provide an effective control environment and support integrity of information used for internal decision making by management, the board and its committees, and in our external reports including:

- Corporate governance disclosures in terms of King IV
- Financial statements and other external reports including our integrated and ESG reports

The forum's activities and outcomes of assurance reports are presented quarterly to the audit committee.

[Combined assurance report](#) (page 73)

Overdue and repeat findings

A new issue tracking management system was installed and configured with the business user launch and training in October 2022. This system will capture and track the status of all internal audits and other assurance providers findings, and all overdue and repeat findings will be reported at each audit committee meeting.

Independence of audit and assurance functions

To ensure independence of our audit and assurance functions, the following measures have been put in place:

- Effective for the financial year ended 31 December 2022, KPMG was appointed as Exxaro's new independent external auditor together with its delivery partner, AM PhakaMalele, approved by shareholders at the AGM held on 25 May 2022 by way of a separate resolution of shareholders in terms of the JSE Listings Requirements paragraph 3.84(g)
- Change in internal audit service provider: PwC and its service delivery partner, Ngubane & Co, were appointed as Exxaro's internal audit service provider from 1 July 2022
- A framework for engagement of auditors to supply non-audit services was adopted in 2021 and confirmed that KPMG, in terms of its policy, is not allowed to perform non-audit services
- Internal audit function is confirmed by our group governance framework as an independent control function across the group
- Internal audit charter (reviewed in 2022) informs the role and scope of work of the internal audit function
- Chief audit officer of Exxaro and the internal audit function report directly to our audit committee and is administratively overseen by the finance director

Trust, good reputation and legitimacy

Stakeholder inclusivity

Exxaro's board has a stakeholder-inclusive approach that, supported by its key account management approach to stakeholder engagement, responds to principle 16 of King IV regarding stakeholder inclusivity and responsiveness. It aims to balance the needs, interests and expectations of material stakeholders in the organisation's best interest over time to protect and build trust in the organisation and its reputation and legitimacy in the eyes of our stakeholders.

As recommended by King IV, Exxaro's disclosure regarding stakeholder relationship management reflects our management approach, key focus areas and stakeholder management activities.

-  [Creating value through stakeholder engagement](#) (page 36) and
-  [stakeholder management](#) (ESG report, page 24)

Internal communication

CEO's roadshow

As part of her transition, our new CEO challenged employees to #GetOnTheBus during roadshows at BUs and head office. The CEO engaged with employees on opportunities presented by Exxaro's Sustainable Growth and Impact strategy and shared how employees could actively participate in the growth and success of Exxaro and our country.

External communication

Stakeholder days

The purpose of the stakeholder day virtual events was:

- To communicate Exxaro's performance to stakeholders
- For SERC and the board to engage with a diverse set of stakeholders by listening to community feedback and receiving an account from beneficiaries on Exxaro's social performance and impact

The stakeholder engagements were scheduled over three days with ESD and socio-economic development stakeholders in Limpopo and socio-economic development stakeholders in Mpumalanga. Participants included:

- National, district and local government
- Community leaders (including tribal authorities, community structures, NGOs and strategic business partners)
- Union representatives
- ESD programme implementation partners
- SLP, ESD and mega-projects beneficiaries

Other external communications

The following external communication (among others) took place in 2022:

-  Publication of the [annual reporting suite](#) (integrated report, ESG report and climate change position statement)
- AGM (presentation of annual financial statements, report of the SERC and various other resolutions for voting by shareholders)
-  [SENS announcements](#)
- Interim and annual financial results presentations by executive management
- Results roadshows following the annual and interim results presentations for interaction with investors
- SLP future forums that play an important role in engaging with labour representative groups to promote ongoing discussions about the future of mines, to identify possible challenges and solutions for productivity and employment, and to improve business sustainability
- Sustainability summit in Middelburg, Mpumalanga
-  [Governance roadshow](#)
- COP27 (in November 2022) at which Exxaro presented its response to the climate change risk

Integrity in reporting

The board ensures the integrity of the company's integrated report and its alignment with best practice in integrated reporting, including other reporting by the company.

The board also oversees the publication of our annual financial statements, ESG report, and the reports of our audit committee, SERC, RBR committee, investment committee, and remuneration and nomination committees as well as the remuneration report and other online or printed information that complies with legal requirements and meets the legitimate and reasonable information needs of stakeholders.

Anti-corruption

The board approves the group-wide anti-bribery and anti-corruption policy. The SERC receives quarterly reports on forensic investigation statistics and progress with initiatives under the SERC-approved fraud prevention and anti-bribery and corruption programme. For the oversight role of the SERC, please consider the SERC report.

Responsible corporate citizenship

The board ensures the organisation's strategy and conduct reflect its purpose of powering better lives in Africa and beyond and to be a responsible corporate citizen in giving effect to its purpose.

As the organisation is an integral part of society, the board sets the strategic direction and ensures that the company's responsible corporate citizen efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading international and national standards, and its own codes of conduct and policies.

The board exercises independent judgement in overseeing management and safeguarding the interests of all stakeholders, including our shareholders. In fulfilling its stewardship role, the board seeks to instil and foster a corporate environment founded on integrity, and to provide management with sound guidance in pursuit of long-term shareholder value, ensuring that the company provides sustainable value to society as a whole.

Governance

It is the SERC's role, as amended in 2021, to entrench responsible corporate citizenship as part of the committee's focused activities. The role and responsibility of the board's SERC includes overseeing the impact of the consequences of the group's activities and outputs on its status as a responsible corporate citizen in:

- **Economy:** economic transformation as well as fraud and corruption prevention, detection and mitigation
- **Society:** public health and safety, consumer protection, community development and protection of human rights

Commitments

Following an internal gap analysis in 2021, the board revisited, amended and approved Exxaro's human rights policy in 2022. Fundamental to Exxaro's purpose of powering better lives, is our stance that all people have inherent fundamental human rights regardless of their differences. As such, Exxaro is committed to respecting and upholding human rights for all people in its sphere of influence where the company has power to effect investment and development. Exxaro is guided by the Constitution, applicable legislation and external standards such as the Minerals Council's human rights framework, the UNGC principles on human rights, labour, environment and anti-corruption.

-  [Human rights](#) (page 99)

Trust, good reputation and legitimacy continued

Exxaro remains committed to supporting the 10 principles of the UNGC. The UNGC principles are embedded in our Sustainable Growth and Impact strategy, values, operations and stakeholder engagements in alignment with our endeavours to meet the SDGs. We believe that Exxaro's voluntary participation in the UNGC advances the case for responsible business practices and encourages our stakeholders to do the same. It holds us accountable to a global standard as we strive to become a catalyst for economic growth and environmental stewardship.

[UNGC communication on progress](#)

Health and safety

The importance of safety in the workplace receives focused attention at each board, board committee and executive committee meeting. This is achieved through a standing safety moment item on all agendas.

In addition to SERC's mandate, the RBR committee is responsible for reviewing health and safety risks and focuses on reported high-potential incidents (HPIs) and lost-time injuries (LTIs).

 [Safety](#) (ESG report, page 62) and [health and wellness](#) (ESG report, page 64) outline our approach and performance.

Focus areas

Our focus areas in 2022 (going into 2023) included:

- Approved a new ethics strategy and management plan
- Developed and approved a revised human rights policy
- Compulsory group-wide anti-bribery and anti-corruption training on MyNexxt to be completed in 2023
- Compulsory training of directors, prescribed officers, group company secretary and directors of major subsidiaries on insider dealing and training available on MyNexxt

Reputation

The Sunday Times Top 100 Companies Awards ranked Exxaro fifth for the second year. The awards recognise JSE-listed companies' contributions to the economy and social progress through investments, initiatives, and job creation. The awards also applaud these private-sector companies for achieving the highest returns for their shareholders over the past five years.

Exxaro also won Capital Finance International's 2021 award for best sustainable mining leadership in South Africa in recognition of our renewable energy efforts and investment. The award acknowledges Exxaro's work in realising a regenerative economic model for its mining operations.

In addition, Exxaro received Top Employers Institute recognition for its industry-leading people development practices. This reflects our dedication to a better working world through excellent human resources policies and people practices. This is the third time Exxaro has received this honour since 2014.

Bloomberg Gender-Equality Index recognised Exxaro in 2023 for the fourth consecutive year for the company's accomplishment in a predominantly male dominated industry sector. The Gender-Equality Index framework defines a set of metrics used to determine a company's progress towards equal representation of gender through the various employment levels of the organisation. Therefore, various global experts submit the Bloomberg social survey to be evaluated on the achievement or adoption of best-in-class statistics and policies.

 [Our strategic evolution](#) (ESG report, page 4) lists our awards over the years.

Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is a global initiative led by asset owners. It assesses individual companies' positioning for the transition to a low-carbon economy.

Exxaro's TPI score of level 4 reflects our GHG emissions, risks and opportunities related to the low-carbon transition.

Our TPI score was level 2 in 2016 and 2018. It improved to level 4 in 2019 and we have maintained this achievement since then.

TPI performance scores

Level 0: Unaware of climate change as a business issue
Level 1: Acknowledging climate change as a business issue
Level 2: Building capacity
Level 3: Integrating into operational decision making
Level 4: Strategic assessment

 [Delivering measurable results and impact](#) (ESG report, page 10)

Disclosure recognition 2022

- **EY Excellence in Integrated Reporting:** Our 2021 integrated report earned a historical fifth place among the Top 10 (the highest achievement in our history)
- **Global ESG Investing Awards:** Exxaro's 2021 ESG report earned second place among the best sustainability reports in the world
- **FTSE Russell ESG performance:**
 - Overall final ESG score of 3.8
 - Our governance reporting score increased from 4.6 (2018 to 2021) to 4.7
- **MSCI ESG rating:** Exxaro sustained its "A" rating and improved in the "E" (environment) category. The governance category, measuring corporate governance and corporate behaviour, where the company scored 6.9 out of 10, compared to the industry standard rating of 3.9

 [Delivering measurable results and impact](#) (ESG report, page 9)

Audit committee

Chairperson: Vuyisa Nkonyeni

Meetings: Six

Members: Billy Mawasha, Isaac Mophatlane, Ras Myburgh
 and Chanda Nxumalo

Attendance: 88.5%

 [Audit committee report](#) (ESG report, page 120)

Composition during 2022



Vuyisa Nkonyeni
 Chairperson



Billy Mawasha



Isaac Mophatlane



Ras Myburgh
 (retired 25 May 2022)



Chanda Nxumalo

Role and purpose

The committee is an independent, statutory committee whose members are appointed annually by Exxaro's shareholders in compliance with section 94 of the Companies Act and the principles of good governance. In terms of the Companies Act, this committee has an independent role with accountability to the board and shareholders of the company. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability for the functions performed by other committees of the board. In addition to the Companies Act, the committee's duties are guided by the JSE Listings Requirements and King IV.

The committee is governed by its terms of reference that codify its role and responsibilities. To assist the board, the committee plays an essential role in providing independent oversight of:

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of internal controls and the internal audit function
- Assessing the adequacy of the company's insurance arrangements with regard to the nature of its business and insurable risks
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over system controls and policies in place

Terms of reference

The terms of reference were reviewed and enhanced in accordance with the 2022 Institute of Directors South Africa guidance for audit committees and approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2022 and 2023	Status
Review the strategy in relation to the deployment of new post-modern ERP Solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy	Ongoing
Ensure alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach	Achieved
Review Exxaro's future strategy relations to insurance cover and self-insurance, taking into account global resistance to thermal coal and insurance markets	Ongoing
Continued to oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with the TCFD	Ongoing
Approve the levels of materiality to be used for internal audit (including audit protocols and classification of findings) and consider levels of materiality for the independent external auditor	Achieved
Oversee transition plans for internal and external audit functions	Achieved

Confirmation

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act and the JSE Listings Requirements as well as the principles and recommended practices of King IV. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and confirms that it fulfilled its mandate and responsibilities in terms of the Companies Act, the JSE Listings Requirements and King IV.

Investment committee

Chairperson: Isaac Mophatlane	Meetings: Eight
Members: Billy Mawasha, Isaac Malevu, Mandlesilo Msimang, Chanda Nxumalo, Vuyisa Nkonyeni and Peet Snyders	Attendance: 85.5%

 [Investment committee report](#) (ESG report, page 124)

Composition during 2022



Role and purpose

The committee has an independent role in terms of which it operates and makes recommendations to the board, monitors on behalf of the board and reports to the board on material acquisition, merger/investment or disposal opportunities, and ongoing material transactions and related matters in the scope of the approved energy and minerals sustainable growth strategy, including ongoing portfolio management of these businesses, existing and post-investment reviews and management.

The committee's role is to review the strategic fit and risk appetite, and financial, technical and legal due diligences for major investments. It shall further ensure adherence to all Exxaro's governance processes at all times and that the approved hurdle rates, set from time to time, are met before any funds are committed. An investment opportunity will therefore first serve at the investment committee where a detailed review shall be conducted in line with the investment criteria approved by the board. After the review, the investment opportunity may be recommended by the committee to the board for final approval.

The committee's role expanded in 2022 to include consideration of Exxaro's capital allocation strategy.

Terms of reference

The committee's terms of reference were reviewed and are aligned with legislation, regulations and King IV. The committee is satisfied that it has conducted its affairs and discharged its responsibilities in accordance with its terms of reference.

Key focus areas for 2023	Status
Divestments: The committee received updates on the proposed divestments in line with Exxaro's strategy	Ongoing
Acquisitions: The committee considered potential acquisitions by the energy and minerals business in line with Exxaro's strategic objectives	Ongoing
Governance: The committee reviewed its terms of reference	Ongoing
Investment framework: To ensure it fulfils its role, the committee considered a framework that would serve as a guideline for presentations of investment and acquisition opportunities	Ongoing

Confirmation

The committee, in carrying out its duties, has due regard of its terms of reference and the principles and recommended practices of King IV.

Remuneration committee

Chairperson: Dr Phumla Mnganga

Meetings: Seven

Members: Mvuleni Geoffrey Qhena, Dr Geraldine Fraser-Moleketi, Zwelibanzi Mntambo and Ras Myburgh

Attendance: 90.3%

 [Remuneration committee report](#) (ESG report, page 126)

Composition during 2022



Dr Phumla Mnganga
Chairperson



Mvuleni Geoffrey Qhena



Dr Geraldine Fraser-Moleketi



Zwelibanzi Mntambo



Ras Myburgh
(retired 25 May 2022)

Role and purpose

The committee's terms of reference leverage the benefit of cross-membership for fulfilment of remuneration matters as well as board governance and nomination matters.

The committee is accountable to the board for execution of its independent and objective oversight set out below.

Duties and responsibilities of the remuneration committee

- Remuneration governance
- Oversee development and regular review of the remuneration policy that articulates and gives effect to the board's direction on fair, responsible and transparent remuneration
- Oversee implementation and execution of the remuneration policy
- Exercise any power or discretion vested in the board under any remuneration scheme established for the benefit of employees of the group
- Review executive and senior management remuneration and performance measurement
- Oversee fees for non-executive members for services as directors, as approved by shareholders
- Provide mandates for non-bargaining and bargaining unit employees' salary negotiations
- Governance of performance management

The committee does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management. It also does not assume accountability for the functions performed by other committees of the board.

Where board committee focus areas dovetail or overlap with this committee's oversight, there is seamless collaboration between committees to execute the broader effectiveness objective of the board – for example, in support of the diversity and inclusion strategy execution, as it applies to fair pay or application of mechanisms to achieve and exceed employment equity.

Terms of reference

The committee's terms of reference were reviewed in 2022 and amendments were approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2023	Status
Approval of Cennergi's organisational structure and appointment of head distributed generation	Ongoing
Revised group remuneration policy and reward framework	Ongoing
Implemented incentives and scorecards: group STI, long-term incentive and production incentive schemes	Ongoing
Revised performance management processes aligned to strategic objectives	Ongoing
Board committee composition review and board and executive management succession planning including appointment of managing director: minerals	Ongoing
Executive officer transition	Ongoing
Policy improvements: Employee leave conditions and parental leave policy	Ongoing
Non-executive director remuneration	Ongoing
Committee work plan and terms of reference review	Ongoing
Board continuing professional development	Ongoing

Confirmation

The committee is satisfied that its ongoing work aims to align remuneration with the organisation's values of fairness and equity. The company continues to strive towards remuneration of employees in accordance with market-related salaries and equitable awards across the organisation.

The committee is also satisfied that employees are invested in achieving the company's strategic goals through a remuneration philosophy and policies that incentivise short-term and long-term performance awards with sufficient stretch built into targets.

Nomination committee

Chairperson: Mvuleni Geoffrey Qhena	Meetings: Seven
Members: Dr Geraldine Fraser-Moleketi, Dr Phumla Nganga, Zwelibanzi Mntambo and Ras Myburgh	Attendance: 90.3%

 [Nomination committee report](#) (ESG report, page 130)

Composition during 2022



Mvuleni Geoffrey Qhena
Chairperson

Dr Geraldine Fraser-Moleketi

Dr Phumla Nganga

Zwelibanzi Mntambo

Ras Myburgh
(retired 25 May 2022)

Role and purpose

The committee's terms of reference leverage the benefit of cross-membership for the fulfilment of remuneration matters as well as board governance and nomination matters.

The committee is accountable to the board for the execution of its independent and objective oversight set out below.

Duties and responsibilities of the nomination committee

- Board and board committee structure, size and composition
- Monitoring the board's performance against race and gender diversity representation targets
- Nomination and appointment of directors
- Induction and ongoing development of directors
- Board and board committee succession planning for key positions, including chairperson and committee chairpersons
- Review succession planning for executive directors, key group executives and subsidiaries, and ensure availability of the succession plan for the CEO and finance director
- Board and board committee performance evaluation

The committee does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management. It is also not accountable for the functions performed by other committees of the board.

Where board committee focus areas dovetail or overlap with this committee's oversight, there is seamless collaboration between committees to execute the broader effectiveness objective of the board – for example, in support of the diversity and inclusion strategy execution as it applies to fair pay or the application of mechanisms to achieve and exceed transformation targets.

Terms of reference

The committee's terms of reference were reviewed in 2022 and the amendments approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2023	Status
Diversity and inclusion policy	Ongoing
Board composition	Ongoing
Induction and ongoing development of directors	Ongoing
Nomination and appointment of directors	Ongoing
Succession planning	Ongoing
Performance	Ongoing

Confirmation

The nomination committee, in carrying out its respective duties, duly regarded the principles and recommended practices of King IV. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference.

Risk and business resilience committee

Understanding our business
Drivers of value creation
Transitioning the business for growth
Governance for value creation
Our performance
Our Mineral Resources and Mineral Reserves

Chairperson: Peet Snyders

Meetings: Five

Members: Ben Magara, Mandlesilo Msimang,
Ras Myburgh and Chanda Nxumalo

Attendance: 100%

 [Risk and business resilience committee report](#) (ESG report, page 133)

Composition during 2022



Peet Snyders
Chairperson



Ben Magara



Mandlesilo Msimang



Ras Myburgh
(retired 25 May 2022)



Chanda Nxumalo

Role and purpose

The committee is a board committee in terms of section 72 of the Companies Act, the company's MoI and King IV. The committee's role is as follows:

Risk management

The committee's role is to oversee the implementation of an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and that disclosure regarding risk is comprehensive, timely and relevant. Risk management is the process effected by the board, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the organisation and manage risks to be within its risk appetite, and ultimately to provide reasonable assurance regarding achievement of the organisation's objectives. Risk governance refers to the governance structures and mechanisms established within the organisation in terms of which decisions regarding risk are taken and implemented. The committee is responsible for reviewing the ERM process, including key risks facing Exxaro as well as responses in place to address these risks with particular focus on:

- Strategic risks
- Financial risks (technical debate on managing financial risk will take place at audit committee meetings but financial risks are part of the overall enterprise risk register over which this committee has oversight)
- Operational risks
- Regulatory compliance risks

Business resilience

Business resilience is the ability of an organisation to absorb and adapt in a changing environment to enable it to deliver its objectives, survive and prosper. Risk, incident, crisis and business continuity management are among the four key elements of business resilience. The role of the committee is to oversee the appropriateness of Exxaro's crisis response plans and frameworks.

