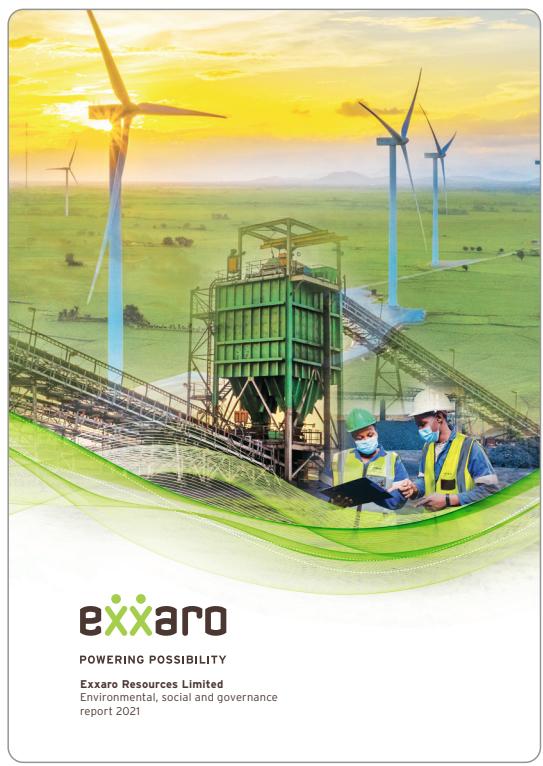




# exxaro

POWERING POSSIBILITY

**Exxaro Resources Limited**  
Environmental, social and governance  
report 2021



## NAVIGATING THIS REPORT

We use icons to show:

### Detailed disclosure and further reading



Read more online at  
[www.exxaro.com](http://www.exxaro.com)



Read more within  
this report

### The capitals we use and affect



NATURAL



HUMAN



SOCIAL AND RELATIONSHIP



MANUFACTURED



INTELLECTUAL



FINANCIAL

# Introduction

## Our vision

### Resources powering a clean world

Exxaro Resources Limited (Exxaro, the company or the group) is a South Africa-based diversified resources company with a robust coal business and acquisitive growth prospects in minerals and energy solutions.

Our purpose, *powering better lives in Africa and beyond*, drives our ambition to provide resources (beyond just commodities) critical to a low-carbon world.

Our Sustainable Growth and Impact strategy ("Strategy") enables us to deliver on our purpose and vision. Our success lies in the strength of our culture and values.

Through our Strategy, we aim to strengthen our resilience and ensure we deliver sustainable stakeholder value through a robust business portfolio in a low-carbon economy.

## INTEGRATED THINKING

Exxaro believes in sustainable value creation, enabled through carefully considering the relationship among the resources we use and affect, and potential trade-offs inherent in strategic decision-making. We have integrated 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 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.

Our vision, purpose and strategy are underpinned by an ethos of sustainable development and thus encourage us to support the SDGs to make a measurable positive impact on, for instance:

- Our purpose acknowledges the challenges and opportunities present on our continent and our role in overcoming them
- Our strategic objectives are designed to ensure that, as we transition our business to meet our vision, we do so in a just manner that balances South Africa's economic development needs, ecosystem protection and social adaptive capacity



## Reporting suite

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



Integrated report



Environmental, social and governance (ESG) report



Consolidated Mineral Resources and Mineral Reserves (CMRR) report



Group and company annual financial statements



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

These reports are available online and should be read together for a complete understanding of Exxaro's business and its performance.



### CONNECT WITH US

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

#### **Malusi Buthelezi**

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Mobile: +27 83 460 3723  
Email: [Malusi.Buthelezi@exxaro.com](mailto:Malusi.Buthelezi@exxaro.com)

**[www.exxaro.com](http://www.exxaro.com)**

**Disclaimer:** Photographs of people without masks were either taken pre-COVID-19 or in full compliance with health and safety protocols. With thanks to Stefanie De Beer, Line of Sight Photography, for Cennergi's windfarm photographs, and all contributors who supplied the photographs used in our reporting suite.

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# About this report

Our ESG report for the year ended 31 December 2021 reflects how we measure and manage our impact on the environment and society, and our commitment to good corporate governance.

## MATERIALITY

The information included in our reporting is influenced by our materiality determination process. This year, we followed a double materiality process that considers an outward and inward focus. The outward focus considers our impact on society and the environment, and the inward focus considers the impact of a matter on our ability to create and preserve value over time. We further group these material matters into themes that link to the resources we use and affect.

Refer to the integrated report for a detailed discussion on this process and the material matters we identified.

Theme	Material matters
 <b>Adapting to the changing context</b> 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 a leader, we must respond to both the current context and anticipate the future.	<ul style="list-style-type: none"><li>Geopolitical context</li><li>Macro-environment</li><li>Supporting a just transition to a low-carbon economy</li></ul>
 <b>Helping our people thrive</b> Exxaro's employees are the enablers of the organisation's performance. To deliver on our strategic goals, we need to foster a culture that supports adaptability and innovation, while leveraging the strength of diversity, equity and inclusion.  We are deeply committed to protecting our people's health, safety and wellness and building relationships based on trust.	<ul style="list-style-type: none"><li>Health, safety and wellness</li><li>Workforce: culture, capability, diversity, inclusion and innovation</li><li>Labour relations</li></ul>
 <b>Building sustainable communities</b> We operate in an environment of stakeholder capitalism <sup>#</sup> and where our business activities impact our stakeholders who respond to these impacts. Our social licence to operate depends on how we look after our communities and the natural world around us.  We are committed to a social and just transition sensitive to the potential impacts of Exxaro, its communities, South Africa and the planet.	<ul style="list-style-type: none"><li>Human rights</li><li>Job and business creation</li><li>Responsible environmental stewardship</li><li>Supporting a just transition to a low-carbon economy</li></ul>
 <b>Executing our strategy</b> Climate change is no longer 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.	<ul style="list-style-type: none"><li>Coal portfolio optimisation</li><li>Diversify into minerals</li><li>Build a leading global renewable energy solutions business</li></ul>
 <b>Driving business resilience</b> Underpinning our strategic goals is the drive to enhance our business resilience through safe production, the delivery of financial results, effective capital allocation, compliance excellence as well as entrenching innovation and capitalising on digitalisation. Over and above these, the way we conduct ourselves as a business strengthens our reputation and resilience.	<ul style="list-style-type: none"><li>Financial performance and resilience</li><li>Legal, regulatory and compliance excellence</li><li>Capital allocation</li><li>Operational excellence (innovation and digitalisation)</li><li>Transparency, ethics and integrity</li></ul>

 For material matters relevant to this report, refer to page 40 of the integrated report.