Terms of reference

The committee's terms of reference were reviewed and enhanced in accordance with the 2022 Institute of Directors South Africa guidance, and approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas for 2022/2023	Status
Review relevance of current KPIs and completeness of current and emerging risks in line with approved strategy	Ongoing
Review risk governance efforts to ensure monitoring of key risks impacting strategic objectives (includes review of completeness of current and emerging risks in line with strategy)	Ongoing
Ensure effective plans are in place based on the impact of business disruption (plans are up to date and no significant incidents occurred that led to business disruption)	Ongoing
Review Exxaro's risk appetite	Achieved
Review Exxaro's key compliance risks related to licence to operate	Achieved
Based on the key risks, recommend appropriate predictive and proactive reporting as well as engagement with key stakeholders (including integrated report)	Achieved
Review governance of technology and information to ensure incorporation of technology and information risks to enable strategy delivery and ensure business resilience	Ongoing
Review business resilience key elements to ensure business strategy compliance	Achieved

Confirmation

The committee is satisfied that it has discharged its responsibilities and fulfilled its mandate in accordance with its terms of reference, the Companies Act and King IV.

Social, ethics and responsibility committee

Chairperson: Dr Geraldine Fraser-Moleketi

Meetings: Six

Members: Karin Ireton, Likhapha Mbatha, Isaac Mophatlane and Peet Snyders

Attendance: 93.3%

 [Social, ethics and responsibility committee report](#) (ESG report, page 138)

Composition during 2022



**Dr Geraldine
Fraser-Moleketi**
Chairperson

Karin Ireton

Likhapha Mbatha

Isaac Mophatlane

Peet Snyders

Role and purpose

The committee mandate derives from the company's commitment to proactively managing its economic, environmental and social impacts, and the public interest, in addition to those laid down in section 72(4) of the Companies Act, read with Regulation 43, the Mol and King IV.

The company recognises that it forms part of an interrelated community and as such may have positive and negative impacts on the public interest and the global goal of sustainable development. The committee oversees the company's ethics with regard to business practices, its relationships with its employees and other stakeholders and the natural environment. It assists the board by monitoring the extent to which the group is achieving its shared value goals in a sustainable manner.

The board has primarily entrusted the committee with shared oversight of sustainability management without relinquishing overall responsibility.

 [ESG oversight by board committees](#) (page 58)

ESG matters shape and direct board discussions. This committee tracks the group's performance in line with the strategic KPIs within the committee's oversight responsibility. These indicators inform matters within the committee's mandate, which are brought to the attention of the board for discussion when required. As reported, under the auspices of the committee we are steadily working towards decarbonisation through our Sustainable Growth and Impact strategy. Our strategic objectives advocate for a Just Transition in a manner that balances South Africa's economic development needs, ecosystem protection and social adaptive capacity.

The committee thus performs an oversight role of the organisation's actions and outputs (how the company conducts business, specifically the application of its value system surrounding ethical standards and social responsibility).

Terms of reference

The committee's terms of reference were extensively reviewed in 2021 to include responsible corporate citizenship in its role and responsibilities. The terms of reference were reviewed in 2022 and the amendment approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas 2023	Status
Oversee implementation of the diversity, equity and inclusion strategy in support of the overarching Exxaro strategy as a key business value driver	Ongoing
Scrutinise human capital strategies, human capital investment and oversight (strategic workforce issues) that impact the group's brand and reputation	Ongoing
Oversee implementation of the stakeholder engagement strategy and key account management of eight identified stakeholder groupings	Ongoing
Review ongoing anti-bribery and anti-corruption programme implementation including rolling out of conflicts of interest programme and ensuring an ethical culture	Ongoing
Ensure ESG is leveraged to build long-term competitive advantage, enhance resilience to sustainability risks and attract socially conscious investors, talent and customers	Ongoing

Confirmation

The SERC is pleased to confirm that, in carrying out its duties, as prescribed, it has duly regarded King IV principles and recommended practices, and has discharged its responsibilities in accordance with its terms of reference and the Companies Act. Beyond mere compliance, the committee is also satisfied that it has fulfilled its non-statutory mandate and that there are no material instances of non-compliance to disclose. If any material non-compliance existed, it was duly considered during the year in review.

Combined assurance for effective governance

The board, supported by the audit committee, is ultimately responsible for Exxaro's system of internal controls, which has been designed to evaluate, manage and provide reasonable assurance against material misstatement and loss.

We apply a combined assurance model to optimise assurance by management, as well as internal and external providers, while fostering a strong ethical climate and mechanisms to ensure compliance.

Using our board-approved ERM approach, management identifies key risks facing Exxaro and implements the necessary  [internal controls](#) (page 26) with comparable information for trend analysis where possible.

The board and audit committee assessed the effectiveness of controls for the year ended 31 December 2022 as satisfactory, principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

Approach, governance and reporting

Exxaro defines assurance broadly to cover all sources, including external assurance, internal audit, management oversight and regulatory inspections.

Our combined assurance model includes and optimises all assurance services and functions to collectively provide an effective control environment and support the integrity of information used for internal decision making by management, the board and its committees, and in our external reports including:

- Corporate governance disclosures in terms of King IV
- Financial statements and other external reports, including our integrated report and ESG report

The forum's activities and outcomes of assurance reports are presented quarterly to the audit committee.

Assurance review

For the year under review, the sources, level and focus area of assurance, commissioned and performed, are summarised below.

Focus area	Function assured			
	Assurance provider	Tier/level of assurance*	Corporate	BU
External/statutory audit	KPMG	3	Yes	Yes
Sustainable development/KPIs	KPMG	3	Yes	Yes
Environmental liability provisioning	KPMG	3	Yes	
Mining rights and environmental legal compliance	Inlexso	3	Yes	
B-BBEE dtic code compliance	Empowerdex	3	Yes	Yes
Mining Charter III compliance	Ngubane	3	Yes	Yes
Insurance risk surveys	IMIU	3	Yes	
Major and mega capital projects	PWC/ EY	3	Yes	Yes
Mineral Resources and Mineral Reserves statement	PWC/EY	3	Yes	
Governance, risk and internal controls	PWC/EY	3	Yes	Yes
Employee benefits	Ngubane	3	Yes	Yes
SLP projects	Ngubane	3	Yes	
ISO and OHSAS certifications	Various	3	Yes	

* Tier/level of assurance refers to independent external assurance.

Outcome of assurance 2022

As 31 December 2022 there were 394 open findings, reflecting an increase of 73 open findings in the year. Of the 394 open findings, 310 (79%) findings are classified as "Ready for Audit" (a three-month "waiting" period is applied before performing follow-up procedures for the control to be fully embedded). The split by status of findings is depicted in the chart below.

Status of findings	Current period reporting			Total for the current period
	Internal audit	Other assurance providers	Total for the current period	
Follow-up in progress	30	7	37	
Ready for audit	107	203	310	
Within timelines	14	2	16	
Overdue	19	12	31	
Total	170	224	394	

Overdue findings have been classified by ratings assigned in the final audit report and split into sources below.

Source	Level 1 (high)	Level 2 (medium)	Level 3 (low)	Not rated	Total
Internal audit	0	18	1	0	19
Other assurance providers	2	9	1	0	12
Total	2	27	2	0	31

 Refer to [Appendix A](#) (page 167) in the ESG report for detailed disclosure.

Our performance

Our values and culture are driving us towards our goals for society and the environment at large: we are empowered to grow and contribute within honest and responsible teams who are committed to excellence.

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- 103 Our environment: stewardship and compliance
- 112 Responding to TCFD reporting requirements



Finance director's overview

Riaan Koppeschaar
Finance director



Revenue of
R 46.4 billion
up 41%

Adjusted equity-accounted
income of
R 7.3 billion
down 26%

Cash generated
by operations at
R 18.9 billion
up 79%

EBITDA of
R 19.0 billion
up 78%

Headline earnings of
R 60.16 per share
up 28%

Total ordinary dividend
declared of
R 27.29 per share
down 16%

The strong commodity price performance together with our operational excellence efforts have contributed positively to our financial performance. Despite the logistical constraints, our managed operations were able to show strength and resilience resulting in a 78% increase in EBITDA to R19.0 billion. The contribution from our non-controlled operations showed a decrease with adjusted equity-accounted income decreasing 26% to R7.3 billion, mainly due to the performance of SIOC. This translated into basic HEPS rising to R60.16 compared to R46.83 in 2021. We are pleased to have declared a final ordinary dividend to shareholders of R11.36 per share, bringing the total dividend for the year to R27.29 per share.

Finance director's overview continued

Global economy and commodity prices

After a strong finish to 2021, the global economic expansion lost momentum during 2022. The growth rate in 2021 of 5.8% decreased to 2.8% in 2022. As financial market conditions deteriorated during the second half of 2022, the global economy remained at its highest vulnerability, with the risk of a global economic recession emerging.

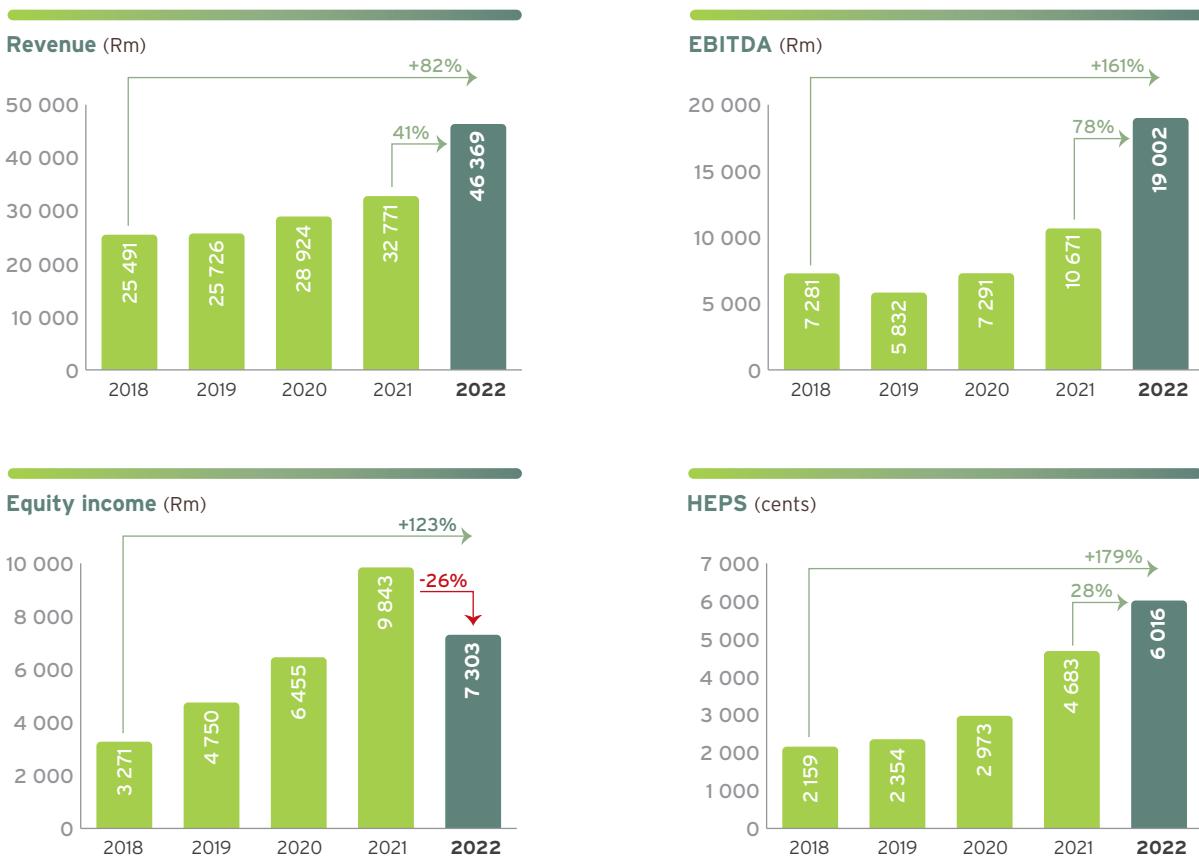
During 2022, our supply into global thermal coal markets was influenced by the Indonesian government's temporary ban on exports, inclement weather conditions, rail challenges in South Africa and labour issues in Australia. In addition, the Russia-Ukraine conflict sent global markets into turmoil as Europe's energy insecurity surfaced, which, among others, favoured South African seaborne thermal coal trade as international sanctions for Russian coal came into effect. For most of the year, the tight global gas market remained supportive to thermal coal demand and prices.

Despite the property sector weakness and widespread renewed COVID-19 lockdowns in China, the iron ore market started off the year relatively stable, supported by strong Chinese steel production. The iron ore market softened during April/May, with sentiment strengthening towards the end of the first half of 2022 from new stimulus measures and due to the easing of lockdown restrictions by the Chinese government. Weak demand sentiment in both China and Europe and global recession risks are expected to weigh on the iron ore market for the remainder of the year.

Group performance highlights

For a better understanding of the comparability of results between the two reporting periods, we have adjusted our financial results for non-recurring items (referred to as non-core adjustments) to derive our adjusted financial results. The non-core adjustments in both 2022 and 2021 are the same as the headline earnings adjustments, resulting in no differences in EBITDA and headline earnings, respectively.

Group performance* – double-digit growth challenging operating environment



*Adjusted for non-core items.

Group revenue

Group revenue increased 41% to R46 369 million (2021: R32 771 million), mainly due to the exceptional performance of the coal business driven by higher export and domestic sales prices, despite the ongoing logistical challenges.

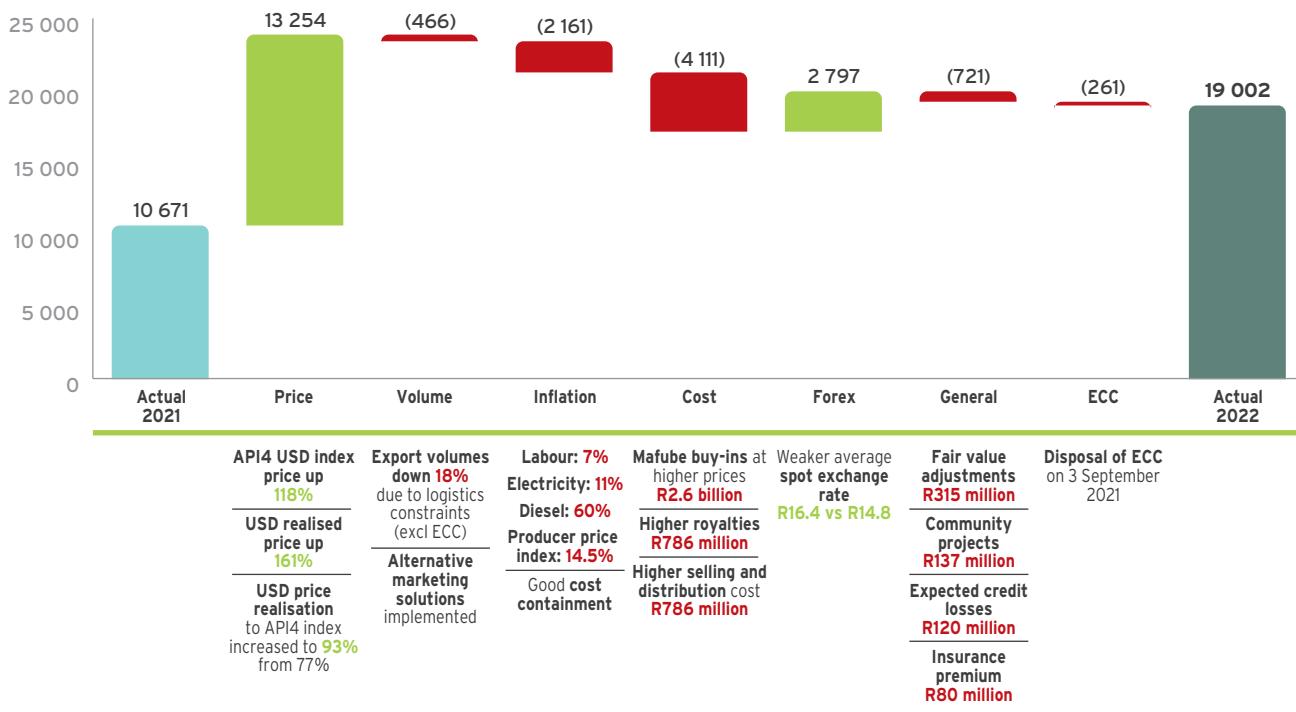
The revenue contribution from our energy business was 3% lower than 2021 due to persistent low wind conditions experienced during the past 12 months both in South Africa and across Europe.

Group EBITDA

Group EBITDA increased by 78% to R19 002 million (2021: R10 671 million), mainly attributable to a 78% increase in coal EBITDA.

The main drivers for the 78% increase in group EBITDA are provided in the graph below.

Group EBITDA – record EBITDA despite cost pressures (Rm)



We realised higher prices on our products in line with higher international coal prices. We are particularly proud of our price realisation of 93% compared to the API4 price index, which underscores the value of our early value coal strategy to render a high-quality product mix, enabling us to respond to changing market conditions.

As a result of logistical constraints, our export volumes decreased by 18% (excluding ECC) but through our concerted efforts, we were able to mitigate some of the losses through alternative logistical solutions including the use of alternative ports as well as trucking of coal.

2022 was characterised by double digit inflation growth in the mining sector but we were able to limit our cost increases to 12.7% for our coal operations as we continue to realise the benefits from our digital and operational excellence programmes.

Inflationary pressure on costs was mainly driven by diesel tariff increases that were significantly higher than the producer price index inflation rate.

Operational costs increased in line with higher production, and we bought in more coal from Mafube at higher prices.

Royalties increased in line with higher revenue as well as lower capital expenditure to offset against the revenue.

Selling and distribution costs increased due to the alternative logistical solutions we implemented.

The net positive forex variance is due to the impact of the weaker rand/US dollar exchange rate on realised and unrealised forex differences on foreign debtors and cash balances.

Included under general expenses are negative fair value adjustments on forward exchange contracts (FECs) and the environmental rehabilitation funds, higher spend on community projects, higher provision for expected credit losses as well as a higher insurance premium paid.

ECC, which was disposed of on 3 September 2021, is stripped out for comparability purposes.

Finance director's overview continued

Adjusted equity-accounted income

Adjusted equity-accounted income from associates and joint ventures decreased by 26% to R7 303 million (2021: R9 843 million).

Adjusted equity-accounted income and dividends received

	Adjusted equity-accounted income/(loss)			Dividends received		
	2022 Rm	2021 Rm	Change %	2022 Rm	2021 Rm	Change %
Coal: Mafube	1 902	375	407	750		100
Coal: Tumelo ¹		29	(100)			
Coal: RBCT	(9)	(18)	50			
Ferrous: SIOC	4 902	9 035	(46)	5 153	9 991	(48)
TiO₂: Tronox SA ²		54	(100)			
Other: Black Mountain	578	352	64			
Other: LightApp	(70)	16	(538)			
Total	7 303	9 843	(26)	5 903	9 991	(41)

¹ Disposed on 3 September 2021 as part of ECC disposal transaction.

² 2021 equity-accounted income up to the date of disposal on 24 February 2021.

The significant increase (+407%) in adjusted equity-accounted income from Mafube, our 50% joint venture with Thungela, was driven by higher export coal prices realised on higher sales volumes.

The 46% decrease in adjusted equity-accounted income from SIOC to R4 902 million (2021: R9 035 million) was primarily driven by lower market prices and volumes, as well as higher operating expenses, which were partially offset by a weaker currency.

An interim dividend of R2 498 million was received from our investment in SIOC in August 2022 (second half 2021: R6 329 million). SIOC declared a final dividend to its shareholders in February 2023. Exxaro's share of the dividend amounts to R1 419 million, which is 43% lower than the interim dividend received. The dividend will be accounted for in the first half of 2023.

The increase in the adjusted equity-accounted income of Black Mountain is mainly due to higher sales volumes at higher prices for zinc, lead, copper and silver.