**We report on our progress in the 2021 financial year in terms of how we create and preserve value, and prevent the erosion thereof over time. This report contains the most material information about our value creation, transparently and understandably.**

## FRAMEWORKS AND GUIDELINES

The content of this report is guided by:

- Our materiality determination process (page 40 of the integrated report) 
- Companies Act, 2008 (Act 71 of 2008), as amended (Companies Act)
- International Financial Reporting Standards (IFRS)
- JSE Limited (JSE) Listings Requirements and Debt Listings Requirements
- Department of Trade, Industry and Competition (dtic) broad-based black economic empowerment (B-BBEE) codes of good practice
- The effective parts of the Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)
- International Integrated Reporting Council's Integrated Reporting Framework 2021 (<IR> Framework)
- United Nations Global Compact (UNGC)
- Global Reporting Initiative (GRI) standards
- King IV Report on Corporate Governance for South Africa, 2016 (King IV<sup>TM</sup>)<sup>1</sup>
- The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition
- Sustainability Accounting Standards Board (SASB)

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

## BOUNDARY

This report contains material information about our ESG performance for the period 1 January 2021 to 31 December 2021 (the 2021 financial year). It covers financial and non-financial environmental and social information of our wholly owned and joint operations in South Africa. The reporting boundary now incorporates material information about Cennergi Proprietary Limited (Cennergi) following our acquisition of the 100% interest of this business in 2020. Following the disposal of Tronox in March 2021, information on this investment is no longer included unless stated. We have consolidated material information related to Cennergi's safety incidents into the Exxaro group. The health, environmental, water, energy and climate change key performance indicators (KPIs) will be fully integrated in 2022.

We include limited information on operations where we do not have management control but hold a significant equity interest, namely Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba Iron Ore Limited, or joint control, namely Mafube Coal Proprietary Limited (joint venture) and Moranbah South coal project.



Inside a coal beneficiation plant at our Grootegeluk BU

# About Exxaro

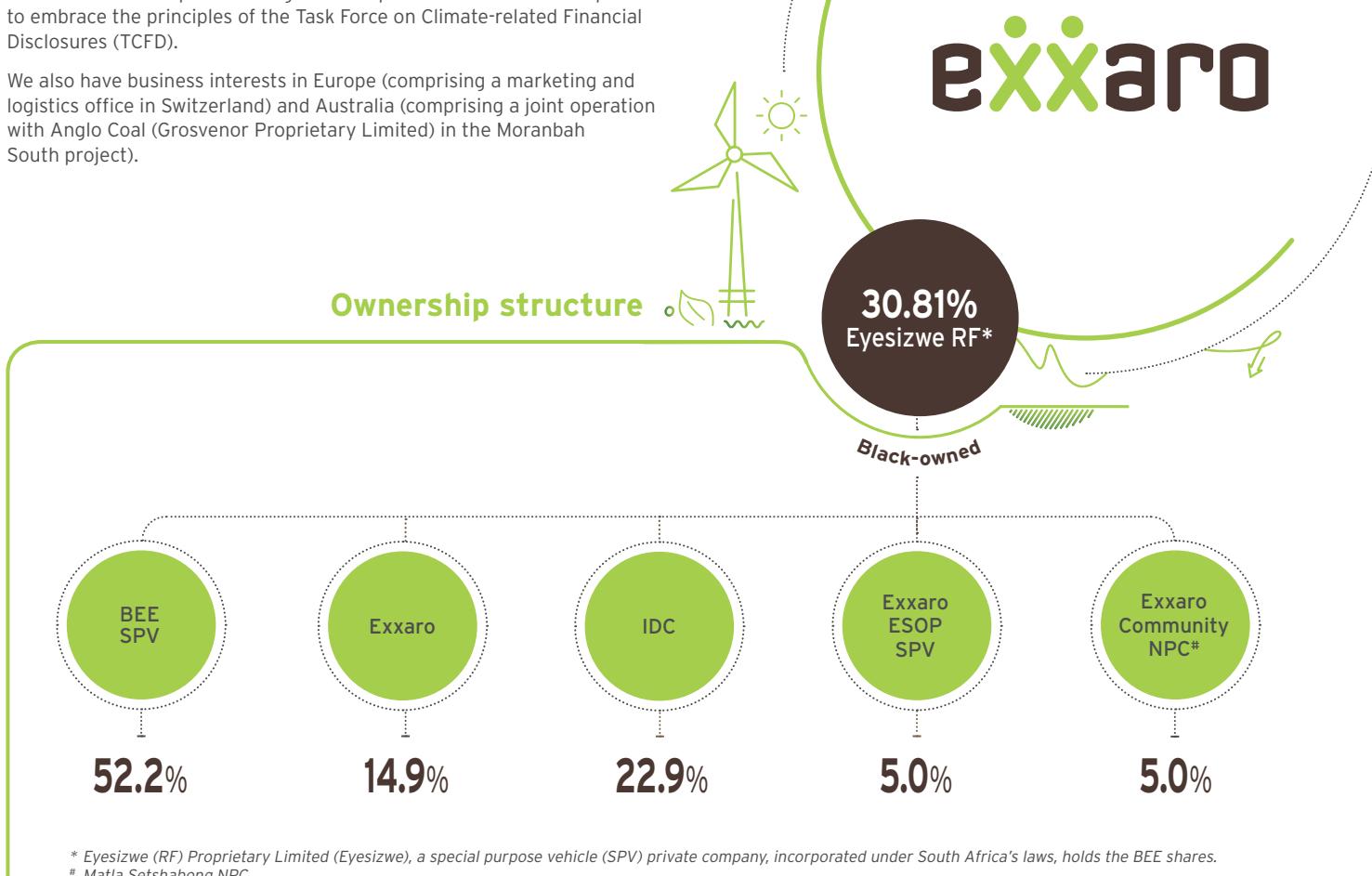
Exxaro has two decades of experience in mining, energy and ESG.

We have a diversified asset portfolio comprising interests primarily in coal, a growing renewable energy solutions business and equity-accounted investments in ferrous (iron ore) and zinc. We have plans to invest and diversify into manganese, bauxite and copper.



We are among the top five coal producers in South Africa. Hence, we understand the importance and ambition of being carbon neutral and achieving net zero carbon by 2050, and strive to be an active participant in the just transition to a low-carbon economy. We have started incorporating renewable energy solutions into our business portfolio, as evidenced by our 100% ownership of Cennergi since 1 April 2020. Exxaro is also proud to embrace the principles of the Task Force on Climate-related Financial Disclosures (TCFD).

We also have business interests in Europe (comprising a marketing and logistics office in Switzerland) and Australia (comprising a joint operation with Anglo Coal (Grosvenor Proprietary Limited) in the Moranbah South project).



\* Eyesizwe (RF) Proprietary Limited (Eyesizwe), a special purpose vehicle (SPV) private company, incorporated under South Africa's laws, holds the BEE shares.  
# Matla Setshabong NPC.

Our company is rooted in South Africa and respected by our peers for innovation, ethics and integrity.



## MINERALS

### Minerals

#### 100%\* ownership: Coal

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

Our **coal mining business** (including Reductants) is structured under five legal entities, all managed and operated by Exxaro, supplemented by a joint venture for the Mafube operation and an equity interest in Richards Bay Coal Terminal Proprietary Limited (RBCT)

### Base metals

#### 26% equity interest: Black Mountain

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

We continue evaluating our options to dispose of our shareholding in Black Mountain following the suspension of the sale in December 2020

### Ferrous

#### 20.62% equity interest: SIOC

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



## ENERGY

### Renewable energy

Our renewable energy business consists of 239MW of wind generation assets in the Eastern Cape that contribute to national energy supply

#### 100% ownership

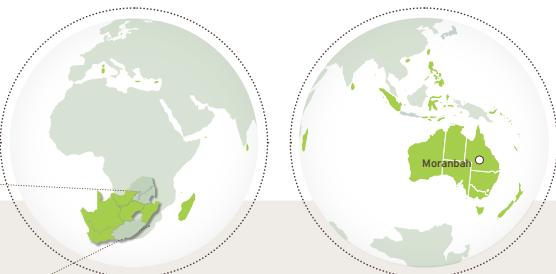
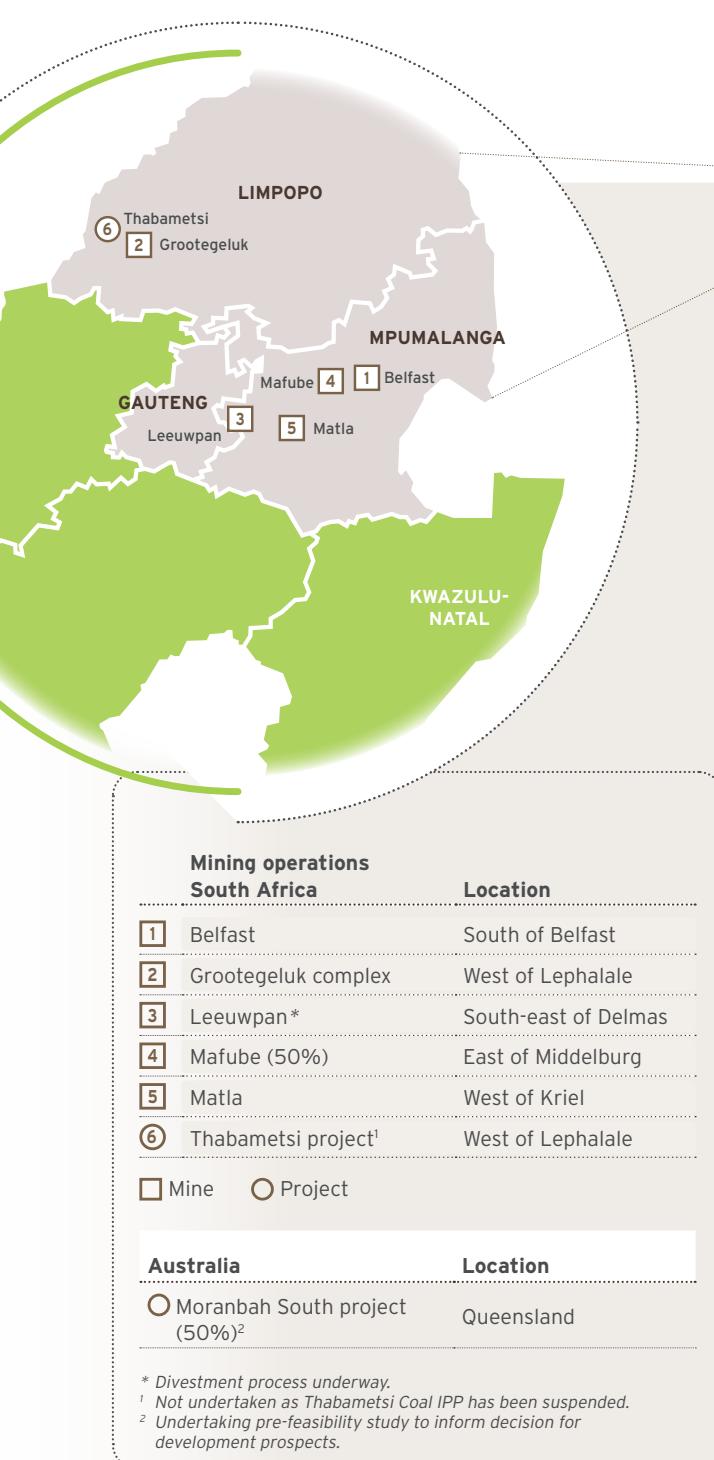
#### Cennergi

Our renewable energy business

\* Includes 50% joint control of Mafube.

# About Exxaro continued

## OUR ASSET LOCATIONS



Our coal asset base is a key differentiator and critical part of how we create value for our stakeholders.



### MINERALS BUSINESS

Our minerals business comprises coal operations and investments are iron ore and zinc. We have deep roots in mining with a track record of operational excellence and delivering value.

### MINERAL ASSETS

Coal mining is our primary business, structured under five legal entities that we manage and operate. We also have a:

- 50% joint venture with Thungela Resources Limited in the Mafube operation
- 10.26% effective equity interest in RBCT
- 26% effective equity interest in Black Mountain
- 20.62% effective equity interest in SIOC

- 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 (AMSA)
- Five managed coal operations (including 50% share of Mafube) produced 42.5Mt of thermal and metallurgical coal (2020: 47.4Mt), down 10% in 2021 – the majority of power station coal is supplied to Eskom
- Grootegeluk is acknowledged as one of the largest integrated mining and beneficiation operations globally, running the world's largest coal beneficiation complex, and the only producing mine in the coal-rich Waterberg, adjacent to Eskom's Matimba and Medupi power stations – Grootegeluk's capacity is expanding by 7% (1.7Mtpa) with the double-stage beneficiation plant, Grootegeluk 6 (GG6) and new rapid load-out station to enhance the growth of our export sales volumes
- As at 31 December 2021, 82% of the R17.5 billion capital expenditure was spent on greenfield and brownfield expansion and sustaining projects (2020: 74%)



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

#### **Renewable energy assets**

Cennergi is a southern African-based diversified independent power producer (IPP) that focuses on asset management and the development, ownership, operation as well as maintenance of its own renewable energy projects and some owned by other companies. Cennergi has two established wind projects in the Eastern Cape (the Tsitsikamma community windfarm (95MW) and Amakhala Emoyeni (134MW)), which reached commercial operation in 2016. The energy business is also planning the development of the 70MW Lephalale Solar Project in a ringfenced SPV that will supply renewable energy to our Grootegeuk complex, reducing our carbon footprint and electricity costs.