Group earnings

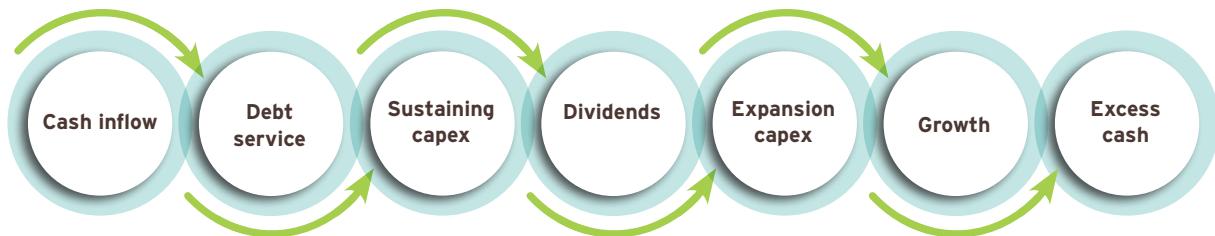
The strong contribution from our managed operations together with the contribution from our non-controlled operations resulted in a 26% increase in headline earnings to R14 558 million (2021: R11 568 million).

There was a decrease in the weighted average number of shares to 242 million (2021: 247 million) due to the shares that were bought back in 2021 as part of the share repurchase programme.

The increase in headline earnings, together with the lower weighted average number of shares translates to a record basic HEPS of 6 016 cents per share (2021: 4 683 cents per share), 28% higher than the prior year.

Capital management and shareholder returns

In terms of our capital allocation framework, free cash flow generated will be prioritised per the diagram below:



The diagram represents the order of our capital allocation framework. In applying our capital allocation framework, we aim for a gearing ratio of below 1.5 times net debt (excluding ring-fenced project financing) to EBITDA. The capital allocation framework is in line with our commitment to sustainably returning cash to shareholders through the cycle while retaining a strong financial position.

During 2022, we received cash of R20.6 billion (2021: R25 billion) which included R5.8 billion proceeds from the disposal of our investment in Tronox Holdings plc in 2021, comprising R14.7 billion from our operations (net of tax paid) (2021: R9.2 billion) and dividend income received from our equity-accounted investments of R5.9 billion (2021: R10.0 billion).

In terms of our capital allocation framework, we then utilised this cash to mainly:

- Service our debt (net of interest received) of R0.3 billion (2021: R0.8 billion)
- Sustain our operations with capital expenditure of R1.4 billion (2021: R1.6 billion)
- Expand our operations with further capital expenditure of R0.3 billion (2021: R0.8 billion)
- Pay total dividends of R9.7 billion (2021: R13.7 billion)
- 2021 also included R1.5 billion for the implementation of the share repurchase programme

Given our net cash position (excluding ring-fenced project financing) at 31 December 2022 and 31 December 2021, our net debt to EBITDA cover ratio was well below our target of 1.5 times.

Exxaro remains in a strong liquidity position with a net cash balance of R5.2 billion as at 31 December 2022 (2021: net debt of R3 718 million) and undrawn borrowing facilities and maturities as set out below. If the Cennergi net debt is excluded, the net cash position at 31 December 2022 was R9.7 billion (2021: R764 million).

Capital funding structure – Exxaro excluding Cennergi

	Facilities available			
	Drawn Rm	Undrawn/ committed Rm	Undrawn/ unissued Rm	Maturity profile of debt
Term loan and revolving facility	3 850	3 250		Repayment period 4 959
Domestic Medium-Term Note programme	643		4 000	Less than 6 months 301
Interest-bearing borrowings	4 493			6 – 12 months 243
Interest capitalised	60			1 – 2 years 1 139
Lease liabilities	420			2 – 3 years 508
Capitalised transaction costs	(14)			3 – 4 years 2 564
Total interest-bearing debt	4 959			4 – 5 years 80
Current	544			> 5 years 124
Non-current	4 415			
Net cash and cash equivalents	(14 612)			
Net cash	(9 653)			



Capital funding structure – Cennergi

	Facilities available			
	Drawn Rm	Undrawn/ committed Rm	Maturity profile of debt	Repayment period
Project financing	4 551	410	Repayment period 4 612	Less than 6 months 95
Interest-bearing borrowings	4 551			6 – 12 months 116
Interest capitalised	3			1 – 2 years 273
Lease liabilities	58			2 – 3 years 349
Total interest-bearing debt	4 612			3 – 4 years 449
Net cash and cash equivalents	(200)			4 – 5 years 555
Net debt	4 412			> 5 years 2 775

Value distribution (Rm)



The value generated by Exxaro is distributed to its various stakeholders as follows:

- Employees receive salaries or wages, share-based payments as well as bonuses (where certain performance conditions are met)
- Employees' tax is deducted from employees' remuneration and paid to the South African Revenue Service
- The governments of the countries where Exxaro has operations and investments receive various taxes and royalty payments
- Cost of financing is payments to providers of finance who receive a return through interest and other loan costs
- Shareholders receive a return on their investment through dividends and capital growth in the share price
- Communities surrounding the operations of Exxaro benefit through CSI initiatives
- In terms of Exxaro's GreenShare employee scheme, employees received a further distribution of profits through dividends

All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion.

Finance director's overview continued

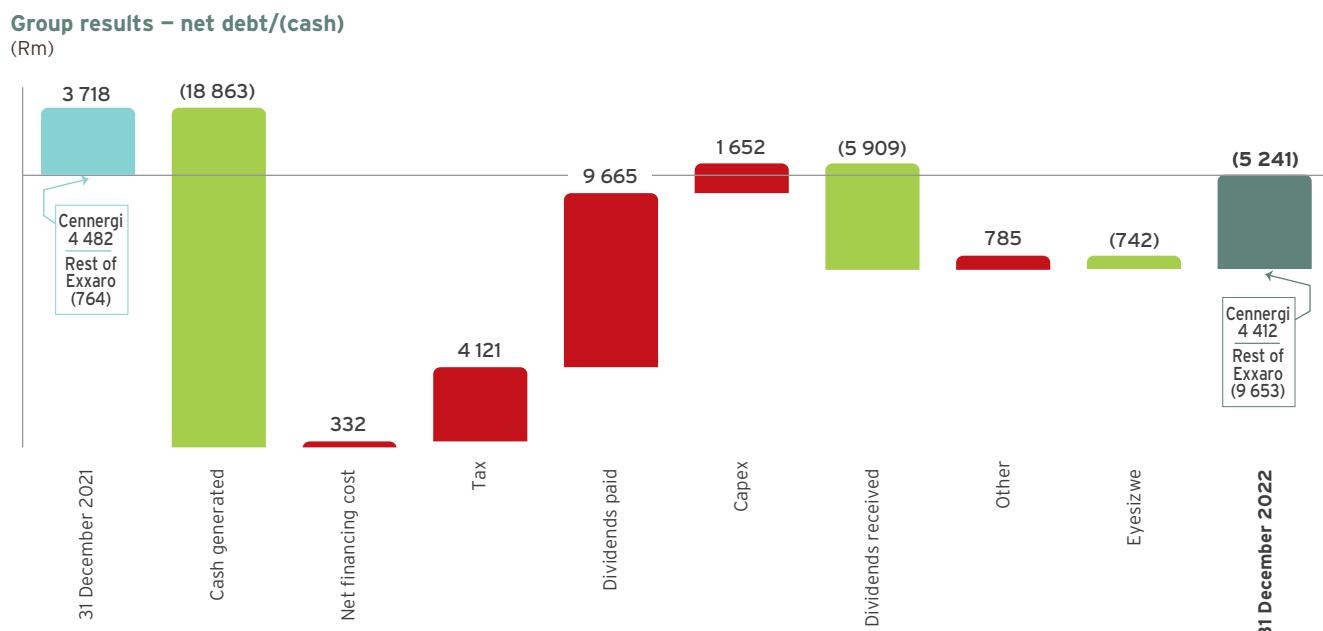
Summarised statement of financial position

At 31 December

	2022 Rm	2021 Rm
Assets		
Non-current assets	63 357	63 298
Property, plant and equipment	37 446	38 351
Intangible assets	2 760	2 927
Right-of-use assets	352	401
Inventories	176	145
Equity-accounted investments	18 060	17 322
Financial assets	3 539	3 237
Deferred tax	254	369
Other assets	770	546
Current assets	21 788	12 419
Inventories	1 728	1 606
Financial assets	376	311
Trade and other receivables	4 199	2 701
Cash and cash equivalents	14 812	7 042
Current tax receivables	101	24
Other assets	572	735
Total assets	85 145	75 717
Equity and liabilities		
Capital and other components of equity		
Share capital	983	983
Other components of equity	1 700	1 560
Retained earnings	44 136	37 007
Equity attributable to owners of the parent	46 819	39 550
Non-controlling interests	12 560	10 548
Total equity	59 379	50 098
Non-current liabilities	20 574	20 841
Interest-bearing borrowings	8 378	9 255
Lease liabilities	438	470
Other payables	25	53
Provisions	2 762	2 201
Retirement employee obligations	165	159
Financial liabilities	112	406
Deferred tax	8 668	8 271
Other liabilities	26	26
Current liabilities	5 192	4 778
Interest-bearing borrowings	715	1 000
Lease liabilities	40	34
Trade and other payables	3 340	2 230
Provisions	179	101
Financial liabilities	5	1
Overdraft		
Current tax payables	143	418
Other liabilities	770	994
Total liabilities	25 766	25 619
Total equity and liabilities	85 145	75 717

Property, plant and equipment decreased by R905 million when compared to the corresponding period last year, which includes R1 401 million spend on sustaining capex (stay-in-business capex) and R251 million on expansion capex, offset by depreciation charges of R2 457 million. The net movement further included borrowing costs capitalised.

The graph below summarises key movements in the net debt balance for the year ended 31 December 2022.



Portfolio optimisation

Exxaro initiated the Leeuwpan divestment process as part of its ongoing portfolio optimisation strategy to ensure the future resilience of our coal business. Unfortunately, progress on the divestment stalled and the process was stopped in the third quarter of 2022 to ensure stability at the mine. Exxaro will continue to review its coal assets and projects in line with its strategic goals.

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

Financial KPIs

The achievement of our financial KPIs is presented in the table below.

All internal KPIs are well within target, indicating a healthy balance sheet and strong cash flow generation. The impact of various coal sensitivity measures as well as the key financial risk factors can be further used to stress test our current headroom.

The group has complied with all the below mentioned bank covenants for the year ended 31 December 2022 and the previous financial year.

KPIs

	Target	2021	2022
Internal KPIs			
EBITDA interest cover*# (times)	>4	75	
Net debt/(cash): equity* (%)	<40	(2)	(17)
Net debt: EBITDA**# (times)	<1.5		
Return on total capital employed (%)	>20	36	45
Bank covenants**			
Net debt/(cash): equity (%)	<80	(1)	(16)
EBITDA interest cover# (times)	>4	35	
Net debt: EBITDA# (times)	<3		

* Excluding Cennergi consolidated results.

** Including dividends received from associates and contingent liabilities, except DMRE guarantees and excluding Cennergi consolidated results.

Exxaro is in a net finance income position in 2022.

Exxaro is in a net cash position.

Finance director's overview continued



Cennergi

The project financing debt under Cennergi is subject to the following financial covenants which have been achieved for both 2022 and 2021:

Tsitsikamma SPV loan facility

- Historic debt service cover ratio¹ for the calculation period ending on a calculation date is not less than 1.10:1
- Minimum annual forecast debt service cover ratio for the next calculation period is not less than 1.10:1
- Loan life cover ratio² is not less than 1.15:1
- Project life cover ratio³ is not less than 1.25:1

¹ The ratio of A to B where, A is the aggregate cash flow available for debt service (CFADS) less taxes and B is the aggregate of the finance costs, in each case for the relevant calculation period.

² The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to (and including) the final scheduled repayment date, discounted at the discount rate (as produced by the financial model) and B is the aggregate of the facility outstanding on such calculation date.

³ The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to the end of the tenor of the PPA discounted at the discount rate and B is the aggregate of facility outstanding as at such calculation date.

Amakhala SPV loan facilities

- Projected senior debt service cover ratio¹ for the immediately following measurement period is not less than 1.10:1
- Historic senior debt service cover ratio¹ for the immediately preceding measurement period is not less than 1.10:1
- Senior loan life cover ratio², as at each measurement date, is not less than 1.15:1
- Senior project life cover ratio², as at each measurement date, is not less than 1.30:1
- Projected total debt service cover ratio³ for the immediately following measurement period is not less than 1.05:1
- Historic total debt service cover ratio³ for the immediately preceding measurement period is not less than 1.05:1
- Total loan life cover ratio⁴, as at each measurement date, is not less than 1.10:1
- Total project life cover ratio⁴, as at each measurement date, is not less than 1.20:1

¹ The ratio of CFADS to senior debt service for that period.

² The ratio of the applicable total present value amount, as at that measurement date to the sum of (i) the senior facility outstanding and (ii) all the IFC facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.

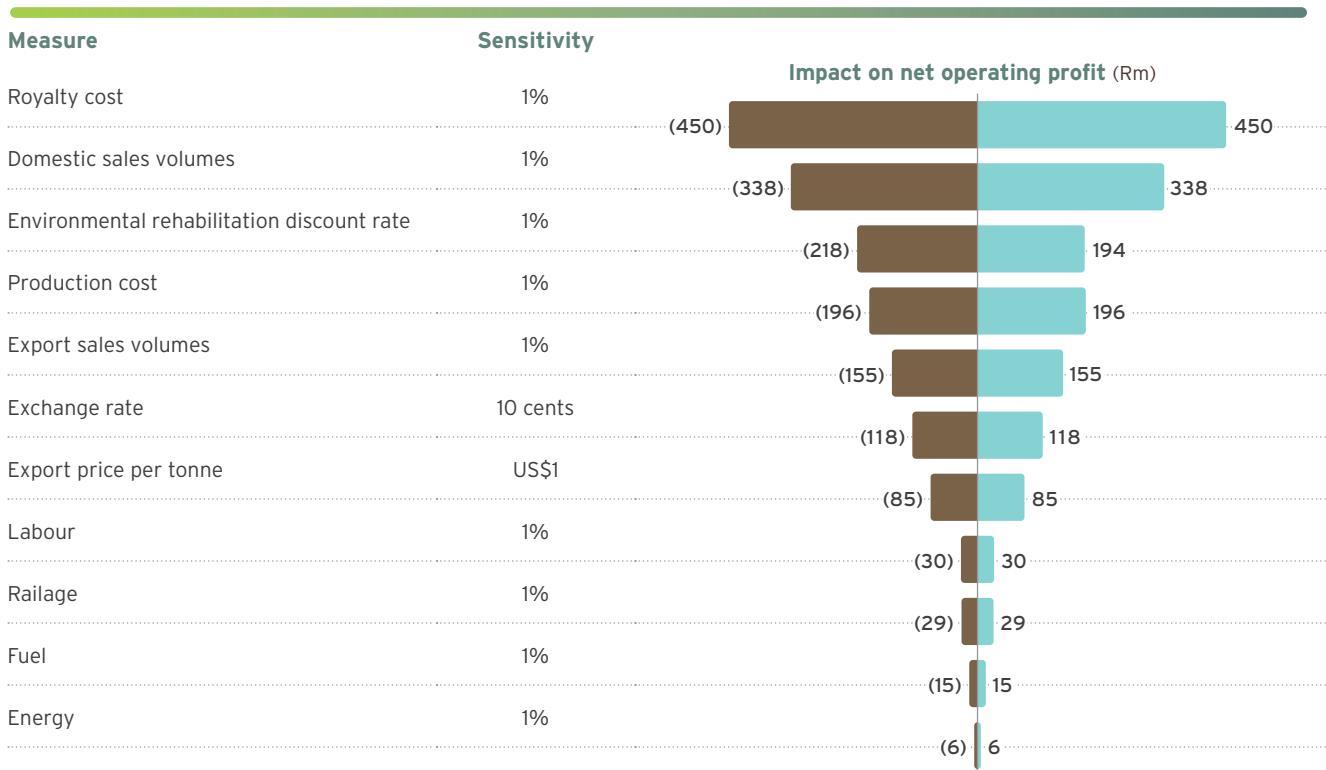
³ The ratio of CFADS to total senior debt service for that period.

⁴ The ratio of the applicable total present value amount, as at that measurement date to total facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.

Coal sensitivity analysis

The following diagram indicates key sensitivities on the coal net operating profit.

Coal sensitivities – 2022



Key financial risk factors affecting our performance

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports that analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity.

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or ROCE) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of foreign currency exchange rates, commodity prices, interest rates and changes in the environmental rehabilitation fund and portfolio investment quoted prices.

Price risk management

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds and portfolio investments is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

Foreign currency risk

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar. Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign loan balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

Uncovered cash and cash equivalents amounted to US\$32.89 million (2021: US\$49.85 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs that are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

	2022			2021	
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate
US\$	16.37	16.63	16.98	14.78	14.88
€	17.19		18.10	17.47	18.04
AU\$	11.34		11.49	11.11	11.55

Interest rate risk

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

When the contractual terms of the borrowings and covenants thereof require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

Finance director's overview continued

Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates.

The interest rate repricing profile for the loan facility and bonds is summarised below:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2022		
Non-current interest-bearing borrowings: loan facility and bond	(4 034)	(4 034)
Current interest-bearing borrowings: loan facility and bond	(505)	(505)
Total interest-bearing borrowings: loan facility and bond	(4 539)	(4 539)
Total borrowings (%)	100	100
At 31 December 2021		
Non-current interest-bearing borrowings: loan facility and bond	(4 704)	(4 704)
Current interest-bearing borrowings: loan facility and bond	(851)	(851)
Total interest-bearing borrowings: loan facility and bond	(5 555)	(5 555)
Total borrowings (%)	100	100



Project financing (Cennergi)

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in the three-month Johannesburg Interbank Average Rate. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

The exposure profile is summarised as follows:

	Group			
	Percentage exposure		2022 %	2021 %
At 31 December				
Project financing nominal amount		100	100	(4 554) (4 700)
– Linked to fixed rate		3	3	(141) (145)
– Linked to floating rate		97	97	(4 413) (4 555)
Project financing nominal amount linked to floating rate		97	97	(4 413) (4 555)
Interest rate swap notional amount (swap floating rate to fixed rate)		(81)	(81)	3 691 3 808
Effective floating rate exposure on project financing¹		16	16	(722) (747)

¹ Represents 40% exposure on the Tsitsikamma SPV project financing.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2022 Rm	2021 Rm
Amount approved	58 524	49 438
Total borrowings	(9 093)	(10 255)
Unutilised borrowing capacity	49 431	39 183

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2022 and 2021 financial years.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Credit risk

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually.

Exxaro has concentration risk as a result of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of expected credit losses in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month expected credit loss component that results from possible default events within the 12 months after the reporting date and a lifetime expected credit loss component that results from all possible default events over the expected life of a financial instrument.

Expected credit loss allowances increased by 76% to R183 million (2021: R104 million). The increase mainly relates to ESD loan recipients struggling to keep up with payments. The ESD committee is renegotiating payment terms for some of these loans. ESD loans to the value of R1.6 million have been written off at 31 December 2022.

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets were held as collateral for any security provided.

Outlook

Economic context

The aggressive nature of the interest rate increases by central banks globally, on the back of stubbornly high inflation rates, has moderated the global economic outlook for 2023 to fall short of the potential growth levels. The United Kingdom and broader Europe specifically run the risk of a recession, and any new major economic shocks could tip the world economy into a global recession. However, the relaxation of China's strict COVID-19 and real estate sector policies are expected to support the Chinese and global economic activity.

South Africa's subdued economic performance in 2022 reflected the lingering effects of the unrest in July 2021, the extensive flooding in April 2022 and slowing global growth, alongside the structural constraint of inadequate electricity supply. Energy reforms are underway, with tangible commitments expressed by potential investors. Speedy and judicious implementation could raise private investment, aiding economic activity.

The rand/US dollar exchange rate is expected to remain volatile during the first half of 2023.

Commodity markets and price

The heightened European interest in South African thermal coal is expected to remain well into 2023, as Europe continues to find solutions to be independent from Russian energy sources. South African thermal coal exports into high calorific value markets, such as South Korea and Japan, present further opportunities for Exxaro. The expected global gas trade flows and market prices, post the European winter months, are expected to remain supportive of seaborne thermal coal demand and prices. Stronger demand from the Pacific is expected as South African coal continues to trade at a discount to Australian coal.

Supply tightness and higher prices in the seaborne thermal coal markets spilled over into the South African domestic market and are expected to support domestic prices into 2023. The domestic market demand for both sized and unsized product is still strong, despite declines in export pricing. Although pricing has held up compared to the export market, indications of pricing pressures are seen for products destined for export. Consequently, domestic market participants are experiencing margin squeeze when trucking coal to alternative ports, as export prices are declining.