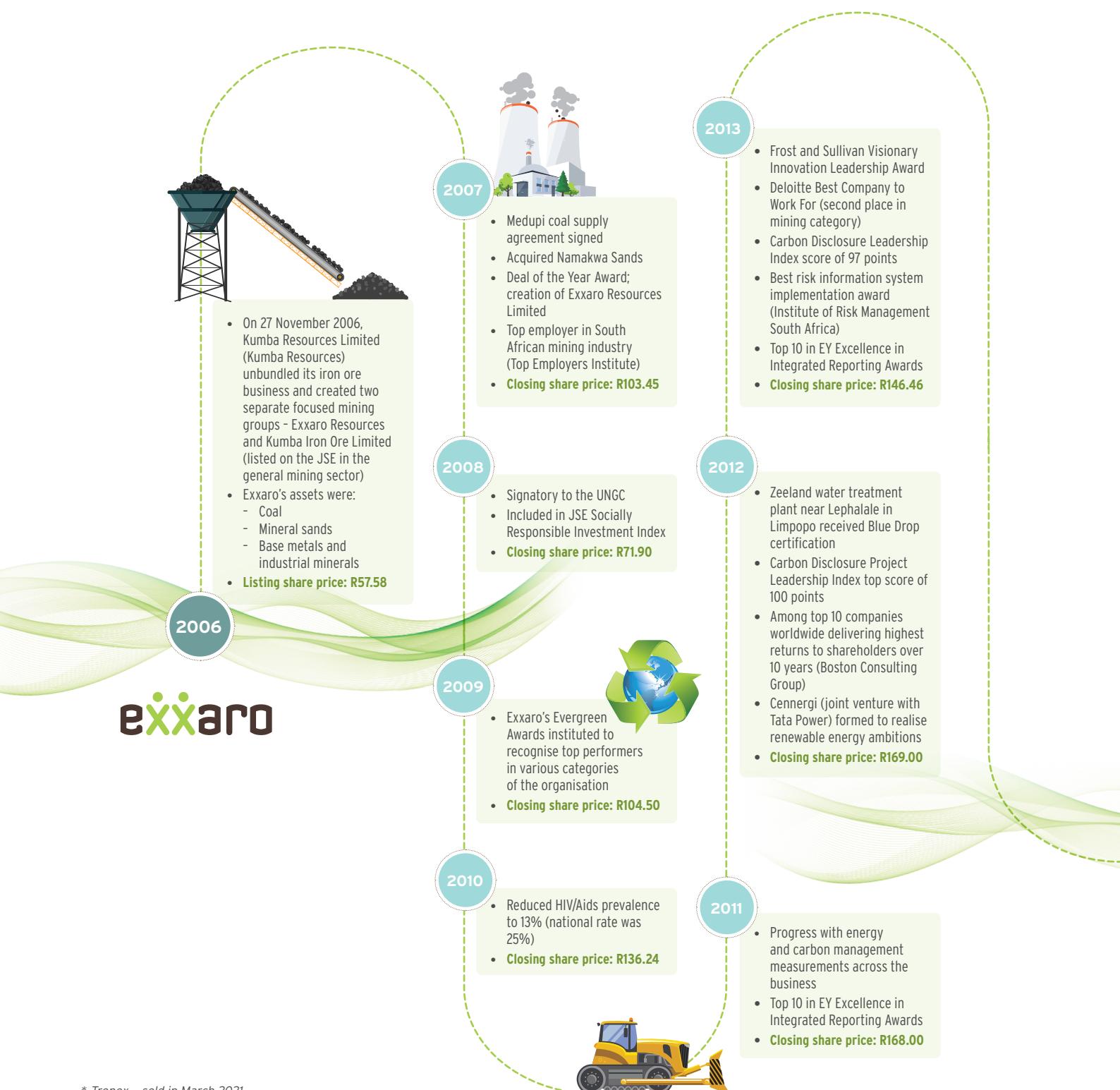
The two windfarms are SPV companies with no management or employees. Cennergi provides full business, project execution and operations management services under separate management service agreements. Cennergi is responsible for the windfarms' environmental and social management and implementation of SPV commitments, and ensures adherence to applicable environmental, social, legal, regulatory and corporate requirements.

Our investments in renewable energy will enable us to deliver on our strategy, detailed on page 66 of the integrated report.

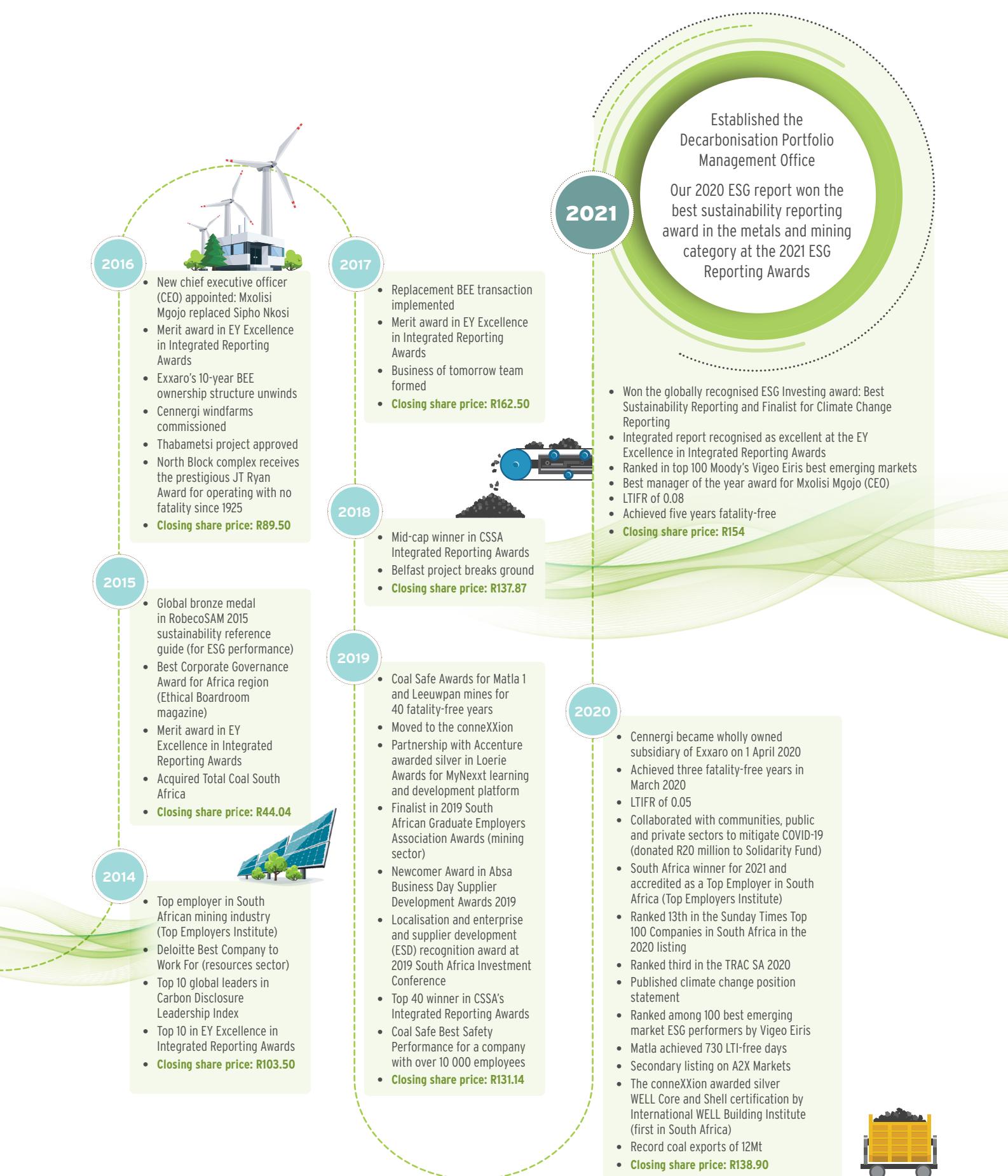
For details about our wind operations, refer to pages 13 and 14 of the integrated report.