For the iron ore market, increasing steel demand and the seasonal low iron ore supply from Australia and Brazil, due to rainy weather, will support seaborne prices in the first quarter of 2023. In the latter part of the first half of 2023, further support is expected from the positive market sentiment amid China's economic revival.

Operational performance (page 86)

Given the ongoing challenges with rail performance, the business continues to respond with our market to resource optimisation strategy, ensuring continued operations and diversified export flows by trucking coal to alternative loading stations and ports. We continue to evaluate alternative logistical options to evacuate our export product.



Riaan Koppeschaar
Finance director

Operational performance



Our manufactured capital comprises the physical mining and energy assets we require to deliver our products, primarily coal and energy. Our operational performance is impacted by the quality of the assets we own and how effectively we utilise these assets.

Exxaro's manufactured capital consists of five mines, including a joint venture; two coal projects; a ferro-silicon manufacturing facility; and two windfarms. These assets are substantial in size. It is critical to invest in them to ensure their enduring value, upkeep and performance, and optimise their utilisation in delivering our products at optimal qualities.

We strive to positively impact our operational performance through:

- Appropriate stay in business capital investments
- Optimisation strategies
- Market to resource strategy
- Portfolio review

Material theme	Matter	Our strategic response	Our impact on the SDGs
 Adapting to a changing context	<ul style="list-style-type: none">• Geopolitical context• Macro-environment• Supporting a just transition to a low-carbon economy• Commodity price risk	<ul style="list-style-type: none">• Transition at speed and scale• Make our minerals and energy businesses thrive	 
 Executing our strategy	<ul style="list-style-type: none">• Coal portfolio optimisation• Diversify into minerals• Build a leading global renewable energy solutions business		

How we will achieve this

To achieve excellent operational performance, through executing our strategy in portfolio optimisation and effective utilisation of our invested capital. We do this through operational excellence and digitalisation programmes, optimisation strategies, internal cost savings and utilising data science for decision making.

Our operational performance areas comprise:

- Coal
- Energy
- Ferrous
- Portfolio optimisation
- Investments in minerals and renewable energy

Snapshot of our performance



Coal

Despite major rail constraints, our operational excellence and digitalisation programmes focus on safety, productivity improvements and cost management that deliver value. Through our integrated operations centres and market to resource optimisation strategy, we continue to enable timely decision making, allowing our business to focus on controllable elements, thus limiting the impact of the disruptions in the value chain. We are continuing with our drive to enhance this process through our data sciences and advanced analytics, which is a large part of our digital programme going forward.

International thermal coal pricing reached record highs in 2022 with the API4 averaging US\$270.87/t versus US\$124.12/t in 2021. Prices were supported by increased demand from Europe with the onset of the Russia-Ukraine conflict and the embargo that was placed on Russian coal. Pricing was further supported by supply chain disruptions such as bad weather, mine incidents, labour issues and logistics constraints. Shortage of liquefied natural gas and other gas also drove European coal prices higher based on gas-to-coal switching where possible.

Cost per tonne

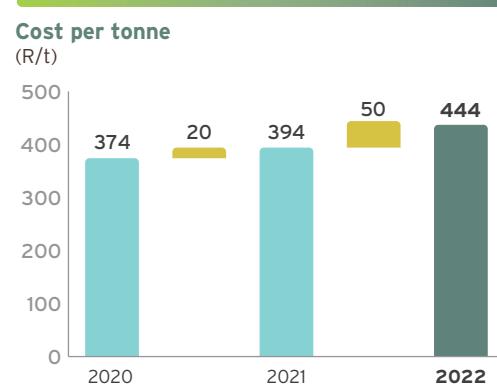
Production cost per tonne was impacted by increased inflation resulting in higher fuel and blasting expenses. We further experienced higher maintenance, which was offset by savings on contractor costs, resulting in a net saving in production costs.

Other operational costs were impacted by increased royalties, based on increased revenue and lower capital spend, distribution cost providing for alternative logistical channels, general expenses and rehabilitation, offset by a positive impact on foreign currency movements, resulting in a net increase in operational cost.

Our net cash cost per tonne remained below mining inflation.

Internal cost saving initiatives were focusing on improved efficiencies remain a major focus to address the inflation challenges.

To further remain competitive across various markets, our operational excellence and digital programmes continue to focus on specific projects across the value chain, which are aimed at managing stock levels and productivity, thus reducing overall production costs.



Energy



Cennergi

Cennergi's EBITDA margin was 80% (2021: 83%), showing the consistency of earnings underpinned by long-term offtake agreements.

The two windfarms' performance generated 671GWh in 2022 (2021: 724GWh). The decrease in generation resulted from persistent low wind conditions. In South Africa and regions such as Europe, windfarms have experienced below-normal wind conditions over the past 12 months. Our average equipment availability of 97.9% was better than contracted levels of 97.0%.

Ferrous

SIOC

- Adjusted equity-accounted income of R4.902 billion (2021: R9.035 billion) primarily driven by lower market prices and volumes and higher operating expenses which were partially offset by a weaker currency
- Dividends received of R5.153 billion to Exxaro in 2022 (2021: R9.991 billion)

Portfolio optimisation

Black Mountain

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

Leeuwpan

Exxaro initiated the Leeuwpan divestment process as part of its ongoing portfolio optimisation strategy to ensure the future resilience of our coal business. Progress on the divestment stalled and the process was stopped in the third quarter of 2022 to ensure stability at the mine. Exxaro will continue to review its coal assets and projects in line with its strategic objectives.

Business resilience



Our intellectual capital comprises the unique combination of knowledge, experience, innovation and systems that differentiate Exxaro. We leverage these elements to respond to market challenges and position our business for the future.

Technology and innovation are evolving exponentially – driving changes to patterns of production, consumption and ways of working. Exxaro is focused on both driving and leveraging those changes that can positively impact our business's value and sustainability. We apply our collective knowledge, skills and resources to ensure our business is responsive while safeguarding our people, assets and the business.

We strive to positively impact our intellectual capital through:

- Maintaining our competitive advantage through innovation and digitalisation
- Using our intellectual capital and differentiation to transition our already successful business into a company that remains sustainable, growth orientated, values driven into the future
- Becoming a leading international renewable solutions provider by 2030

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to a changing context	<ul style="list-style-type: none"> • Geopolitical context • Country risk • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Transition at speed and scale • Make our minerals and energy businesses thrive • Become a catalyst for economic growth and environmental stewardship • Proactive reputation management 	
Executing our strategy	<ul style="list-style-type: none"> • Portfolio optimisation (coal and investment) • Diversify into minerals • Build a leading global renewable energy solutions business • Implementing high-impact socio-economic development programmes 		
Driving business resilience	<ul style="list-style-type: none"> • Capital allocation • Cyber risk • Innovation and digitalisation 		

How we achieve this

Our operations must be able to overcome frequent challenges and adapt to change in global and local markets. We do this through efficient project portfolio management and capital allocation, increasing our competencies across mining and renewable energy, and investing in innovation, digitalisation and technology.

Business resilience comprises:

- Capital allocation
- Investments in renewable energy
- Driving innovation and information management
- Reputational resilience
- [Stakeholder relationship management](#) (page 36)

Snapshot of our performance

	Inputs	Outcomes
Capital allocation	<ul style="list-style-type: none"> • GG6 completed • Developed infrastructure projects for Matla • Engagements with Eskom about funding in progress 	<ul style="list-style-type: none"> • GG6 small coal plant handed over to Grootegeluk operations • Matla will be able to produce 10Mtpa of thermal coal
Investments in renewable energy	<ul style="list-style-type: none"> • Acquired full ownership of Cennergi in 2020 • Financial close for the first solar plant for supply to the Grootegeluk mine expected in the second quarter of 2023 	<p>To be a leading international renewable energy solutions provider by 2030 to:</p> <ul style="list-style-type: none"> • Fulfil own generation needs • Expand South African services and distributed generation footprint • Potential to decarbonise current business operations (scope 1 or 2 emissions)
Driving innovation and information management	<ul style="list-style-type: none"> • Collaborating through open innovation • Our RRODA platform/tool • Cybersecurity awareness campaigns 	<ul style="list-style-type: none"> • Core system availability: 97.94% (2021: 99.55%) • Secure scorecard: 76.35% (2021: 63.45%)
Reputational resilience	<ul style="list-style-type: none"> • Stakeholder reputation surveys 	<ul style="list-style-type: none"> • Stakeholder reputation • Stakeholder sentiment

Capital allocation

Exxaro continues to focus on the portfolio of growth and sustaining capital projects by executing our early value strategy and our capital excellence journey.

Salient features for 2022

Capital expenditure decreased
by 33% from 2021 to

R1 652 million

R1 401 million

applied to sustaining and environmental capital (stay-in-business capital)
(2021: R1 635 million)

R251 million

invested in **new capacity** (expansion capital) (2021: R836 million)

Project	Classification (growth/sustaining)	Product	Focus and performance	Capital expenditure	Outlook
Location: Waterberg (Limpopo)					
GG6 expansion	Growth	1.7Mtpa of semi-soft coking coal	Expanding the existing Grootegeluk 2 plant to enable production of semi-soft coking coal	R5.3 billion	First production through the small coal plant was achieved during the first quarter of 2021. Construction was concluded during the fourth quarter of 2021. The project will close by the first half of 2023.

Location: Mpumalanga

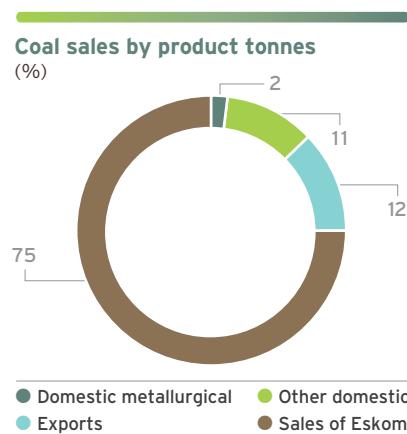
We implemented a programme of infrastructure projects to support Matla to achieve a 10Mtpa production objective once fully ramped up. Exxaro continues to engage with Eskom to release the required funding to execute the full scope of the programme.

Matla LoM programme	Sustaining	10Mtpa of thermal coal	Developing infrastructure to support LoM production	R3.8 billion	Construction of the box cut and silo for Matla Mine 1 has been completed. We aim to complete the tunnel development and incline conveyor in the second half of 2023. Equipment manufacturing is progressing as planned. We aim to complete Mine 2 and 3 development in the first half of 2025. We expect to complete and conclude the programme in the second half of 2025.
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Coal

Capital expenditure in our coal business decreased 33% lower compared to 2021, driven by 72% lower spend on expansion capital as we completed the construction of the GG6 plant.

Sustaining capital decreased by 12% due to less spend at Grootegeluk and Belfast. We are starting to realise the benefit of our Capital Excellence journey which is a combination of project savings and improved timing on project execution.



	2022 actual	2022 previous guidance	2021 actual	% change previous guidance
Sustaining	1 374	1 430	1 564	(4)
Waterberg	1 117	1 158	1 285	(4)
Mpumalanga	252	256	261	(2)
Other	5	16	18	(68)
Expansion	231	257	840	(10)
Waterberg	231	257	709	(10)
Mpumalanga			131	(100)
Total	1 605	1 687	2 404	(5)



Investments in renewable energy

No investments in renewable energy were made for the year under review. However, progress was made on developing the Lephalale solar project during the year. The intent is to target financial close by the first half of 2023, thereafter followed by construction. The project will cost between R1.52 billion and R1.58 billion to develop 68MW.

Business resilience continued

Driving innovation and information management

Highlights

- Our established centres of excellence (CoEs) support our digitisation strategy
- The business applications CoE drives citizen development, which is empowering end-users to develop their own non-complex applications and workflows to improve task execution and productivity
- Data analytics is embedded in the way we do business with BUs using dashboards to enable decision making
- The intelligent automation CoE has automated 34 business processes since 2018, which has resulted in saving 90 000 hours over three years
- We use NAVEX One's conflict of interest solution and standardised policy management
- Our learning management solution embraces digital learning capabilities
- We deployed the Slope Stability Monitoring solution to monitor the movement and slopes of high walls. It also triggers evacuation in emergency situations
- We deployed a solution that designs blasting plans and monitors implementation
- Our electrical condition monitoring manages conditions of the substations
- We use Etap modelling of electrical networks for simulation of electrical networks
- We deployed an Pix4D solution for drone surveying at Belfast and Grootegeluk for survey in the professionals in training (PIT) programme

Innovation is the ultimate white label word, the definition relying on the context in which it is used. Within Exxaro's context innovation is defined as the discovery, incubation, and implementation of cutting-edge solutions with the aim of adding value by refining efficiency, increasing effectiveness, and enhancing competitive advantage.

Due to the broad nature of innovation and its reliance on the context in which it is intended to be used, innovation is further categorised into four classifications namely, sustaining, incremental, radical and disruptive. Radical and disruptive types of innovation have been difficult to identify, source and implement while keeping focus on our core business. The innovation management team identified access to the broader innovation ecosystem as the best port of call to source these radical and disruptive innovation while not being inhibited by typical search engine constraints.

Exxaro's innovation management strategy is aimed at identifying areas where innovative solutions will support Exxaro's strategy. Innovation management's approach is underpinned by gaining access to an innovation ecosystem through partnerships with industry bodies, tech disruptors and innovators, it is anticipated to have a global reach of capabilities to assist in solving business challenges.

Exxaro's innovation strategy promotes collaboration with people and organisations outside the company. It promotes the belief that knowledge and creative initiatives from outside the company can contribute to achieving strategic goals.

In 2022, the innovation management team established the foundational elements required to project Exxaro's innovation journey to enable elements of the broader Exxaro strategy. This included external and internally focused efforts, the first of which was embedding within and aligning innovation to business optimisation and supply chain management processes. This was to enable key internal processes to support and embed innovation. This further supported the successful establishment of an ecosystem, resulting in a working relationship with a range of external innovation partners. A number of challenges were published to the innovation ecosystem focused on decarbonisation and improving operational efficiencies. The result of these challenges was exposure to innovative technologies that could not have been uncovered through traditional processes, one of which translated into approval to proceed with proofs of concept to test a solution at Mafube and Grootegeluk.

The achievements and traction of 2022 bode well for the 2023 roadmap and plan. With further development and extracting value from the implemented foundational elements completed in 2022, an additional focus area for 2023 looks to develop a systematic approach to innovation that will further embed innovation into the business planning and strategy process. This will enable the necessary strategy, processes, governance, resources and measurement to further enhance Exxaro's innovation journey.

Cybersecurity

With the ever-increasing cyber threat landscape, we have intensified our efforts to secure and safeguard our information and digital assets. There is continuous commitment and focus on enhancing our internal capabilities to identify, detect, respond and recover in the event of a cyberattack.

To improve our security posture and resilience, we are strengthening our controls to align with global best practices and deployed several systems to facilitate this. These include a data loss prevention tool to address privacy risks relating to sensitive information, continuous monitoring of our control environment by performing self-assessments and independent reviews to ensure the effectiveness of our mitigation actions and remediation of weaknesses. In so doing, we improved our cybersecurity score by 12.9% since the beginning of 2022.

Driving innovation

Exxaro takes great pride in our deep-rooted culture of innovation. We firmly believe that innovation is not limited to any particular department within the organisation, but rather, it is the responsibility of all employees to contribute to this effort. Our various departments, with their unique objectives and goals, are constantly innovating in different ways. For example, the business optimisation department focuses on efficiency, while the strategy and business transformation department concentrate on management innovation. Further, the projects and technology function is responsible for equipping our BUs with cutting-edge, forward-looking technologies, to ensure we keep on thriving as technology evolves within mining.

To ensure that all our functions have the necessary resources and capabilities to search for, identify, access, and accelerate these innovations, we have equipped our people with various innovation

tools. These tools allow our employees to critically evaluate the need and implications of innovation, ensuring that purpose-driven innovation is at the heart of all our initiatives, and that value is continuously added to the triple bottom line.

One of the tools we have equipped our people with is access to an ecosystem approach to search for, identify, and access innovation. We recognise that innovation is amplified when knowledge and ideas are not isolated within our organisation. Therefore, we collaborate and partner with key stakeholders, such as government, research institutions, incubators, and accelerators. By taking a systems approach to solve large and systemic problems, we are able to leverage the strengths of these organisations and benefit from their expertise.

We place particular importance on collaborating with government stakeholders since they play a crucial role in driving energy innovation and implementing the incentives and regulations needed to stimulate investment in energy innovation, its deployment and uptake.

Delivering on our strategy and future focus

We will be futureproofing Exxaro and enabling a sustainable future for our business. We aim to fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification. As the company matures, we will build on an already successful platform, leveraging our skills and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company, a leading international renewable solutions provider by the end of the decade.

Our **capital allocation and project execution** remains focused on leveraging the growth investments already made, supporting our early value coal strategy and sustaining our businesses by implementing our portfolio of stay-in-business capital projects. Our early value strategy means we are strategic about our capital allocation. We embarked on a capital expenditure journey in managing our sustaining capital, ensuring we sustain a robust coal portfolio with strong cash flow generation. We continue disposing of non-core assets. We continue on our capital excellence journey in investing in our coal business to remain resilient. We are targeting average capital of between R2 billion and R2.5 billion annually in real terms. As part of the early value strategy, the GG6 expansion was completed in 2022.

For our energy business, Exxaro is targeting an additional 1.6GW (net) capacity by 2030 with total capital deployment of approximately R28 billion. We estimate that one third will be our equity contributions and two thirds project financing. This could potentially provide approximately R3 billion in EBITDA in real terms. We are aiming to achieve equity returns on a portfolio basis of 15%.

We are focusing on opportunities in South Africa to start with, while monitoring opportunities in new markets for potential entry that meet our investment criteria, building strong foundations for the future and **investing in renewable energy** assets that enable us to transition to a low-carbon world.

Case study: Protecting our business through digital transformation

In the information era, data is the "new gold". Our Digital@Exxaro programme is therefore geared to enable us to leverage the big data generated within and around us, and create value. Our dream is to be a data-driven organisation. Leveraging our integrated operations centres and data platforms, we are deploying advanced data analytics and machine learning to solve current problems and futureproof our business. One such use case is the implementation of the machine learning model to proactively monitor and manage our haul road conditions in our pits.

The quality of the roads is one of the challenges that contribute to the overall value chain performance. If not well managed, bad road conditions lead to truck

downtimes and reduced production throughput. The ability to proactively monitor the road conditions and prevent the deterioration before it impacts the hauling operation tempos, cycle times and truck reliability, is critical.

We are implementing a machine learning solution that leverages big data from our truck sensors like vibrations, truck speed, geolocation to predict the haul road conditions. This solution will enable the operations team to identify the deteriorating road conditions in real-time and repair the roads resulting in improved hauling performance. The successful implementation of this solution will not only improve throughput but will also reduce truck suspension failures.

Our people



Our human capital is central to the success of our business.

Our human capital impact comprises:

- Attracting and retaining the right employees with the skills we need now and in the future within a competitive market
- Investing in, upskilling and offering existing and potential employees (including our host communities) an attractive employee value proposition to ensure we have the right people
- Employees striving to achieve zero harm through collective responsibility, commitment and risk awareness as we are mindful of the health and safety of our employees and host communities

We strive to positively impact our human capital through:

- Our commitment to achieving zero harm
- Working with employees and contractors to avoid safety incidents
- Continuously investing in our employees' growth and development
- Respecting the human rights of our workforce and other people who may be affected by our operations (do no harm)
- Investing in community development through our SLPs and ESD programmes

Material theme	Matter	Our strategic response	Our impact on the SDGs
Helping our people thrive	<ul style="list-style-type: none"> • Health, safety and wellness • Workforce: culture, capability, diversity, inclusion and innovation • Labour relations 	<ul style="list-style-type: none"> • Make our minerals and energy businesses thrive • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship 	3 4 5 8

People strategy



People at the heart

We **differentiate** ourselves by continuously evolving, creating impact through **new ways of work** and pursuing **new opportunities**



Develop capabilities and grow talent

We **evolve** by demonstrating **excellence**, sharpening skills, pushing limits and realising our true potential



Seamless employee experience

We **collaborate with our employees** to create compelling human-centred experiences throughout the employee lifecycle



Enable human resources through digital

We leverage internal and external partnerships to **continuously optimise** our human resources services to **better serve our people**

Lead with trust, adaptability and an outward mindset through the Exxaro Leadership Way

We **empower our employees to truly live** our values and foster a culture of **trust without fear**

Future-fit organisation

We look at current and future trends, and continuously **pivot our organisation** with speed to **remain relevant** and take our people along on the journey, considering:

- Diversity, equity and inclusion
- Culture and values
- Operational model
- Partnerships
- Performance achievement

Catalyst for the five Sustainable Growth and Impact strategic objectives



[People](#) (page 60) in our 2022 ESG report details our human capital approach and performance.

How we will achieve this

Our people and partners have the skills, capabilities, mindset and passion to achieve our purpose. Empowered to create impact, we build our resilience as a company on each other's strengths.

The SERC oversees people's health, safety, engagement and development. Our executive head: human resources, supported by various management departments, is responsible for developing and implementing employee-related strategies.



[Delegation of authority framework](#) (page 62)

Snapshot of our workforce

19 242 people employed
(2021: 18 813)

35% full-time employees
(2021: 35.84%)

64.9% contractors
(2021: 64.13%)



Cennergi: 21 full-time employees

Operation and maintenance contractors employ:

- Amakhala Emoyeni windfarm: 44
- Tsitsikamma community windfarm: 38

Cennergi Holdings: eight full-time employees, and in the process of recruiting a further 10 permanent employees.

Our future focus is on building internal capabilities and reskilling the workforce to support transitioning the organisation into new commodities. Addressing pay equity is also a continued focus. Diversity, equity and inclusion will continue to be a top focus area over the next two years, while leadership accountability and communication will be the key enablers to unlock the diversity, equity and inclusion strategy.

The five safety pillars

Safety

Our unwavering focus on zero harm has enabled us to achieve our record LTIFR performance of 0.05. We focus on identifying and managing inherent processes, external risks with a hierarchy of controls, and stakeholder involvement on our journey. We believe that we can achieve zero harm through continuous improvement and proactive measures.

Safety is crucial to achieving our strategic objectives for our business to thrive. In our aim to manage safety-related risks and prevent repeat incidents, we are guided by our safety strategy supported by the five pillars.

Incredible leadership

To demonstrate sustainable commitment to our employees' safety, our CEO leads an annual **leadership safety day** and the **sustainability summit**. The **2022 sustainability summit was hosted by Belfast Coal on 7 April 2022**. The leadership safety day affords the executive committee:

- An opportunity to engage with employees on health and safety issues
- A platform to demonstrate our commitment to our zero harm vision
- Events to congratulate employees and contractors for safety excellence

Communication

We continuously communicate our safety performance which covers incidents and learnings from incidents as well as actions to be taken to address emerging risks. Messages are broadcast on virtual platforms across the group:

- Our **Khetha Ukuphepha** (isiZulu for "choose safety") campaign encourages personal responsibility for safety
- BUs host annual **safety indabas** to drive the critical importance of safety

Consequence management

- We set simple non-negotiable safety rules to promote life-saving behaviours
- Incidents are analysed in terms of zero tolerance rules
- Consequence management on safety-related contraventions is applied fairly across BUs in line with our cultural values

Training

We provide comprehensive training to address safety risks. In 2022, these included:

- The course for managers in risk management programme
- Safety management training for line supervisors
- Visible felt leadership champions training
- Safety representatives training
- On-the-job training for our employees

Risk management

The course for managers in risk management programme trains leaders and employees on a structured approach with guidelines and strategies to establish and maintain a multidimensional risk management framework. We aim to embed the course's principles in our daily risk management processes and improve our understanding of safety risk assessment processes.

Since implementation in 2009, we **review** our safety strategy annually to ensure focus areas are appropriate. We also review our safety targets every year, based on prior performance, and apply stringent **management protocols, programmes and systems**. We launched the Khetha Ukuphepha campaign in 2019 with the main objective to reinforce our zero harm vision and reiterate our philosophy that every life counts.

 [Safety](#) (page 62) in our 2022 ESG report details our approach and performance.

Snapshot of our performance

Our 2022 safety targets	How we performed
Zero fatalities	<ul style="list-style-type: none"> • Five-year fatality-free milestone achieved in March 2022 <ul style="list-style-type: none"> - Grootegeluk: 10 years fatality-free milestone in October 2022 - Leeuwpan: 32 years fatality-free milestone in March 2022 • One fatality at Belfast in August 2022
Zero HPIs	Five HPIs (2021: one)
LTIFR of 0.06	Below target: 0.05 (2021: 0.08)
Zero LTIs	Seven LTIs (2021: 12)
Zero DMRE notices	<ul style="list-style-type: none"> • Seven section 54s (mining activity stopped) (2021: two) • No section 55s (mining in affected area stopped) (2021: two)
Zero safety-related grievances	No safety-related grievances (2021: zero)

More than 50% of serious incidents recorded in 2022 were repeats, which prompted a call to action from the CEO. The leading causes of incidents included:

- Poor risk awareness and assessment
- Inadequate hazard awareness and identification
- Non-adherence to procedures
- Unsatisfactory supervision, change management and task planning

In collaboration with our stakeholders, we are addressing the increase in the number of HPIs by revising our incident management process to enhance the quality of our incident investigations and enable meaningful learning from incidents and appropriate mitigation across the group. We will continue to aim for zero fatalities and the reduction of all other work-related incidents by:

- Eliminating repeat incidents
- Implementing stringent risk management processes across the group



Cennergi

- No fatalities at both windfarms for six consecutive years
- No reportable LTIs (2021: zero)
- No reportable health and safety incidents (2021: two)

Our people continued

Health and wellness

We improve quality of life, morale, productivity and safety of our employees and communities through a health and wellness strategy that extends beyond compliance with regulations to the sustainability of our industry.

Our integrated health and wellness strategy incorporates legislated basic conditions of employment. It is a preventive, employee-driven, holistic approach that identifies occupational and non-occupational health risks and their causes. It presents solutions to mitigate these risks and their impacts on the business within an empowering environment.



[Health and wellness](#) (page 64) in our 2022 ESG report details our approach and performance.

Integrated health and wellness strategy



Prevent

Preventive programmes (mandatory awareness campaigns and healthy lifestyle coaching) cover eight dimensions of employee health and wellness.



Diagnose

We improve medical surveillance by extending clinical tests (heart disease and risk-based cancer screening) and DNA analysis from middle management upward.



Manage

We improve healthcare management by ensuring all employees with occupational and non-occupational health risks are included in a disease management programme.



[Our integrated health and wellness strategy is supported by our cultural pillars \(ESG report, page 70\)](#)

Prevention initiatives

Employee wellness programme (EWP)

1. Financial

Since the onset of the COVID-19 pandemic, our **EWP** has addressed the impact of financial, and other personal and professional challenges, on employees.

2. Emotional

Bayport Financial Services provides debt restructuring, financial rehabilitation and financial management training to employees experiencing financial hardship (worsened by the impact of COVID-19).

3. Social

4. Thinking

5. Occupational

6. Environmental

7. Spiritual

8. Physical

Managed by our human resources and sustainability departments, our external counselling service has addressed psychosocial, legal, financial, emotional, family, work-related and substance abuse issues since January 2021.

Awareness:

- We advertise the EWP on LetsConnect, LCD screens at our operations, screensavers and the intranet
- Mental health masterclasses on Microsoft Teams every second Friday educate employees and present practical self-diagnosis and coping techniques
- Daily inspirational messages via SMS provide EWP contact details

#You'reNotAlone:

Voice notes and videos share employees' struggles with mental health and the relief offered by counsellors or therapists

Certificate of fitness:

The EWP is part of induction and physical fitness tests

Snapshot of our performance

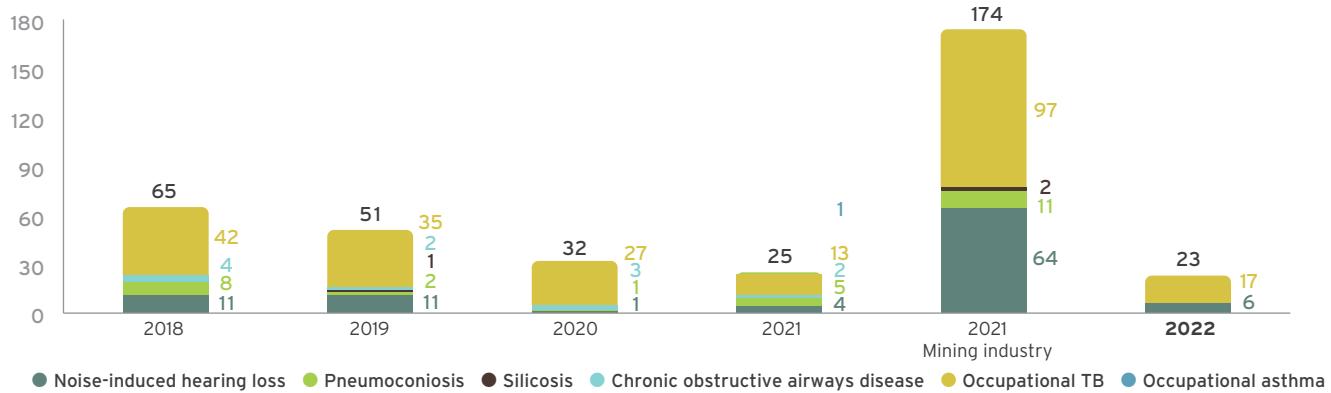
We focused on implementing our health and wellness strategy while encouraging employees to receive booster COVID-19 and flu vaccinations. We achieved a 90% COVID-19 vaccination rate against the industry target of 80%. We also progressed in addressing mental health issues brought to our attention during the pandemic.

Non-occupational diseases

- 54.9% reduction in reportable occupational health incidents (2019 to 2022)
- Occupational tuberculosis (TB) cases increased (including infected employees who worked 200 shifts a year)
- [Dust fallout \(ESG report, page 37\)](#)
- 7 791 COVID-19 cases (2021: 6 816)
- 23 occupational diseases (reduced by COVID-19 mitigation measures) (2021: 25)
- 24 new diabetes cases (2021: 39)
- 92 hypertensive employees and contractors (2021: 290)

Although we did not record health and wellness-related grievances (2021: zero), tuberculosis (TB) case reporting presented challenges. Our TB rate increased as infected employees who worked 200 shifts a year are considered occupational TB cases, particularly in Lephalale where government is addressing the high TB incidence rate and dust fallout exceeds the threshold. Through the Impact Catalyst we identified health facilities in communities where Exxaro operates that need support to make health services accessible and Right-to-Care was engaged to implement the programme.

Occupational diseases



In line with the outcomes of our 2022 sustainability summit, which highlighted mental health concerns, we are developing a mental health policy to be introduced in 2023. The policy will address the leading causes of mental health issues. It will also empower supervisors to facilitate resources at BUs instead of calling on external service providers.

Our hearing conservation committee, chaired by mine general managers, is also investigating customised hearing protection and engineered interventions to address identified causes of noise-induced hearing loss. This will facilitate compensation by Rand Mutual Assurance.

Utilisation: 12.68% (2021: 15.82%)	Life Employee Health Solutions benchmark: 10.74% (2021: 9.47%)	Demographics: Majority men (14 to 50 years old) as in 2021
Mining industry: 9.32% (2021: 7.67%)	Services accessed: Face-to-face counselling preferred	Counselling mainly in English
Mental health* Our approach to mental health is informed by World Health Organization principles and the impacts of COVID-19 at each BU (disruptions to regular working routines, fear of loved ones contracting the virus and uncertainty about the future). Mental health was the top category presented to the EWP.		
	793 cases managed	1 in 3 employees has mental health-related challenges
	Stress is the leading cause of mental health issues	37% are 25 to 34 years old
	54% female and 46% male	

* January 2020 to July 2022 by Life Employee Health Solutions.

Our people continued

Employee engagement

We maintain our employee value proposition, as an employer of choice, through meaningful engagement with the people we attract and retain for the sustainability of our business.

Our established engagement structures encourage communication, and keep employees adequately informed about key organisational changes, health, wellness, safety, and operational and financial performance. We also use insights from employee engagement initiatives to enhance our processes and workplaces.

Our values and culture are a foundation for behaviours, mindset and philosophy that gives our employees a sense of belonging in the workplace. We continue to embed our values and culture through various initiatives to ensure continued alignment with our organisational purpose and strategic objectives.

Diversity, equity and inclusion are central in our approach to meaningful engagement with our employees.

Diversity, equity and inclusion strategy

The strategy, aligned with our Sustainable Growth and Impact strategy, is informed by our purpose, values, vision, culture and strategic objectives. It is a journey that began before 2019, and our approach continues to evolve to increase the speed and scale of our impact.

 [Employee engagement](#) (page 68) in our 2022 ESG report details our approach and performance.

Snapshot of our performance

 The board approved a revised approach to our [diversity, equity and inclusion strategy](#) (ESG report, page 68) in 2022. In delivering on this revised approach, we reviewed our policies and practices, as outlined in our 2022 ESG report. Our approach to maintaining a representative workforce, with respect for the needs of our host communities, is defined in this strategy.

Strategic priorities	<ul style="list-style-type: none">Revised diversity, equity and inclusion approach<ul style="list-style-type: none">Benchmarking performance measured against foundation (drive the strategy), internal (attract and retain people), external (listen and serve society) and bridging (align and connect)Reviewed policies and practices<ul style="list-style-type: none">Workplace harassment policy aligned with codes of good practiceImplemented new STI schemeIntroduced parental leave policyApproved disability policyEmployee relations strategy review based on fairness and addressing COVID-19 impactsWellness sessions managed mental health, COVID-19, GBV and stigmatisation (supported by employee assistance programme)Continued skills workshops and training for employee relations managers and line managersBroadening employee relations capacity building processes to understand recognition agreementsAligned stakeholder communication campaigns with strategic objectives on electronic and hybrid platforms (mobile phones and LetsConnect intranet)
Trade union representation	<ul style="list-style-type: none">5 276 employees (78.2%) (2021: 5 180) represented by affiliated trade unions recognised by Exxaro (National Union of Mineworkers, Solidarity, Association of Mineworkers and Construction Union, Food and Allied Workers Union and National Union of Metalworkers South Africa)Three-year wage agreement signed in 2021 remained effective
Share ownership	<ul style="list-style-type: none">Each GreenShare beneficiary received a R12 400.64 cash payment
Workplace harassment	<ul style="list-style-type: none">Several harassment and sexual harassment cases reported, which were dealt with firmly by managementAll sexual harassment cases reported and investigated resulted in perpetrators being found guilty and dismissed. This included senior managers who failed to act when victims reported allegations of sexual harassmentLaunched a GBV campaign this year to encourage employees to report all forms of harassment to the available reporting structures
Employment equity	<ul style="list-style-type: none">Achieved employment equity targets over the past five years (aligned with Mining Charter III)Addressing women in senior management targets with new employment equity plans for the next five years (aligned with diversity, equity and inclusion strategy)Certified level 3 BEE contributor
Employee turnover	<ul style="list-style-type: none">Average rate of 4.4% due to abscondment, death, medical incapacity, dismissal, resignation and retirement (2021: 3.7%)82.37% of employees in bargaining units (2021: 81.93%)17.62% in management and specialist category (2021: 18.03%)
Eliminating discrimination and resolving grievances	<ul style="list-style-type: none">No alleged discrimination cases or grievances were filed (2021: zero)
Housing	<ul style="list-style-type: none">1 384 permanent employees received mortgage repayment subsidy for first-time home buyers since 201797 employees live in converted hostels (single-quarter accommodation or family units)Housing allowance paid to 2 272 employees with a registered bond (2021: 1 436)Living-out allowance to 3 594 employees renting accommodation (2021: 3 329)



Cennergi

- Consistently met job creation targets
- No contract termination points or penalties from DMRE
- The Cennergi Holdings structure was approved during 2022, including its diversity and inclusion plan

We plan to complete another baseline culture and engagement survey to track the efficacy and progress of culture integration. This will also highlight areas needing improvement while we continuously improve our employment experience as we live our values with leadership support.

Managing our talent

To deliver on strategic objectives and ensure business continuity, we need to attract, develop and retain skilled people whose fulfilling careers enable them to contribute to socio-economic development.

We encourage continuous professional development so that we have the right skills, at the right time, in the right place.

Talent management is a critical sustainability indicator. We annually identify and measure KPIs as part of the strategic dashboard for talent management and human resources. The talent management and review processes, combined with succession planning, aim to identify and prepare suitable internal candidates for positions while building a leadership pipeline to address skills shortages.

Our talent management strategy

Talent management evolves with our strategy to support capability development, new ways of working, and succession planning for management and specialist roles, supported by our diversity, equity and inclusion and Social Impact strategies.

Strategic workforce planning	<ul style="list-style-type: none"> Market data informs talent sourcing and development to align our evolving capability framework with our strategic direction (minerals and energy businesses) Stakeholder engagement determines workforce requirements, and learning and development interventions to build competencies that deliver on our business strategy Our digitalised environment enables efficient talent management
Talent planning	<ul style="list-style-type: none"> Development with focus on our employment equity candidates Proactively addresses talent and critical skills shortage and changes when employees are promoted, rotated, resign or retire 30.8% D band (2021: 26.3%) and 35.4% E band (2021: 30.8%) clusters prepare black employees to occupy higher level positions immediately or for medium-term occupation
Leadership and capability development	<ul style="list-style-type: none"> Leadership programmes were updated in 2022 to include latest capability developments in support of our strategic direction Various leadership programmes (leading, leadership in the connection economy, essential leadership, leadership workshops and launchpad) are aligned with the Exxaro Leadership Way. Capability development and preparation for the changing world of work include topics on diversity, equity and inclusion, change management, the fifth industrial revolution and sustainability We continue expanding initiatives to facilitate continuous learning for compliance and personal development to maintain our competitive advantage Our new capability and capacity building framework continues to be developed to reflect changes to business strategy requirements and priorities towards developing employees holistically with greater emphasis on on-the-job training and coaching 83 employees attended various leadership programmes (2021: 121) and 181 enrolled in management programmes (2021: 201) 21 employees enrolled in the University of Cape Town Graduate School of Business Women in Leadership programme
Create a learning culture	<ul style="list-style-type: none"> Creating a culture of self-learning is important to empower our employees to prepare for future roles E-learning and classroom-based training offer: <ul style="list-style-type: none"> Leadership and management development Soft skills training Occupational programmes and technical training by academic institutions, service providers and our Grootegeluk and Matla training centres (accredited by the Quality Council for Trades and Occupations) Ongoing employee development guided by internal processes such as performance achievement, career and succession planning, culture and leadership initiatives, and SLP commitments <ul style="list-style-type: none"> Individual development plans ensure a healthy pipeline of core and critical skills 592 employees registered for open-source online courses (LinkedIn, Udemy, Coursera, Open Sesame and OTT University) There were 96 665 training interventions on the MyNexxt e-learning platform (2021: 80 303) as part of our Digital@Exxaro strategy. Courses included: <ul style="list-style-type: none"> Anti-bribery and anti-corruption: 3 560 Implicit and unconscious bias: 822 Adapt to 4IR: 769 Exxaro Leadership Way: 235 Cybersecurity: 2 318 Microsoft Office: 503 Confidentiality courses: 707
Skills development and training	Annual submission of workplace skills plans and training reports to the Mining Qualifications Authority, Mining Charter compliance to the DMRE and B-BBEE scores to the dtic includes employee information, spend, training and development programmes
Compliance training	Ensuring safety, health and environmental compliance, 83 104 induction compliance interventions were completed through MyNexxt

Our people continued

Our talent management strategy continued

Talent pipeline and feeder schemes	<ul style="list-style-type: none"> Comply with employment equity targets and address shortages in critical skills <ul style="list-style-type: none"> Address engineering (mechanical, electrical and mining) and geology skills shortages with bursaries (second and third-year full-time students in host communities) and our PIT programme Learnerships and feeder schemes training and developing youth with formal qualifications (artisans, miners, trackless mobile machinery and plant operation, and administration) Employment opportunities for local youth through formal programmes that ensure a feeder line of trained and skilled candidates <ul style="list-style-type: none"> Internships establish a feeder scheme for C band positions (graduates receive work experience within a structured training programme that improves employability) Adult education and training help employees reach national qualification framework level 1 (grade 9) with functional literacy for health and safety communication, further development, and access to higher level jobs Our three-year PIT programme blends academic theory with hands-on workplace experience to prepare employees for current and future business needs (each graduate has a technical coach who supervises exposure to various operations as well as technical, leadership and management training for three years before we guide trainees who meet accreditation requirements to become professional engineers)
Talent acquisition	<ul style="list-style-type: none"> Our talent acquisition team encourages sharing of job advertisements on platforms such as LinkedIn to reach a wide audience of suitable candidates Most candidates are sourced internally, which indicates that our internal pipeline is healthy The majority of positions are filled by black female employees to improve our employment equity profile in senior roles

Our talent management strategy includes strategic workforce planning, talent planning, leadership and capability development, compliance training and reporting, and talent pipeline development activities.