# Evolution of a 21st century company

Exxaro was created and listed on the JSE in November 2006. Since then, we have grown to become South Africa's foremost black-empowered and diversified commodities and energy company with a global asset portfolio including coal operations and investments in iron ore, pigment manufacturing\*, renewable energy (wind) and residual base metals.



\* Tronox – sold in March 2021.



# Our ESG perspective

**Our impact is the consideration of our combined social and environmental performance to deliver operational and financial results towards fulfilment of our purpose. We aim to create sustainable growth and impact, guided by sound ESG principles. Our sustainability is founded on innovative, mutually constructive relationships and values we share with our stakeholders.**

Our ESG commitment and focus are driven by external imperatives, our stakeholder needs, our vision and business goals.

## 1. THE ESG IMPERATIVE

Our everyday lives are impacted by social and environmental change, reshaping our world, changing how we do business and posing risks and opportunities for businesses. These forces of change are captured in the 17 UN SDGs and include:

- Unequal distribution of resources resulting in poverty
- The unfolding impact of COVID-19, which has highlighted vast inequalities in society
- Risks and opportunities presented by climate change arising from increasing carbon emissions
- Scarcity of fresh water to meet standard demand
- Emergent and increasing biodiversity loss



These forces are increasing the urgency to address global social and environmental issues, driven by international organisations and supported by country commitments. Some of these include:

### DECARBONISATION

Physical and transitional risks of climate change pose a serious threat to business and society, and require immediate action to mitigate the impact of severe climatic events and the cost of doing business.



### SUSTAINABLE GROWTH

Addressing global challenges affecting people and the environment through finding solutions that meet people's socio-economic needs and tackle climate change.



#### TCFD

The TCFD was established by the Financial Stability Board and provides companies with recommendations on measuring, reporting and responding to these risks.

#### United Nations Climate Change Conference (COP26)

At the COP26 summit held in Glasgow in November 2021, pledges were made to scale up clean power to achieve a transition away from unabated coal generation to support the Paris Agreement to limit the average increase in global temperatures to below 2°C warming pathway.



#### UN SDGs

The 17 SDGs guide companies in addressing the global challenges deemed critically important to sustainable growth.

#### UNGC

The UNGC is the world's largest corporate sustainability initiative committed to mobilising a global movement of sustainable companies and stakeholders to create the world we want.

As a result, there is a global drive and need for companies like ours to play their role in ensuring a fair and equitable society and adjust practices to ensure environmental sustainability.

In support of global decarbonisation and energy transition objectives, we published our climate change position statement in 2020, which details our aspirational target to be carbon neutral by 2050. To deliver this, the company developed a climate change response strategy aligned with TCFD recommendations and our efforts to build portfolio resilience in line with the company's Sustainable Growth and Impact strategy. In addition, we took a strategic decision to support the TCFD recommendations and align our reporting and business processes accordingly.

Exxaro is a signatory to the UNGC Active level, voluntarily endorses the 17 UN SDGs and participates in South Africa's NBI 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. Our executive remuneration includes material ESG targets in terms of water and energy efficiency, with effect from FYE 31 December 2022.

## 2. UNDERSTANDING OUR IMPACT

<b>Mining is a socially and environmentally impactful industry</b>	The industry's extractive nature impacts mineral resources and biodiversity, requiring substantial energy and water input. It also impacts local communities, particularly in South Africa where mines are labour-intensive and provide local employment and business opportunities.
<b>South Africa is a water-scarce country with socio-economic challenges</b>	Most of Exxaro's mines are in Mpumalanga where water is scarce and biodiversity highly sensitive, surrounded by communities that reflect South Africa's socio-economic challenges (for example unemployment and access to basic services such as electricity, water, sanitation and education). As a business, we are mindful of these challenges and remain committed to socio-economic upliftment.
<b>We are a critical supplier to South Africa's energy provider</b>	As the largest supplier of coal to Eskom, our coal portfolio remains a valuable natural resource that must be extracted optimally and responsibly to continue providing energy security, which will support economic growth and social development in South Africa. This social commitment conflicts with environmental acceptability of fossil fuels as an energy resource. As such, Exxaro's trade off and strategic decision is not to seek further growth in thermal coal, but to justly transition our business to renewable energy. Building our renewable energy portfolio provides long-term resilience to climate-related risks and opens up alternative economic activities.

Through responsible mining activities and entrenching environmental and social stewardship in our approach to business, Exxaro is committed to protecting our ecosystems and driving environmental and social sustainability.

## 3. OUR ESG APPROACH

Our approach to ESG considers our operating environment, sector operations and related impact. It is guided by our vision and purpose, driven by our strategy, and aligns to external initiatives that we support voluntarily or as a signatory. We ensure our intentions are delivered through measurable performance indicators that penetrate all areas and levels of our organisation. We consider our stakeholders' legitimate needs and concerns (page 27)  and conduct an annual materiality assessment (detailed in the integrated report) .

Our Strategy guides us as we responsibly enter a carbon-constrained future as a producer of fossil fuel used in energy generation and associated with greenhouse gas (GHG) emissions when used. This strategy entrenches our sustainability and impact commitments.

<b>Sustainable</b>	<ul style="list-style-type: none"> <li>• Responding to the growing threat of the low-carbon transition future by building climate resilient portfolio</li> <li>• Carbon neutral portfolio by 2050</li> <li>• Reduce climate-related risk and maximise value creation from our coal assets</li> <li>• Deliver positive social impact</li> <li>• Resilient and enduring</li> <li>• Building an enduring business</li> </ul>	<b>Strategic objectives</b>
<b>Growth</b>	<ul style="list-style-type: none"> <li>• Diversify minerals business towards commodities for a clean world</li> <li>• Grow renewable energy business, and further develop existing capabilities</li> <li>• Strategic priorities supported by disciplined capital allocation and a robust investment process</li> </ul>	<ol style="list-style-type: none"> <li>1. Transition at speed and scale</li> <li>2. Make our minerals and energy businesses thrive</li> <li>3. Empower people to create impact</li> <li>4. Be carbon neutral by 2050</li> <li>5. Become a catalyst for economic development and environmental stewardship</li> </ol>
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Use our established ESG performance platform to be a catalyst for sustainable economic and environmental development in our ecosystem</li> <li>• Delivering social and environmental impact at scale</li> <li>• Minimise environmental harm, and provide a just transition for workers and communities</li> </ul>	

 For further detail on our strategy and performance against these objectives, please see our integrated report.