 [Managing our talent](#) (page 74) in our 2022 ESG report details our approach and performance.

Snapshot of our performance

No talent management-related grievances were lodged in 2022 (2021: zero).

Developing our talent	<ul style="list-style-type: none"> We spent R331 million or 6.0% of our payroll (2021: R276 million or 5.8%) on training and development, including: <ul style="list-style-type: none"> Job-related skills development (functional and technical training): R198 million (2021: R157 million) Bursaries, training professionals, internships, learnerships and skills programmes: R101 million (2021: R104 million) Developing targeted employees in management programmes, leadership roles, postgraduate studies and support functions: R7.4 million (2021: R5 million) Community development such as portable skills training: R10.5 million Support for Youth Employment Service partners training and developing youth from our host communities: R12.6 million
Supporting historically disadvantaged people	<ul style="list-style-type: none"> Women <ul style="list-style-type: none"> Female employees represent 29% of our workforce (2021: 26%) 50% female PIT graduates (2021: 41%) 63% black women full-time bursars in engineering and mining disciplines* 56% women in learnership and internship feeder schemes (2021: 51%) 31 black women sponsored at technical and vocational education and training colleges to improve access to formal learnerships such as artisan training (2021: 23) Training professionals <ul style="list-style-type: none"> PIT programme graduates in our talent pipeline: 89 (89% black South Africans) (2021: 85) at a cost of R42.6 million (2021: R45.4 million) Full-time bursars in engineering and mining disciplines*: 52 (2021: 28) Invested in bursaries to address engineering skills shortages: R3.8 million (2021: R2.4 million) Matriculants supported in Edumap maths and science bridging programme: 10 (2021: 10) People with disabilities <ul style="list-style-type: none"> Black South Africans with disabilities supported at local tertiary institutions: 20 (55% black women) (2021: 10) Bursars and interns supported: 40 (2021: 19) Adult education and training <ul style="list-style-type: none"> Invested R1.57 million (2021: R1.02 million) Four employees (2021: three) 52 community members (2021: 89)
Developing talent bench strength	<ul style="list-style-type: none"> Employees in 24-month mentoring programme: 40 (77% black people and 32% black women) (2021: 32) Employees who attended mentee training: 35 (12 trained as mentors) Candidates in fast-tracking programme: 52 (95% black people and 69% black women) (2021: 64)

* South Africans at local universities.

Talent acquisition	<ul style="list-style-type: none"> Paterson D band (middle management) candidates appointed: <ul style="list-style-type: none"> External: 16 (100% black people and 69% black women) (2021: 25) Internal: 40 (80% black people and 38% black women) (2021: 48) Paterson E band (senior management) candidates appointed: <ul style="list-style-type: none"> External black: One (100% black women) (2021: two) Internal black: Three (2021: three)
Appropriate learning interventions	<ul style="list-style-type: none"> Enrolled employees in formal studies to improve capabilities (traditional programmes and others supporting renewable energy, digitalisation and the new world of work) <ul style="list-style-type: none"> Postgraduate¹: Nine (six black people and four black women) Undergraduate¹: 17 (16 black people and five black women) New skills short courses²: 44 (33 black people and 20 black women)

¹South African universities.

²South African and international universities.



Cennergi has commenced with recruitment of key skills and will aim to further the objectives of diversity and inclusion in the renewable energy sector.

Cennergi Holdings is recruiting for skills and will look both internally and externally.

We will address our out-of-appetite B-BBEE score for spend on bursaries awarded to black people with initiatives that will reach more students who have not already received funding from the National Student Financial Aid Scheme.

In addition, we will focus on finding solutions to recruit qualified black women, particularly in our Lephalale labour-sending area where there is a shortage of suitable candidates with engineering qualifications.

Our planned interventions will develop relevant core and functional capabilities for current and future businesses.

Human rights

Human rights are basic freedoms based on dignity, fairness, equality and respect.

Exxaro strives to be a responsible steward of natural assets and social capital to uplift host communities. Acknowledging that our operations could negatively impact human rights, we have developed a policy and are committed to implementing processes that align with South African legislation and corporate governance guidelines.

Our renewed policy provides guidelines to ensure that we adhere to human rights principles. It is aligned with our purpose because we believe that all people have inherent fundamental human rights regardless of their differences. As such, we are committed to investing in and developing areas within our sphere of influence for the benefit of our stakeholders.



[Human rights](#) (page 89) in our 2022 ESG report details our approach and performance.

Snapshot of our performance

We redeveloped our human rights policy, which outlines our expectations of employees, suppliers, business partners and other parties directly linked to our operations, products and services.

No human rights-related grievances were lodged against Exxaro in 2022 (2021: zero).

Governance and ethics	<ul style="list-style-type: none"> Of the 64 (2021: 54) corruption cases reported against employees, 55 resulted in further action such as disciplinary inquiries, cases registered with South African Police Service and arrests Completed disciplinary investigations returned a guilty verdict and resulted in 41 (2021: nine) dismissal cases. None of the cases involving dismissal went to the Commission for Conciliation, Mediation and Arbitration (2021: one)
Equal opportunities/ non-discrimination and transformation	<ul style="list-style-type: none"> Aligned with South African Constitution and other legislation, National Gender Policy Framework and UN Convention on the Elimination of all Forms of Discrimination against Women



[Fraud and ethics hotline](#) (ESG report, page 97)



[Diversity, equity and inclusion strategy](#) (ESG report, page 68)

Our people continued

Human rights in the workplace	<ul style="list-style-type: none">Never use, cause, demand or impose forced or compulsory labour on any personNo child labour (no employees under legal minimum age of 18)Support legitimate workplace apprenticeships, internships and similar programmes complying with applicable laws and regulationsSafeguard employees' physical and mental health with reasonable working hours, leave and holidaysFair discipline in accordance with transparent disciplinary and grievance mechanisms  Employee engagement (ESG report, page 68)
Freedom of association and the right to collective bargaining	<ul style="list-style-type: none">Respect employees' rights to join or form labour unions without fear of reprisal, intimidation or harassmentCommitted to establishing constructive dialogue with freely chosen representatives of legally recognised unionsSupport collective bargaining principleEngage in good faith with union representatives  Employee engagement (ESG report, page 68)
Health and safety in the work environment	<ul style="list-style-type: none">Stringent management protocols, programmes and systems maintain zero harm  Safety (ESG report, page 62) and health and wellness (ESG report, page 64)
Respect for all communities	<ul style="list-style-type: none">Respect cultural values of host communities (specifically self-sufficiency, sustainability, health, safety and natural environment)Uphold communities' fundamental rights to access quality water, affordable electricity, and protection from noise, air pollution and hazardous materialsGuided by the International Finance Corporation's Performance Standard 5 and comply with DMRE's mine community resettlement guidelines (effective 30 March 2022)  Communities (ESG report, page 78)
Security	<ul style="list-style-type: none">Guided by Regulation of Gatherings Act, 1993 (Act 205 of 1993), stakeholder management and human rights policies, and security strategy, aligned with Voluntary Principles on Security and Human Rights during protest action affecting operationsEnsure continuous training of employees in human rights principles
Environmental management and conservation	<ul style="list-style-type: none">Social impact framework addresses mine closure through mineral succession planning programmeClosure planning and mine rehabilitation protect environment, society and community upliftmentCommitted to responsible mining, climate change mitigation and adaptation beyond compliance  Climate Change Response strategy (2020 investor tab)

	<ul style="list-style-type: none">Human resources policies manage and address human rights considerationsGuided by code of conduct and grievance procedure aligned with South African human rights legislationCommitted to the International Finance Corporation's Performance Standard 2 on labour and working conditions<ul style="list-style-type: none">Treat workers fairlySafe and healthy working conditionsNo child or forced labourIdentify related risks in primary supply chain
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We will continue to embed human rights practices within our business and business conduct and further align these to our renewed policy. We acknowledge that our mining activities could cause conflict with communities and other interested and affected groups and are in the process of appointing a partner to conduct due diligence on our processes and address gaps. We also aim to train our employees in human rights.

Social licence to operate: earning our legitimacy



Our social and relationship capital refers to mutually beneficial relationships that provide our social licence to operate. To ensure we have a holistic, positive and lasting impact on our people, communities and society at large, we conduct our business activities in a way that promotes development and success for us and our stakeholders.

Our social and relationship capital impact comprises large-scale, high-quality initiatives that provide for meaningful socio-economic upliftment opportunities:

- Education and skills development
- Land use and management
- Local economic development

We strive to positively impact our social and relationship capital through:

- Our Social Impact strategy addressing challenges in our host communities
- Investment in socio-economic development
- Going beyond compliance to protect our licence to operate

Material theme	Matters	Our strategic response	Our impact on the SDGs
Building sustainable communities	<ul style="list-style-type: none"> • Social licence to operate • Social acceptance and community unrest • Supporting a just transition to a low-carbon economy • Job and business creation • Impacts on local communities (positive and negative) • Value sharing • Human rights 	<ul style="list-style-type: none"> • Empower people to create impact • Be a catalyst for economic growth and environmental stewardship 	7 8 9 11 12 13 15 16 17

"We know that there is a better place to be tomorrow than where we are today."

Dr Nombasa Tsengwa

[Communities](#) (page 78) in our 2022 ESG report details our social and relationship capital approach and performance.

How we achieve this

Our [Social Impact strategy](#) (ESG report, page 78), embedded in the objectives of our Sustainable Growth and Impact strategy, is a multidimensional and scaled approach to empowering our host communities. We work to empower them with skills and capabilities to find employment, and entrepreneurial opportunities to create their own economic wellbeing, social progress and dignified livelihoods. However, the potential for negative community sentiment to escalate could negatively impact our ability to succeed with our growth strategies. Our Social Impact strategy is a shift from a market-driven approach to a multidimensional approach to inputs and expected outcomes. We will continue to address compliance requirements with increased focus and on a larger scale, complemented by discretionary expenditure and collaboration.

Six funding structures serve as conduits for community donations and sponsorships, namely the Exxaro Chairman's Fund and Foundation, Matla Setshabeng NPC, Amakhala Emoyeni Community Fund Trust, Tsitsikamma Community Windfarm Trust, Tsitsikamma Development Trust and ESD programme. Our Social Impact strategy enables us to deliver impact at scale through the following key principles:

A market-based approach that integrates social, environment and economic outcomes

Long-term planning, aligned to the life of operations and incorporating post-mining livelihoods

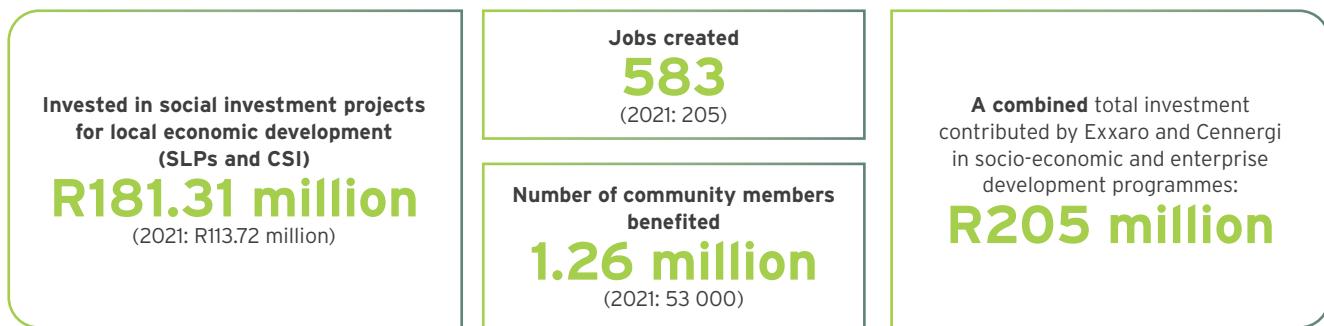
Design for larger projects that will enable multiplier effects

Optimising existing resources and capabilities and recognising the power of partnerships

The board approved the Social Impact strategy in November 2022. The SERC, through its statutory provisions, has oversight of community engagement and development. This committee will oversee the implementation of the Social Impact strategy. The executive head: stakeholder affairs, has been delegated with the role and responsibility for integration and execution.

Social licence to operate: earning our legitimacy continued

Snapshot of our performance



SLP projects	<ul style="list-style-type: none">Spend: R13.38 million (2021: R56.44 million)Our spend was impacted by delays experienced in the implementation of SLP projectsSubmitted proposals for Thabametsi (2020 to 2024), Matla (2020 to 2025), Grootegeluk (2023 to 2027) and Tshikondeni (in closure) (2023 to 2027) SLPsDMRE approved the Matla (2020 to 2025) SLP
CSI (including disaster relief)	<ul style="list-style-type: none">R167.93 million (2021: R57.28 million) (Matla Setshebeng NPC was established in 2021 and was fully operational in 2022, hence the high difference in CSI spend)1.17 million beneficiaries (including GBV campaigns and university chair) (2021: 300 000)R80.9 million invested in community education to benefit 41 000 learners
ESD contribution	<ul style="list-style-type: none">Spend: R291.2 million (2021: R127.7 million)Beneficiaries:<ul style="list-style-type: none">Qualifying small enterprises (QSEs) and exempt micro-enterprises (EMEs): 30 (2021: 15)Youth-owned: 16 (2021: four)Women-owned: nine (2021: seven)Jobs retained: 1 037 (2021: 243) <p>The ESD programme achieved record disbursements and played a role in the achievement of the procurement targets described below. Driven by a higher group NPAT, the programme had to spend a much higher amount within the year to ensure compliance with the dtic B-BBEE codes. Given the high coal prices, the forecast NPAT was much higher than budgeted at the beginning of the year. All efforts were invested to achieve the higher target, however, there were fundamental constraints that prevented us from achieving our ESD compliance goal. Firstly, resource constraints to spend more money and secondly, increasing the volume of ESD funding applications does not improve the number of qualifying applicants. While we reached an annual increase and record disbursement of R291 million, we expect to achieve 9.75 points (65%) out of 15 compared to the target of 13.5 (90%) once the B-BBEE verification for 2022 has been finalised.</p>
Supply chain sustainability	<ul style="list-style-type: none">Preferential procurement: Fully compliant with B-BBEE codes: overall score of 26.9 (2021: 28.3) against 24.2 targetGreen procurement programme: Spent R133 million (0.8% of total procurement budget)Mining Charter III scorecard: Scored 40 (2021: 40) points against 37.2 (2021: 31.5) targetLocal procurement: Spent R1 097 million (2021: R1.05 billion) with 246 (local black-owned SMMEs (2021: 241)Ethical procurement: E-procurement software, supplier onboarding process and checks to reduce fraud risk, maintain cost efficiency and avoid conflicts of interest <p>Our affirmative procurement initiatives at operating mines remain above target. We spent R1.1 billion, (circa 11.4%) of discretionary procurement compared to a target of 10%, on local SMMEs, thus injecting significant value into the local communities. However, the challenge remains large and we will continue to pursue higher levels of this investment through targeted expenditure and skills development to increase both the volume of expenditure and value per expenditure.</p>



Cennergi's share of procurement sourced from B-BBEE suppliers, QSEs, EMEs and women-owned vendors is tracked against commitments and targeted percentages in the implemented agreement.

Tsitsikamma community windfarm and Amakhala Emoyeni are committed to 60% total procurement from B-BBEE suppliers, 10% from QSEs and EMEs, and 5% and 2.5% respectively from women-owned vendors.

While the Social Impact strategy will fit into the "S" element of ESG, the implementation approach will incorporate elements from "E" and "G" to ensure sustainability, especially in relation to just transition considerations. We were deliberate in selecting to focus on education (ECD and adopting local schools), land use and management (mineral succession planning, ie finding alternative economic uses of the land beyond mining) and continuation of local economic development through local procurement and ESD initiatives. When viewed through the lens of the SDGs, this approach will have a sustaining positive impact on communities and reduce poverty by combining multidimensional approaches (education, economic wellbeing, school health and education infrastructure) and influence other areas of wellbeing without additional investment (the multiplier effect). We are planning to have approval of (partial, while researching other) execution plans by mid-year 2023.

Our environment: stewardship and compliance



Our natural capital is the resources we draw from our natural environment to run our business and create the products and services we deliver to our stakeholders.

We understand that mining can result in long-lasting environmental impacts if unmanaged. Our strategy continues to guide our approach in managing our environmental impact; protecting the natural resources on which we rely.

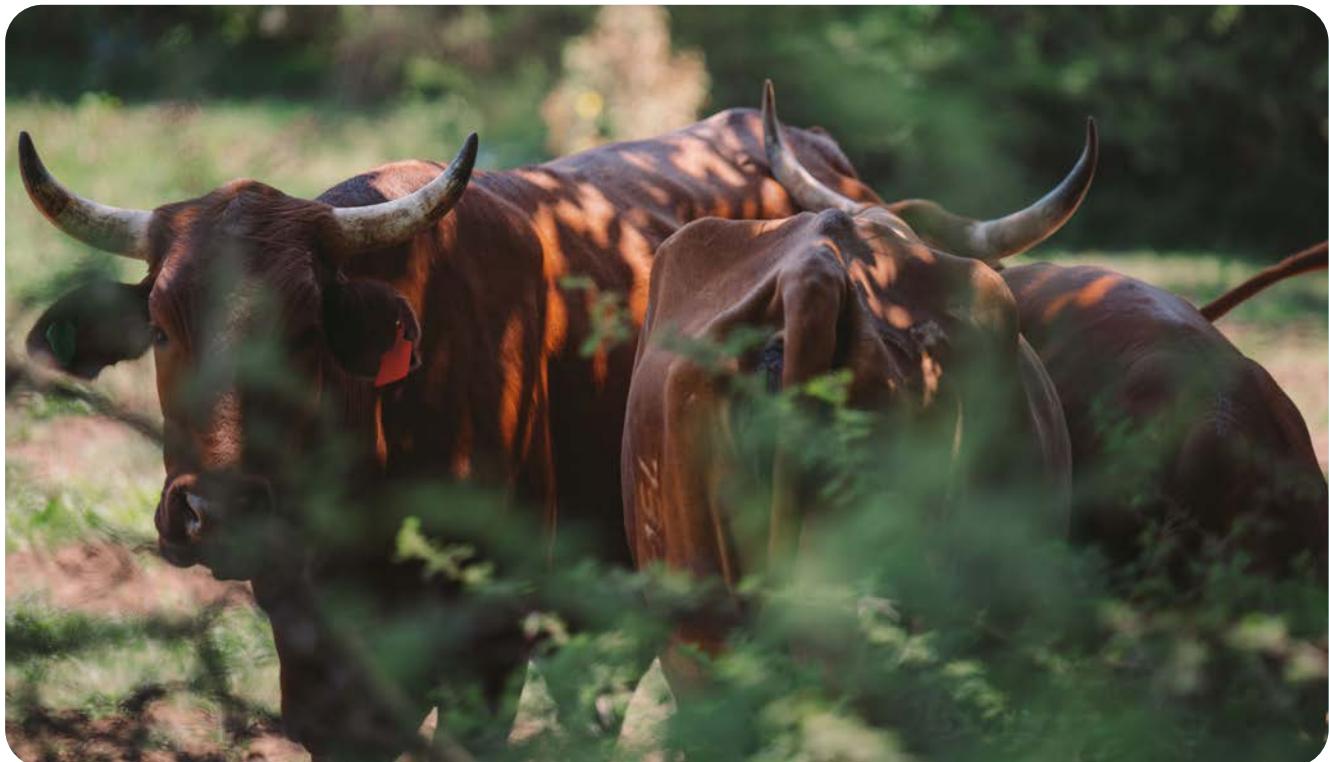
Our environmentally and socially responsible response to climate change supports South Africa's just transition programmes, and reflects our commitment to sustainability and our goal to be carbon neutral by 2050. We balance this with our role as a critical supplier to South Africa's coal-based electricity sector.