# Our ESG perspective continued

Our approach is guided by relevant strategies, procedures and policies. The board is ultimately responsible and accountable for the delivery of ESG commitments. The board is supported by the risk and business resilience (RBR) committee for environmental, climate change impact and management, and the social, ethics and responsibility committee (SERC) for the oversight of health, safety, engagement and development of our people, community support and development as well as stakeholder engagement. Implementation is overseen by the relevant executive heads and operationalised by business unit (BU) managers.

We consciously embed ESG in everything we do, we track and measure how we perform:

- We benchmark our ESG progress against our industry sub-sector peers who exemplify global best practice (page 20) 
- The board and executive committee measure and manage Exxaro's strategy and performance through KPIs (page 22) 

## Material matters relevant to our ESG consideration

The matters relevant to our ESG impact and value creation include:



## 4. Delivering measurable results and impact

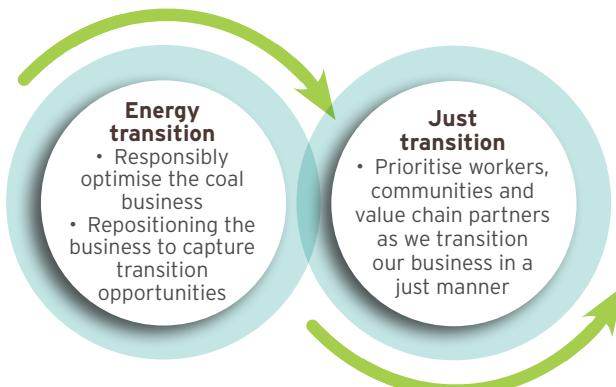
Our commitment and success for impact was acknowledged through the following:

- The group was ranked in the top quartile for ESG performance-selected resources company metrics in terms of the FTSE Russell index
- We have been awarded several accolades (page 18) 
- We achieved above-target safety performance and managed COVID-19 risks to achieve a recovery rate of 99%
- Our Climate Change Response strategy implementation demonstrates our commitment to decarbonising our business portfolio and making it resilient to global climate action
- We continuously improve our ESG reporting. Selected key sustainability metrics in this report have been independently assured by PwC (see page 235 for the assurance report) 

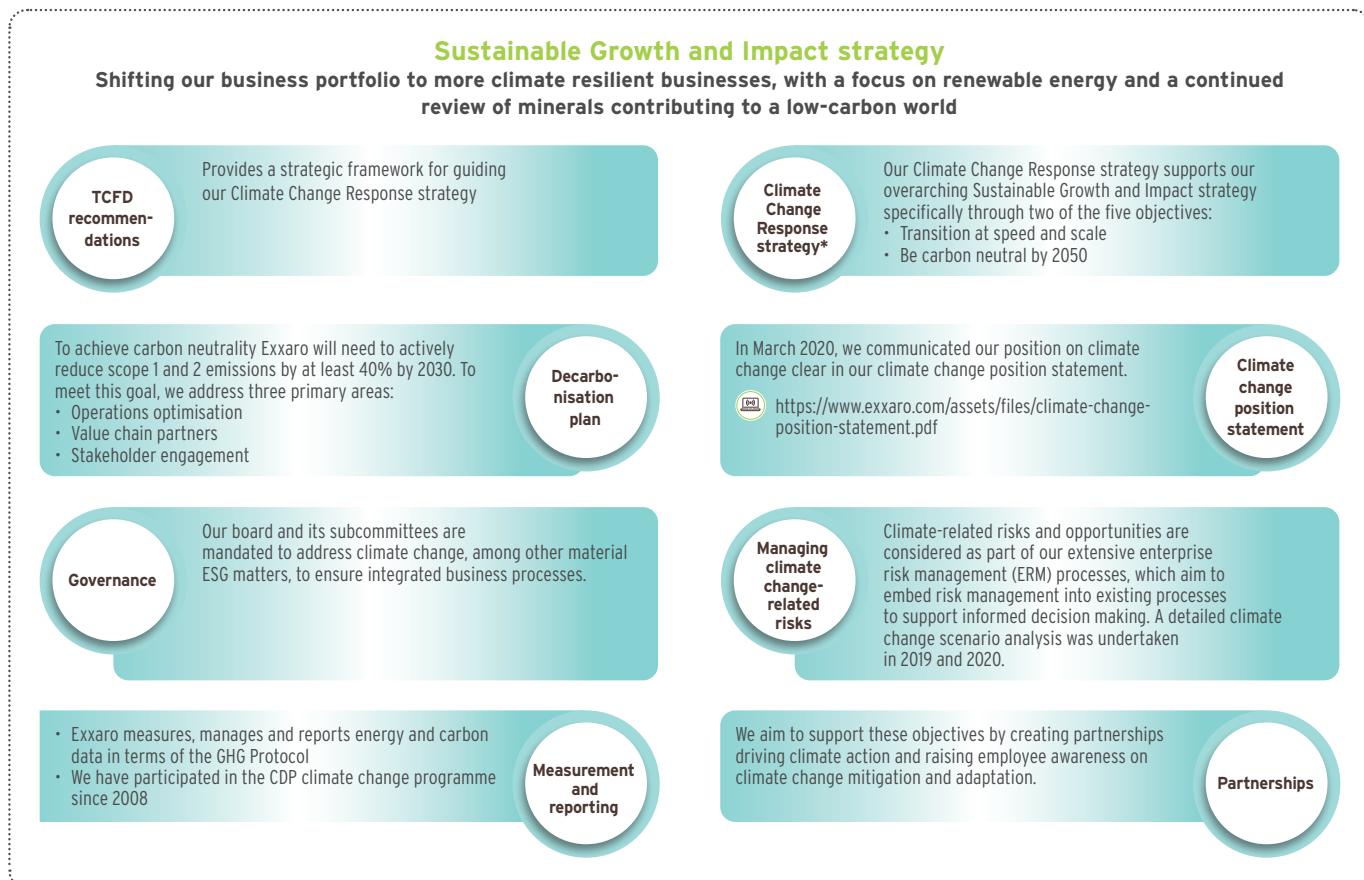
## TRANSITIONING INTO A CARBON-NEUTRAL BUSINESS

**Climate change is the biggest threat facing our business and humanity today. As a responsible corporate citizen, we are determined to transition our business and make our portfolio climate resilient. We also aim to be carbon neutral by 2050 and partner with our value chain partners and stakeholders, like employees and communities, to effect the "Just transition".**

Climate change is not just a business risk issue, it also provides opportunities to sustainably diversify and transform our portfolio to low-carbon business. The decarbonisation imperative driving South Africa's need to transition from coal to renewable energy sources, and other global forces has resulted in Exxaro's Sustainable Growth and Impact strategy. This strategy is designed 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. Our transition to a low-carbon portfolio and meeting our 2050 carbon neutral targets is guided by our Sustainable Growth and Impact strategy.



Our approach is guided, informed and executed by:



\* We published our Climate Change Response strategy and assessment on our alignment with the TCFD recommendations in our 2020 Climate Change Response strategy report.