Our natural capital impact encompasses air quality, climate change resilience, energy, water security, waste management, biodiversity, and environmental liabilities, land management and rehabilitation.

We manage our impact by:

- Incorporating environmental performance principles in our ESG management systems, environmental policies and practices
- Complying with local legislation, management standards, and current and future-based best practice
- Going beyond compliance as demonstrated by our participation in voluntary benchmarks such as the global CDP climate and water disclosure projects

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to a changing context	<ul style="list-style-type: none"> • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Make our minerals and energy businesses thrive • Be carbon neutral by 2050 • Become a catalyst for economic growth and environmental stewardship 	7 9
Responsible environmental stewardship	<ul style="list-style-type: none"> • Water stewardship • Impact of climate change • Managing our pollution • Closure planning and rehabilitation management • Carbon emissions reduction • Waste management • Biodiversity management 		11 12
Principled governance	<ul style="list-style-type: none"> • Embedding ESG in response to increased regulation and for sustainability 		13 15 17



Exxaro's livestock grazing

Our environment: stewardship and compliance continued

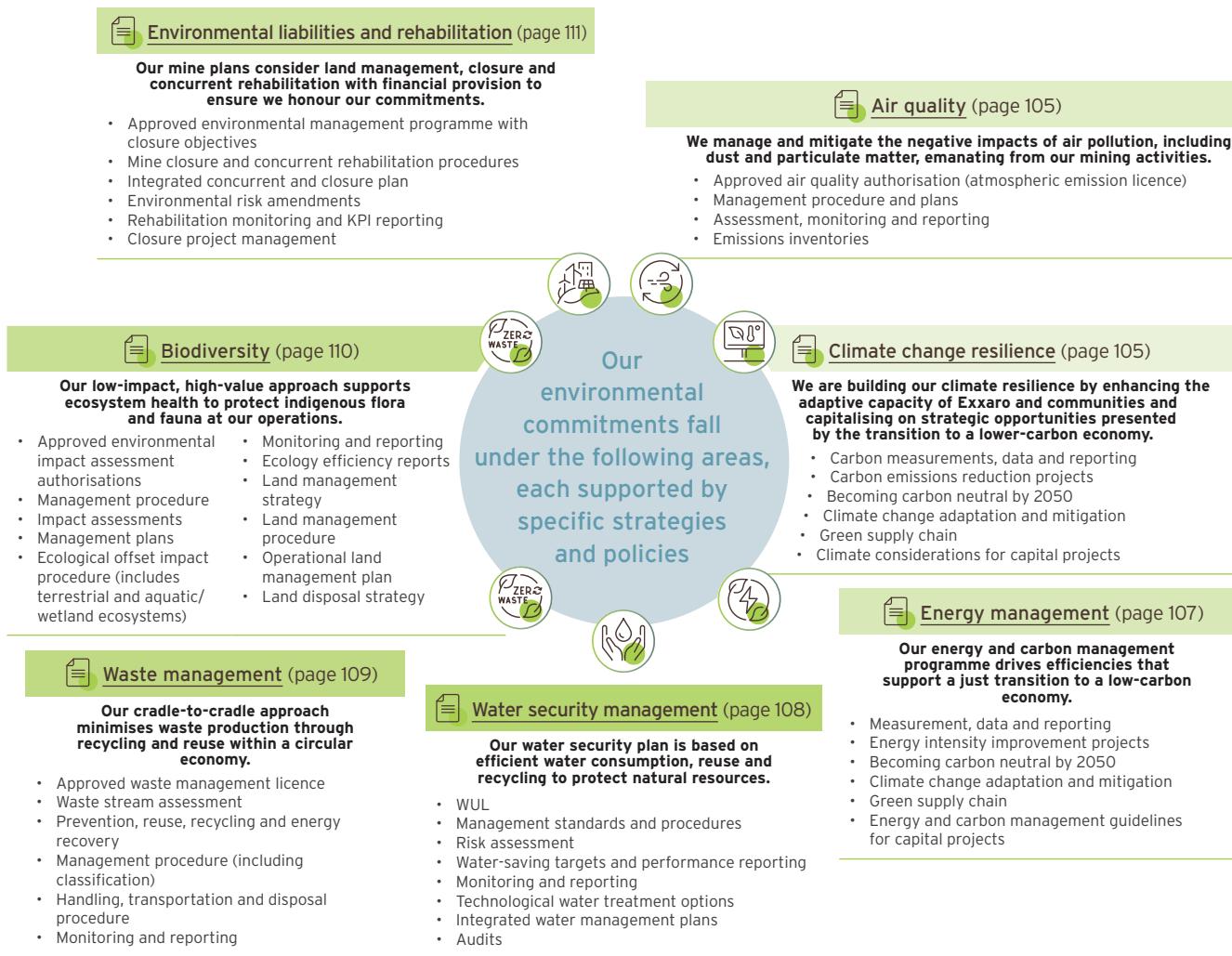
How we achieve this

Our environmental management programmes comply with applicable legislation, ensuring that all activities requiring licences are fully licensed, and our Sustainable Growth and Impact strategy guides the evolution of our environmental policy as we transition to a climate change-resilient portfolio. Management standards for air quality, water, energy, mine closure and rehabilitation as well as environmental incident management and reporting support our BUs in this transition, and embed climate change mitigation and adaptation. These standards are integrated into our environmental management activities, which are also ISO 14001-certified. Our STI scheme, aligned with our decarbonisation plan and Sustainable Growth and Impact strategy, motivates employees to uphold these standards.

The RBR committee oversees our environmental management and impact on behalf of the board. The executive head: sustainability is responsible for implementing environmental strategies for the group, assisted by sustainability and BU managers. The SERC ensures we align with just transition principles while the ESG steering committee's role is to support Exxaro's ongoing commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability, and other relevant public policy matters.

Wheel of excellence

Our environmental commitments fall under the following areas, each supported by specific strategies and policies:



The [environment chapter](#) (page 33) in our 2022 ESG report details our natural capital approach and performance.

Air quality

Air quality management is a top priority for operational sustainability, community safety and regulatory compliance.

Pollutants such as dust and particulate matter (PM), including PM₁₀ and PM_{2.5}, emanate from opencast mining activities such as drilling, blasting, crushing, screening, transportation, materials handling, windswept storage piles and exposed areas.

These activities unavoidably generate dust, and therefore pose health and safety risks. We are responsible to our employees and host communities to minimise and avoid this impact on air quality and the environment.

Exxaro's air quality management approach aims to reduce our impact through:

- Proactive risk-based planning and risk management
- Monitoring, measuring and reporting
- Implementing mitigation measures such as dust suppression
- Adhering to all applicable legislative requirements

Snapshot of our performance

- Dust suppression measures intensified to address fugitive emissions, particularly in winter, due to the high wind speeds which result in an increase in fugitive dust emissions
- Substantial resources allocated to manage waste dumps at Grootegeluk to reduce air pollution
- Dust monitoring networks reviewed to ensure effective air quality management and compliance to the allowable number of exceedances for the residential and non-residential limits per year (two non-sequential exceedances)
- Dust emissions tracked from sources other than our operations (such as agriculture, other mines, power generation and open areas)
- Additional ambient air quality monitors installed at our operations
- Reviewed Leeuwpan's air quality management system to avoid source monitoring and ensure a comprehensive and representative monitoring network
- Invested in an advanced digital solution for real-time emissions monitoring

We consistently enhance our mitigation measures to reduce the significant impacts on the environment and our host communities. These measures include:

- Chemical and wet dust suppression on unpaved roads (with additives that improve effectiveness)
- Limited drop heights during offloading activities
- Vehicle speed control with proximity detection systems and speed limiters
- Vegetation on topsoil stockpiles and overburden material
- Blast design optimisation (considering wind conditions)

To further mitigate dust fallout, in addition to traditional dust suppression methods, we plant trees as windbreaks at Belfast.

None of our BUs exceeded the number of allowable exceedances (two per year and non-sequential) for residential and non-residential dust limits. This is an indication that our fugitive dust mitigation measures are effective. We will continue monitoring and prioritising the mitigation of dust emissions.

We aim to intensify mitigation efforts through chemical suppression of dust on primary haul roads to increase dust suppression efficiencies in the third quarter of 2023. This is critical given that unpaved haul roads are significant contributors to fugitive dust in our operations.

Climate change resilience

Climate adaptation, resilience and transition refer to our capacity to adjust to current and anticipated climate change-related risks, and capitalise on strategic opportunities presented by a low-carbon and resource-constrained economy.

Two of Exxaro's strategic objectives – to transition at speed and scale and to be carbon neutral by 2050 – outline our goals and commitment to fundamentally change our business to positively respond to the climate change agenda.

Our Climate Change Response strategy, TCFD recommendations, decarbonisation plan (under development for the medium and long-term targets) and linked STI scheme across the business support the achievement of these objectives. The principles and mechanisms to respond to climate change are integrated throughout our business and are central to our thinking and actions.

We mitigate climate change and its impacts through:

- Reducing our carbon footprint, guided by our Climate Change Response strategy and decarbonisation plan. In the short term, our operational energy efficiency projects, renewable energy self-generation and potential divestment, will result in emissions reduction of 40% by 2026 for scope 1 and 2. We are developing the medium and long-term elements of our decarbonisation plan, including the capital alignment implications
- Measuring, monitoring and reporting data and performance
- Incentivising performance through the STI scheme
- Prioritising adaptation and resilience of our operations and host communities
- Creating awareness during regular stakeholder engagements
- Supporting research and development

Read more about our response to climate change

[Climate Change Response strategy](#)
 (2020 investor tab)

[Climate change position statement](#)
 (sustainability tab)

[Transitioning into a low-carbon business](#)
 (ESG report, page 11)

[TCFD Index](#)
 (refer to the databook)

[Decarbonisation plan](#)
 (ESG report, page 13)

[CDP](#)
 (www.cdp.net)

 [Responding to TCFD reporting requirements](#) (page 112)

Our environment: stewardship and compliance continued

Snapshot of our performance

Carbon intensity increased by 0.5% to
5.54tCO₂e/kTTM
(2021: 5.51tCO₂e/kTTM)

Scope 3 emissions increased by 5% to
74 488ktCO₂e
(2021: 70 931ktCO₂e)

Scope 1 and scope 2
emissions decreased
by 2.5% to **971ktCO₂e**
(2021: 995ktCO₂e)

CDP score: B
(higher than the coal mining
sector C average)

R8.9 million invested in
research and development
(2021: R9.5 million)

 Carbon intensity increased due to the ramp-up of operations at GG6, discussed in our [operational performance](#) (page 86). We expect an intensity reduction as we implement initiatives to support our STI scheme and our goal to be carbon neutral by 2050. Additionally, the grid emission factor increased from 1.06 to 1.08 affecting scope 2 and 3 emissions.

Exxaro has several operational efficiency programmes that aim to reduce scope 1 and 2 (direct) emissions by 62ktCO₂e by the end of 2026. These programmes focus on reducing diesel and electricity consumption. The solar PV project at Grootegeluk is designed to reduce emissions by 175ktCO₂e upon commissioning and is envisaged to be implemented within the next two years. We also partner and collaborate with our value chain partners on reducing emissions associated with their operational activities and the value chain, share information on the impact and importance of climate change resilience for business and host communities. This is because scope 3 emissions are the main contributors to our profile. However, the impact of these initiatives cannot be quantified as savings in tCO₂e.

 As our decarbonisation journey moved into implementation, we included climate change metrics in scorecards across the business and finalised our [capital allocation model](#) (page 45), supported by analytics tools that informed strategic decision-making. These tools enabled incremental steps towards emissions reductions against significant logistics constraints for our vehicle fleet at Grootegeluk. We addressed these constraints by implementing optimisation solutions that rectified higher carbon intensity per tonne of product mined due to sub-optimal equipment use.

Our 2021 to 2025 pollution prevention plan, as required by the National Pollution Prevention Plan Regulations, includes GHG emissions reduction projects that aim to reduce diesel and electricity consumption and carbon emissions at our operations.

We are investing extensively in developing knowledge of climate change, renewable energy and sustainability. We prioritise innovation, research and development, and collaboration on sustainability issues with value chain stakeholders.

We remain cognisant of the changing regulatory landscape and continue to monitor related developments that may impact our business. We will continue contributing to Exxaro's goals to build a climate-resilient organisation – by reducing emissions, increasing the adaptive capacity of our operations and host communities and extending our influence throughout our value chain. We will progress our efforts to raise awareness, internally and externally, about climate change and the just energy transition to support South Africa's low-carbon transition.

Our primary focus areas in 2023 include climate adaptation (at our operations and host communities), using climate-related data to predict the impacts of extreme weather events on our operations, communities and social impact programmes. In addition, we will intensify energy efficiency and mitigation efforts at BUs. We are evaluating various opportunities to reduce emissions, including biofuels, compressed natural gas, electric vehicles, carbon and methane capture and storage, solar farms, green hydrogen and emissions offsets.

Energy management

We realise that efficient energy use is critical, particularly in South Africa where coal-based electricity supply is constrained and cost outpaces inflation. As such, we are committed to energy management that reduces GHG emissions to achieve our decarbonisation goals.

We consider our value chain and support suppliers on our inclusive, sustainable and productive decarbonisation journey.

To be carbon neutral, innovative and efficient energy management is crucial. As we prepare our business for the low-carbon economy, we must ensure that decarbonisation thinking is integrated into our operations with dedication to reducing direct (scope 1 and 2) GHG emissions across our BUs and value chain.

To support these goals, we implement the ISO 50001 energy management system.

Snapshot of our performance

Total energy consumed decreased by 5.25% to **5 211 418GJ** (2021: 5 500 339GJ)

Electrical energy intensity increased by 3.9% to **3.37MWh/kt** (2021: 3.24MWh/kt)

Diesel energy intensity decreased by 7.0% to **4.88MWh/kt**

Electricity consumption increased by 1.4% to **590 078MWh** (2021: 582 066MWh)

Diesel consumption decreased by 10.3% to **83 226kL** (2021: 91 838kL)

Our primary energy sources were 40.7% electricity (2021: 40%) and 59% diesel (2021: 59%). Electricity and diesel intensity in total decreased in 2022. We submitted a 12L tax claim for one of the completed diesel energy intensity reduction projects executed at Grootegeluk.

Based on the decrease of 2.4% in RoM tonnages, electrical energy intensity increased by 3.9% and diesel energy intensity decreased by 7.0%.

Each BU has energy intensity targets linked to the STI scheme. The targets were based on the outcomes of current state and opportunity scoping reviews, which began at Grootegeluk in 2021. By year end, targets were in place at all operations.

The outcomes of the reviews also informed interventions that will reduce energy consumption and GHG emissions to improve intensity (GJ per total tonnes handled) at each site. Intensity performance is tracked monthly relative to the calculated energy intensity baseline. This baseline was calculated using the energy consumption and production data from the most recent preceding year that represented each mine's steady-state operation.

Energy-saving behaviour impacts the business and our wider operating environment. As such, our human resources, business improvement and information management teams drive behaviour change among employees by nurturing a culture of emissions reduction and accountability through communication, awareness training and engagement. Employees support efforts to establish energy management systems with engineering teams championing initiatives. Energy management champions motivate behaviour transformation and we discuss performance in monthly forums at each BU.

From 2023, we will focus on adopting proven technologies to reduce electrical energy intensity. To this end, we will implement impactful initiatives in our Grootegeluk and Mpumalanga process plant areas.

We will also begin decarbonising our mobile equipment fleet by working with original equipment manufacturers to align on their technology road maps, and trial and implement their technologies at pace and economical scale over the next five years.

Our environment: stewardship and compliance continued

Water security management

Water security is our capacity to safeguard sustainable access to sufficient, acceptable quality water. By proactively identifying risks and planning solutions, we sustain communities, protect the environment from water-related pollution and disasters, and stabilise crucial ecosystems.

Water security management is a critical component of our overall operational and environmental management as we are sensitive to South Africa's water scarcity and the effects of climate change, particularly increased temperatures and rainfall variability.

We manage water-related risks, minimise impacts and operate efficiently by:

- Reducing, reusing and recycling water in line with water conservation plans that support the National Water Resource Strategy
- Providing suitable barriers to our dirty water facilities that prevent groundwater contamination
- Committing to protecting and improving water quality by discharging treated water at our operations through reverse osmosis and/or sewage treatment plants

Snapshot of our performance

47% water recycled
(2021: 46%)

10 419ML total water consumption
(2021: 10 281ML)

11 486ML total water withdrawal
(2021: 10 890ML)

150L/t RoM water intensity
(2021: 149L/t RoM)
(target 2025: 180L/t RoM)

We exceeded our overall water recycling target of 38% (defined as the total water recycled divided by total water used including recycled water).

Total water consumption (water withdrawals less water discharged) increased by 0.6% (normalised) and water intensity increased by 0.5% due to increased consumption at our Matla operation with the new box cut construction.

Our water intensity targets align with industry norms and site-specific conditions. The 180L/t RoM target is well below the coal industry average of 380L/t RoM.

Belfast's WUL was submitted to the Department of Water and Sanitation (DWS) for review and was granted in the fourth quarter of 2022. The renewal application for Matla's WUL was declined by DWS. However, an appeal was lodged with the Water Tribunal ensuring that the WUL is valid until a decision has been made. In the interim, Exxaro is engaging with DWS to find an acceptable resolution.

Our water management efficiency, mitigation, maintenance and conservation measures included:

- Financial approval of Grootegeeluk's Oliphantskop dam refurbishment project to be implemented in 2023/2024 (enhancing water recycling at the beneficiation plants to prevent process water losses to the pit, and reducing electricity consumption due to pumping and water quality deterioration in the pit)
- Recalibrating Belfast water balance while investigating a potential water treatment plant to reduce hydraulic load caused by heavy rains over the past three years
- Completion of the new Matla Mine 1 pollution control dam linked to the Matla reverse osmosis plant
- Improved operation and maintenance of sewage treatment plants at Matla shafts 2 and 3
- Improving dirty and clean water separation, and preventing groundwater contamination with improved waste management at operations

High rainfall had a negative impact on mining conditions although this mitigated the short-term risk of water shortages.

While we continue our efforts to improve water efficiency through various infrastructure projects and enhancements, we will set an internal water price in 2023 to fully understand the actual cost of water versus the current cost to adequately address scarcity and quality concerns.

Waste management

Mining activities create various waste streams. We are transforming our business into a circular mining economy so that the waste we produce is recycled and reused with sustainable benefits for host communities that depend on Exxaro for their livelihoods.

By recycling and reusing the waste we produce, we uphold our licence to operate with a cradle-to-cradle approach that minimises waste production. Cradle-to-cradle waste management is a closed cycle: waste from one process is used in other processes to encourage elimination or minimisation of waste.

Exxaro's evolving environment policy and management standard for hazardous and non-hazardous waste govern our approach. We ensure prevention, minimisation, reuse, recycling, energy recovery and safe waste disposal in compliance with the National Environmental Management: Waste Act, 2008 (Act 59 of 2008) and supporting legislation.

Our management procedures include waste classification and efficiency reporting, as required by waste management licences, informed by sustainability KPIs aligned with ESG indices to drive continuous improvement.

Snapshot of our performance

2 768t general waste recycled
 (2021: 3 018t)

1 624t hazardous waste sent to landfill – a 68%
 improvement on the previous year (2021: 520t)

Head office	Renewed contracts for recycling and general waste disposal at head office	
Grootegeluk	Completed the fire protection system installation in the temporary waste tyre storage area and stacked tyres as per the approved layout at Grootegeluk	<ul style="list-style-type: none"> Renewed our hazardous waste handling contracts at Grootegeluk and Matla Placed medical waste, including waste generated from COVID-19 preventive measures (masks, gloves and screening) at the Matla and Grootegeluk clinics, in specific containers
Matla	Began appointing a new service provider (currently TL Ideas, an ESD beneficiary) to manage our waste recycling station at Matla	
Leeuwpan	Took ownership of the optimised sewage treatment plant at Leeuwpan	
Belfast	Appointed Phambili Services, an ESD beneficiary, to manage general and hazardous waste	

General waste recycled decreased by 9% due to less ferrous and non-ferrous scrap produced at Grootegeluk.

The total weight of hazardous waste generated at our managed coal operations and sent to landfills in 2022 increased by 68% due to clean-up operations in May, June and August at Grootegeluk. This resulted in a 30% increase in the amount of hazardous waste taken away and disposed of in a registered landfill.

In its grievance register, Exxaro did not report any waste grievances, fines or penalties and did not receive any environmental fines and penalties related to non-compliance on waste management during the financial year.



Cennergi's operation and maintenance contractors are responsible for waste management at both wind energy facilities. Cennergi implements waste separation at source to increase recycling, where possible, and minimise waste sent to landfill. Cennergi did not report any waste grievance, fines and penalties during the year.

We will optimise our 2023 reporting to set targets that will enable us to divert 80% to 85% of recyclable waste from landfill sites by 2025. We plan to use alternative waste reduction or avoidance technologies and opportunities to procure equipment that supports our commitment to the circular economy concept.

At Grootegeluk, we will continue the successful waste tyre reclamation project with a new service provider, establish partnerships with other NGOs and seek access to additional project funding.

As advised by FTSE Russell, we will include additional KPIs in our reporting.

Our new waste management policy will be approved and published in 2023. The policy outlines waste reporting, management and mitigation. Detailed procedures and KPIs will ensure we honour our commitments. The dashboard that tracks waste volumes generated, recycled and sent to registered landfills will include KPIs such as total costs of environmental fines and penalties, as recommended by FTSE Russell. This will enable us to improve our disclosure.

Assessments across our operations determined the scope of work needed to achieve these targets. Data collected on recyclable materials from the waste stream assessments will optimise our 2023 reporting.

Our environment: stewardship and compliance continued

Biodiversity

Conservation is a priority for Exxaro to avoid biodiversity loss for the sake of wildlife, economic activities and people who depend on the natural resources impacted by our mining activities. We therefore assess our potential impacts before we mine, and conduct biomonitoring and environmental incident reporting. Communities benefit from employment created by contractors who will eventually hand over invasive plant control contracts to local community members.

We strive to be a low-impact, bio-regenerative organisation for current and future generations.

Our holistic approach to biodiversity management combines:

- Cost-effective solutions
- Environmental responsibility
- Conservation of biodiversity-rich areas within mining rights
- Management of International Union for Conservation of Nature Red List species
- Control of invasive plants (categories 1a, 2 and 3)
- Integration of biodiversity into social impact studies
- Collaboration with key stakeholders to achieve our biodiversity goals (Mpumalanga Tourism and Parks Agency, DFFE, Limpopo Economic Development, Environment and Tourism, DWS, Eastern Cape Parks and Tourism Agency, and Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs)

Snapshot of our performance

We experienced minor challenges such as restricted access to privately owned land within our mining right area for the removal of invasive alien plants and delays in permit approval by authorities for species relocation from the mining area into conservation land at Belfast. We therefore cleared 58% less invasive alien vegetation compared to the previous year.

Relocation and conservation programmes

Waterberg (Limpopo)



Grootegeeluk and Belfast: Baboon spider and succulent relocation

Our team works closely with authorities in relocating baboon spiders and protected succulent species as our mining footprint expands.



Grootegeeluk: Conservation in Manketti Game Reserve

The 22 000ha Manketti Game Reserve continues to optimise land use and the sustainability of Grootegeeluk.

Mpumalanga



Matla and Belfast: African grass owl and bat protection

Exxaro has partnered with the Endangered Wildlife Trust to develop a monitoring programme that could enhance our existing processes. Within the Belfast conservation area, we also assist the Birds of Prey NGO with the safe and controlled release of grass owls and bats.

Eastern Cape



Cennergi: Bird and bat fatality curtailment

Cennergi employs local carcass search companies to monitor bird and bat fatalities in accordance with the South African bird and wind energy facilities guidelines. At Amakhala Emoyeni, a bat fatality curtailment programme will be implemented between October 2022 and May 2023 to reduce fatalities. The avifauna specialists prepare the semi-annual bird and bat monitoring reports submitted to lenders, BirdLife Africa, Endangered Wildlife Trust, the DFFE and other relevant authorities.

No red data mortalities were recorded at Tsitsikamma in 2022. Unfortunately, one secretary bird fatality was recorded at Amakhala Emoyeni.

Amakhala Emoyeni: Cape vulture management

Cennergi supports the Endangered Wildlife Trust's Eastern Cape vulture safe zone research. This programme aims to reduce Cape vulture fatalities at operating and proposed wind energy facilities. It also stabilises the local population by addressing threats in the safe zone. It is the first habitat safe for vultures within wind energy facilities and the surrounding landscape.

Alien plant eradication

236ha land cleared of invader plants

Across our sites, we progressed in avoiding:

- Biodiversity decline
- Indigenous animals being prevented from feeding or nesting in the area due to fauna changes
- Extinction of indigenous species due to genetic pool loss (pine, wattle and hakea trees prevent fynbos species growth)
- Greater risk of catastrophic events (fire and flooding) due to ecological imbalance
- Lower productivity of rangeland due to selective grazing
- Soil erosion and dam and river siltation due to invasive alien species consuming more water than indigenous flora
- Sandy and nitrogen-poor natural soil

Invasive alien plant control continues at BUs and will start at Grootegeluk in 2023. The tender process to appoint a service provider began in the third quarter of 2022.



Since 2016, full-time local SMMEs have successfully managed Cennergi's alien plant control programme.

Pan research

Following an assessment of pans at Belfast by the Council for Scientific and Industrial Research in 2019, and subsequent monitoring by Exxaro since 2020 to avoid deprivation, an external reviewer conducts monthly and quarterly evaluations. We are evaluating recommendations from our completed pan research project to determine the next steps.

Wetland rehabilitation

- We completed rehabilitation of the wetland system adjacent to Belfast in 2020
- The proof-of-concept study in the LoM footprint area at Grootegeluk was completed in 2021. Six seasonal pans were created using donor material from pans that will be lost to mining. The five-year programme to monitor the project's success started in January 2022

We did not record any biodiversity-related grievances in 2022.

Exxaro intends to introduce detailed regional biodiversity management plans, based on our impact assessments in 2022. Plans will ensure compliance, and inform targets and KPIs being developed for each BU.

Environmental liabilities and rehabilitation

Understanding that responsible mining practices continuously evolve, we have a holistic and integrated approach to mine closure, taking into account environmental protection, social wellbeing and financial performance.

Mine rehabilitation is the restoration of the post-mined landscape to the intended post-mining land use. We see environmental rehabilitation as an opportunity to uplift our employees and communities with sustainable alternative land use.

We manage our environmental liabilities and rehabilitation in compliance with legislation and evolving responsible mining practices. Our licence to operate depends on a holistic and integrated approach to land management, mine closure and concurrent rehabilitation.

Our approach therefore considers impacts on employees, communities, the environment, government and infrastructure. Further, our proactive management of environmental impacts minimises residual liabilities (water quality and quantity, and topsoil health), that could affect Exxaro's financial performance by completing concurrent rehabilitation timeously and to prevent water ingress into rehabilitated areas.

Snapshot of our performance

2 000ha land rehabilitated
(2021: 1 933ha)

9 624ha land disturbed
(2021: 9 280ha)

R8 428 million
total **closure costs**
(2021: R7 581 million)

Operations in active closure in 2022: Tshikondeni, Durnacol, Hlobane and Strathrae (2021: four)

Available land for emerging farmers and communities

- **Mpumalanga**
 - Strathrae: 5 447ha (seven farmers on 4 495ha of land used for crop and cattle farming)
 - Sheepmore: 740ha (two farmers on 740ha of land used for cattle farming)
- **KwaZulu-Natal**
 - Durnacol: 190ha (110ha leased to one female farmer for cultivation)
- **Limpopo**
 - Lephalale: 296ha (112ha leased to three entities for intensive vegetable farming)

We are working towards transferring **90% of post-mining land to emerging farmers in local communities by 2026**.

We will align our mine closure and rehabilitation approach with the Sustainable Growth and Impact strategy in 2023.

Our strategic objectives include:

- Embedding concurrent rehabilitation and mine closure in the management of operations at BUs
- Aligning with rehabilitation standards that ensure sustainable alternative post-mining land use (including vegetation that can be used for carbon sequestration)
- Clear and measurable concurrent and ongoing rehabilitation targets
- Building accountability into operational management KPIs
- Reducing financial environmental liability

Responding to TCFD reporting requirements

This is Exxaro's third year of reporting in line with the TCFD recommendations. This reflects Exxaro's internalised and proactive approach to climate change and our ESG commitments.

 The table below provides an overview of our responses and links to relevant coverage in this report, our ESG report and other supporting documents available [online](#). We published a separate Climate Change Response strategy and our climate change position statement in 2020. These provide additional detail on some areas of our response to climate change.

Requirement	Progress	Further reading
1 Describe the board's oversight of climate-related risks and opportunities.	Climate change is an integral consideration and as such is embedded in our governance processes. The board takes ultimate responsibility and is supported by its subcommittees. The CEO and chairperson oversee climate-related risks and opportunities.	 Governance (ESG report, page 92)  Governance for value creation (page 51)
2 Describe management's role in assessing and managing climate-related risks and opportunities.	Ultimate responsibility from a management perspective rests with the CEO. She is supported by the executive committee. Climate change is a key consideration and our response to it is embedded in our Sustainable Growth and Impact strategy.	 Transitioning into a low-carbon business (ESG report, page 11)  Our strategy (page 44)
3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Climate-related risks and opportunities are embedded in our risk management processes.	 Transitioning into a low-carbon business (ESG report, page 11)  Business risks and opportunities (page 26)
4 Describe the impact of climate-related risks and opportunities on the organisation's strategy, and financial planning.	Climate change risks and opportunities are embedded into all strategic, operational and financial matters. Our strategy details how climate change is driving our journey to resilience.	 Transitioning into a low-carbon business (ESG report, page 11)  Our strategy (page 44)
5 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We undertook scenario analysis to understand our business resilience from a physical and transition risk perspective. Our strategy is designed to ensure our resilience to different climate scenarios, including 2°C or lower. Our strategy details how we are responding to risks and opportunities associated with the low carbon transition. Furthermore, our Climate Change Response strategy report and climate change position statement include information on this analysis.	 Climate Change Response strategy report (2020 investor tab) and climate change position statement (sustainability tab)  Our strategy (page 44)
6 Describe the organisation's processes for identifying and assessing climate-related risks.	We take a proactive approach to identifying climate-related risks.	 Transitioning into a low-carbon business (ESG report, page 11), Climate Change Response strategy report (2020 investor tab) and climate change position statement (sustainability tab)  Our strategy (page 44)
7 Describe the organisation's process for managing climate-related risks.	Climate-related risks are managed within our ERM framework.	 Transitioning into a low-carbon business (ESG report, page 11)  Business risks and opportunities (page 26)
8 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks are integrated into overall risk management and factor as one of the top 20 risks facing the business.	 Business risks and opportunities (page 26)
9 Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.	Climate risk metrics are disclosed in the ESG report for emissions, energy, water, land use and waste. The remuneration report discloses how climate-related issues are incorporated into our remuneration practices.	 Environment (ESG report, page 33) and remuneration report (ESG report, page 145)
10 Disclose scope 1, scope 2, and, if appropriate, scope 3 GHG emissions, and the related risks.	We report extensively on our scope 1, 2 and 3 emissions in our ESG and CDP reports.	 GHG emissions (ESG report, page 41) and CDP report (www.cdp.net)
11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have committed to being carbon neutral for our scope 1 and 2 emissions by 2050.	 Transitioning into a low-carbon business (ESG report, page 11)  Our strategy (page 44)

Our Mineral Resources and Mineral Reserves

We are unlocking value from our existing asset base to sustain our journey from coal mining to minerals and renewable energy solutions that will enable us to thrive in a low-carbon environment.



Our Mineral Resources and Mineral Reserves

Our Resources and Reserves

Exxaro continuously strives to enhance the level of estimation and reporting of our Mineral Resources and Mineral Reserves. Our estimation and reporting strategy focuses on sustaining our mineral asset base by employing a responsible and innovative technical management team. The value extracted from the mineral assets is continuously reviewed with mine planning, considering evolving knowledge of the mineral asset's geological complexities and its opportunities.

Our projects, operations and expansion initiatives are built on trusted and assured Resources and Reserves, creating a platform for the LoM from which annual business plans are derived. The Resource managers of each operation are the custodians of the LoM and ensure professional execution of the business plans, stimulating profitability and return on investment while guarding against irresponsible exploitation.

How we report

Our Resource and Reserve statements, explanations on how we report (governance, assurance, competence and estimation) and comprehensive descriptions of our coal operations are aligned with section 12.13 of the JSE Listings Requirements and captured in our  [CMRR report](#), a supplement to this report.

Our Coal Resources and Coal Reserves were estimated on an operational or project basis, and in line with the SAMREC Code for African coal properties and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2012 edition (JORC Code) for the Australian coal

property. The Exxaro annual estimation and reporting process is managed through the Exxaro geosciences as well as LoM policies and associated Coal Resource and Coal Reserve reporting and estimation procedures.

Operations we report on

Exxaro reports Resource and Reserve estimates directly under management's control and for entities in which we hold a minority interest.

Competence

Exxaro's Coal Resources and Coal Reserves have been estimated or supervised by the Competent Persons supported by technical specialists and guided by corporate-appointed lead Resource and Reserve Competent Persons.

The Competent Persons are full-time employees at their applicable operations and their names, affiliation and relevant experience are provided in the CMRR report.

Assurance

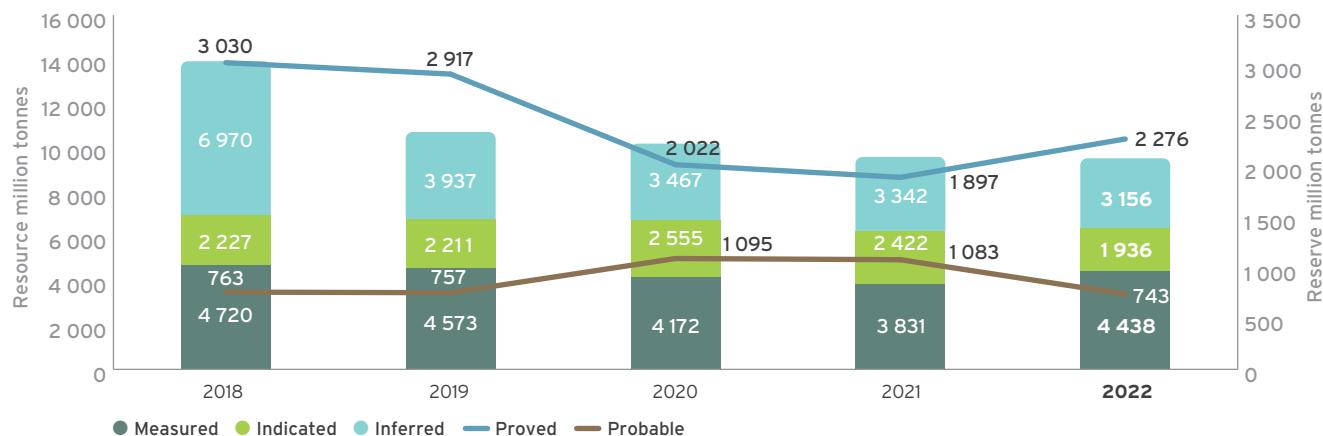
Assurance is implemented in terms of a three-tier system. Tier 1 assurance is conducted in parallel with our estimation processes by internal/peer technical specialists to ensure estimates with integrity. Tier 2 assurance consists of internal reviews conducted on operations or projects, when deemed necessary, to ensure compliance. Tier 3 reviews are comprehensive external Resource and Reserve estimation reviews conducted on a three-year operational cycle.



Grootegeleuk mining area

Our coal estimates for the reporting year

Exxaro's attributable Coal Resources and Coal Reserves



Notes:

- Resource estimations are based on the latest available geological models, which incorporate new validated geological information and, if applicable, revised seam, Resource definitions and Resource classifications. For the 2022 reporting cycle, reported estimates are derived from actual mining up to the end of October, incorporating the planned estimates for November and December.
- Resource and Reserve estimates in our statements are quoted in full, irrespective of Exxaro's shareholding. Our attributable tonnage is clearly presented in the image above and, when used in our report, always clearly defined as such.
- Rounding off of figures quoted may result in minor computational discrepancies although it is not deemed significant.

Coal Resources

-1%

Our total attributable Coal Resources decreased by 1%, primarily due to mining which was offset by new exploration information acquired at our various operations. On-mine drilling increased the level of geological confidence resulting in material movements from the Inferred to Indicated and to the higher confidence Measured category.

Material movement in Coal Resources

Two operations reported material changes in Coal Resources. A ~23% increase in total Coal Resources at Mafube mine is the result of new exploration information and the movement of the Rooipan area from Inventory to Coal Resources based on environmental approvals received to drill within this area.

A 15% decrease in Coal Resources at Leeuwpan mine is due to mining and disposals as a result of re-interpretation and subsequent reclassification of coal material outside LoM plan during the geological modelling process.

Coal Reserves

+1%

Our total attributable Coal Reserves increased by 1%, primarily as a result of revised LoM plans.

Material movement in Coal Reserves

The significant increase (~144%) in the total Coal Reserves, at Mafube mine, is the result of an updated LoM plan including the Rooipan area after consideration of the successful submission of the integrated WUL application. The Coal Reserves within Rooipan are reported as Probable Reserves pending the approval of the integrated WUL.

Other than normal LoM depletion, no material changes to the total attributable Coal Resource and Coal Reserve estimates are reported for any operations.

Glossary

Adjusted earnings	Group earnings adjusted for non-recurring items (referred to as non-core adjustments)
AGM	Annual general meeting
API4	Argus/McCloskey Coal Price Index
B-BBEE	Broad-based black economic empowerment
Black Mountain	Black Mountain Mining Proprietary Limited
BU	Business unit
Cennergi	Cennergi Proprietary Limited
CEO	Chief executive officer
CMRR	Consolidated Mineral Resources and Mineral Reserves
COP27	2022 UN Climate Change Conference of the Parties
CSI	Corporate social investment
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
dtic	Department of Trade, Industry and Competition
DWS	Department of Water and Sanitation
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including transaction differences recycled to profit or loss)
ECC	Exxaro Coal Central Proprietary Limited (divestment concluded in September 2021)
EME	Exempt micro-enterprises
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
ESOP	Employee share ownership plan
ERM	Enterprise risk management
EWP	Employee wellness programme
Exxaro	Exxaro Resources Limited
FECs	Forward exchange contracts
GBV	Gender-based violence
GDP	Gross domestic product
GG6	Grootegeluk 6
GHG	Greenhouse gas
HEPS	Headline earnings per share
HPI	High-potential incident
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IPP	Independent power producer
JSE	JSE Limited
King IV	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator

LoM	Life of mine
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
MCWAP	Mokolo Crocodile Water Augmentation Project
MCWAP2	Mokolo Crocodile Water Augmentation Project Crocodile River system
Mining Charter III	Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018
MoI	Memorandum of incorporation
NBI	National Business Initiative
NDC	Nationally determined contribution
NGO	Non-governmental organisation
NPAT	Net profit after tax
OHIFR	Occupational health incident frequency rate
PIT	Professionals in training
POPIA	Protection of Personal Information, 2013 (Act 4 of 2013)
QSE	Qualifying small enterprise
RBCT	Richards Bay Coal Terminal Proprietary Limited
RBR	Risk and business resilience
ROCE	Return on capital employed
RoM	Run of mine
RRODA	Renewable energy risk and opportunity domain analysis
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition
SDG	Sustainable Development Goal
SERC	Social, ethics and responsibility committee
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP	Social and labour plan
SMME	Small, medium and micro-enterprise
SPV	Special purpose vehicle
STI	Short-term incentive
TCFD	Task Force on Climate-Related Financial Disclosures
TFR	Transnet Freight Rail
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
UNGC	United Nations Global Compact
WUL	Water use licence

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Andiswa Ndoni

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Company registration number

2000/011076/06
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ISIN code: ZAE000084992 ADR code: EXXAY
Bond code: EXX005
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Disclaimer

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