# Our ESG perspective continued

**Our commitment to climate change and decarbonisation therefore reaches every area of our ESG approach and impacts all our business activities.**

## Governance oversight of climate change

Climate change presents significant risks and opportunities due to its impact on business sustainability and society. Therefore, our board and its subcommittees are mandated to address climate change, among other material ESG matters, to ensure integrated business processes and response. Responsibilities and activities include:

- Ensuring Exxaro remains sustainable in a carbon-constrained environment
- Strategically addressing climate change issues from a corporate governance perspective
- Providing oversight of pathways we should follow to remain sustainable in a dynamic climate policy environment and in an economy with an objective to transition to a low-carbon world
- Considering climate change when reviewing and guiding strategy, major business plans, capital allocation, risk management, annual budgets, and business plans
- Setting the organisation's climate change-related performance objectives, monitoring implementation and performance thereof

We integrate climate change goals into our strategy. The board and management monitor the business's performance against these goals as part of the normal internal reporting process, with additional sessions held to inform the board and management of emerging trends, risks and opportunities. For the board and its subcommittees, climate change matters that relate to the

committees' terms of reference are discussed at each meeting. The board has delegated responsibilities for ongoing management of climate change risks and opportunities to the RBR committee (to emphasise climate change issues) and the SERC (to ensure our transition is done on just transition principles). These committees meet quarterly and review progress in the mitigation, adaptation, leveraging of opportunities and community engagement in climate change risks across the business. The board chairperson attends RBR committee meetings and ensures that the board is aware that climate change risks are a business imperative that requires urgent and unequivocal wide-ranging collective action by governments, businesses and civil society.

To enhance our effectiveness as we gear up for our transition and coordinate our internal and external responses, we have established a climate change and decarbonisation portfolio office management (PMO). The PMO comprises all functional areas of the organisation with leadership from Nombasa Tsengwa (current CEO designate).

To ensure alignment with our carbon emission reduction goals, a steering committee oversees energy management projects and activities. This helps us to understand risks and opportunities so that our operations can focus on managing energy consumption, carbon emissions and other climate change-related matters.

The board and management are committed to understanding and embracing the science behind climate change.

 For more information on our approach to governance, refer to pages 130 to 144.

## Integrating climate change into our strategy

Climate change consideration is central to our Sustainable Growth and Impact strategy. Our strategy development was informed by a detailed scenario analysis that considered various parameters and assumptions using the latest available information. The analysis further considered how resilient our strategy is to climate-related risks and opportunities, including the transition to a lower-carbon economy consistent with a 2°C or lower scenario as well as increased physical climate-related risks to ensure business resilience under these scenarios.

 For more information on our strategy, please refer to the integrated report.

 For more information on our scenario analysis, please refer to our 2020 Climate Change Response strategy report and our 2020 climate change position statement.

Climate-related risks are integrated into overall risk management and factor as one of the top 10 risks facing the business.

 For more information, refer to the integrated report.

## Managing climate change-related risks

Climate change-related risks and opportunities are considered part of our extensive risk management processes, which aims to embed a proactive, systematic risk management approach into existing processes to support informed decision making across various levels of the organisation. Our ERM process is a strategic initiative fully supported by the board and executive management.

As part of our risk identification processes, a detailed climate change scenario analysis was undertaken in 2019 and 2020. This considered the climate change-related risks and opportunities facing Exxaro and helped determine the relative significance of these risks. From this analysis, the following climate change-related risks were identified:

Transition risks		Physical risks					
Credit and insurance risk	01	Water security risk	04	Risk of extreme rainfall days	07	Water	10
Carbon pricing risk	02	Risk of heatwaves at our operations	05	Adaptation	08	Ecosystem protection	11
Market risk	03	Risk of drought	06	Air quality	09	Supply chain protection	12

### Transition risks

#### 01

##### **Credit and insurance risk**

Financial institutions are increasingly moving away from funding companies with high climate change risk exposure and intangible carbon reduction targets. Our current coal assets generate 95% of our revenue, which is likely to constrain our ability to raise funds for sustaining existing business. Globally, funding of coal-related operations is being diverted to investment that support a low-carbon economy. Locally, some major commercial banks have indicated that they will no longer fund new coal projects. The financial institutions are increasingly evaluating the impacts of climate change scenarios on borrowers' revenues, costs and property values, and how this could affect the probability of default and loan-to-value ratios at a borrower and portfolio level. This sentiment is likely to grow in the 5 to 10 years as action to mitigate climate change impacts increases. To manage this risk, the Sustainable Growth and Impact strategy is focused mainly on new renewable generation and cleaner minerals. This strategy was presented at our Capital Markets Day and many financiers indicated their interest in this new business direction mitigating some of the financial lending risk.

Over the past five years we have noted a significant increase in our insurance premiums against our assets. This scenario is likely to increase as climate action intensifies.

#### 02

##### **Carbon pricing risk**

The South African government is implementing policy measures to reduce its GHG emissions to meet its Paris Agreement commitments. The government promulgated carbon tax in June 2019 to encourage corporate behaviour to direct investments and expenditure towards low-carbon alternatives.

The nominal tax rate is R120 per tCO<sub>2</sub>e. However, government allows specific tax-free allowances to facilitate a smooth transition to a low-carbon economy and mitigate competition among affected industries, reducing the rate to between R6 and R48 per tCO<sub>2</sub>e. The carbon tax is based on fossil fuel inputs (such as coal, oil and gas use), and applies to entities with a total minimum installed thermal capacity of 10MW.

The first phase of a carbon tax (up to 2022) is not designed to affect the electricity price but to address concerns raised by the mining sector. After the first three years of implementation, National Treasury intends to review the impact of the carbon tax, its rates and tax-free threshold levels. Our scenario analysis predicts an increase, in line with an international trend, in the South African carbon price after the 2022 review process. We expect the South African government to increase efforts to meet its Paris Agreement commitments to transition the South African economy.

Our TCFD analysis also identified increased carbon pricing and operating costs (such as higher compliance costs) as examples of climate-related policy risk. Carbon prices associated with emissions trading schemes, carbon taxes, fuel taxes and other policies are expected to rise as government reduces GHG emissions in line with the Paris Agreement. The speed and rate of carbon price increases are uncertain and likely to vary across countries and regions. Our scenario analysis of carbon price risk exposure below shows the expected outcome based on the stated policies and sustainable development scenarios.

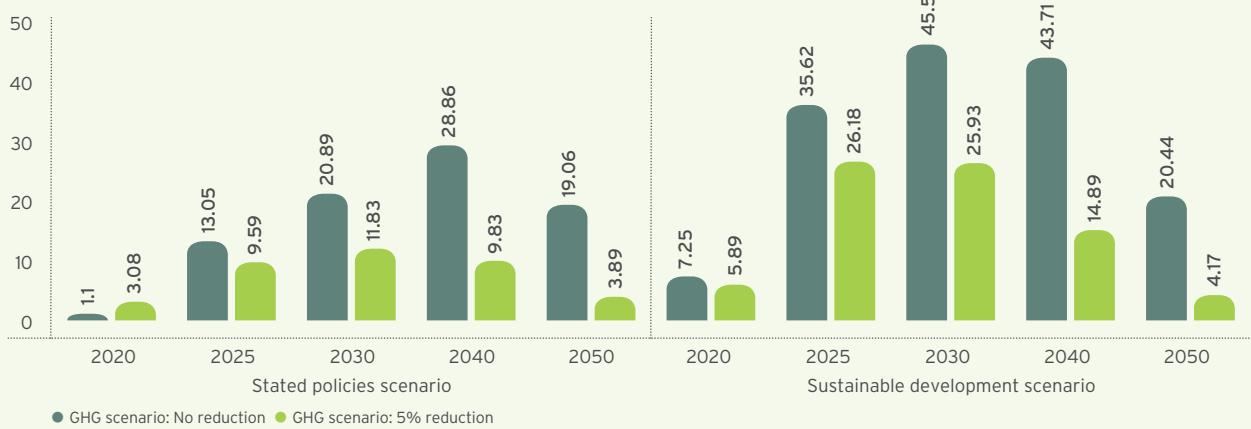
# Our ESG perspective continued

## 03

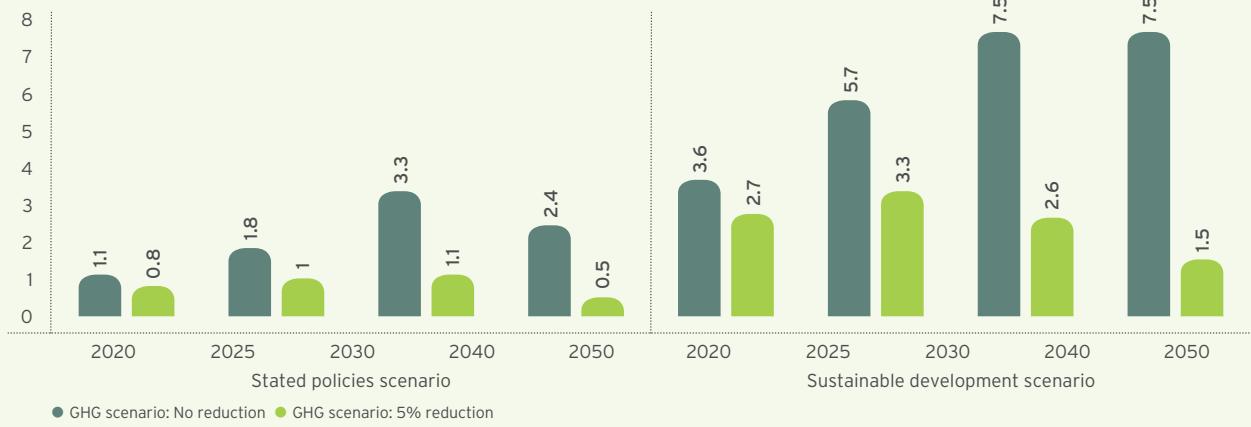
### Market risk

One of the major ways in which markets can be affected by climate change is through shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account. The shift in fossil fuel and energy markets will have implications for our business portfolio resilience and transitioning process. Further, we also appreciate that climate change has created new markets, increased emission reduction technology demand and supply, presented new financial instruments, and renewed efforts to mitigate fossil fuels and potential financial impacts on the business.

**Carbon pricing risk exposure (US\$m)**



**Projected increase in operating expenditure due to carbon pricing risk (% change)**



### Physical risks

## 04

### Water security risk

Climate change physical impacts, such as increasing temperatures, rising sea levels, and more frequent or intense droughts, floods and storms, are serious challenges for our facilities, supply chains, employees, current and potential customers, and our host communities.

Water security is the backbone of Exxaro's water strategy which was revised in 2017 to reduce our risk. The fundamental principle of our water management approach is sustainable use of water resources and to become a net positive water contributor to the natural system. The risk of water security increases significantly at our Waterberg operation due to lack of perennial water basins. Our Waterberg operation currently has a negative water balance as they rely on an external source for their operational water requirements.

Exxaro's flagship mine, Grootegeluk, is situated in the Waterberg region. It relies on the Mokolo Crocodile West Augmentation Project Phase 1 water supply scheme for reliable water supply. Water from the Mokolo Dam is supplied via a 46km pipeline to the Lephalale area for the town, Eskom and Exxaro. The system can supply 30 million m<sup>3</sup> of water per year.

## 05

### Risk of heatwaves at our operations

Heatwaves are events where the maximum temperature at a given location exceeds the average maximum temperature of the year's warmest month by 5°C or more for at least three consecutive days. Downscaled climate models show that the Waterberg complex is predicted to experience a relatively higher number of average heatwave days than other Exxaro assets in Mpumalanga. The Waterberg operation will experience between 14 and 19 heatwave days from 2021 to 2040 (relative to 1961 to 1980). Our Mpumalanga operations are predicted to experience between eight and 13 heatwave days for the same period. This risk of heatwaves increases between 2041 and 2060 with Waterberg and Mpumalanga operations predicted to experience heatwave days of between 20 and 26, and 14 and 19 days respectively.

## 06

### Risk of drought

The Global Climate Index model downscaling shows that northeastern South Africa is projected to be generally drier from 2021 to 2040 (relative to the baseline period from 1961 to 1980). The model predicts that the western parts of southern Africa will experience increased rainfall over the same period. An increase in extreme rainfall events is projected to occur over the western interior and eastwards over the eastern escarpment areas as well as southern Mozambique. The average drought index per year for each time period on a scale of 0 to 10 with 10 the highest level of drought severity, according to the Keetch-Byram Drought Index. The Grootegeluk complex is in an area predicted to experience a higher level of drought severity than Exxaro's other sites - a trend that will increase over time. The increasing frequency of drought, particularly in the Waterberg, will increase our risks of water security.

## 07

### Risk of extreme rainfall days

On 13 March 2014, the Waterberg region received an unprecedented high rainfall in a 24-hour period, which led to operational interruption for five days. The flood event had a severe impact on our operations in terms of infrastructure damage, supply chain interruption, and employee and community safety. The frequency of extreme rainfall events is expected to increase in our Mpumalanga region.

Grootegeluk is in an area predicted to experience fewer average extreme rainfall days than Exxaro's other sites. The average number of extreme rainfall days is expected to increase across all sites towards 2060.

## 08

### Adaptation

The delays in acting against rising GHG emissions has resulted in changes in the climatic system that already present business and communities with adaptation challenge. The physical risks of climate change present an urgent need for our business and communities to adapt to the impacts of climate change.

Given the potential negative impacts presented by the physical risks associated with climate change on our operations and supply chains, we will focus on investments in adaptation in and around our business operations. These investments will help build adaptive capacities of communities adjacent to our mining operations.

Our approach to adaptation is based on value protection by ensuring the resilience of our infrastructure, employees and local communities to maintain business continuity.

## 09

### Air quality

Climate change is likely to make it more difficult for our operations to maintain good air quality that protects human health and the environment. Our adaptation strategy is to proactively reduce air pollutants resulting from our operations using dust suppression technology and work with local communities to create awareness of the dangers of poor air quality.

## 10

### Water

The changing climate will present significant challenges for water security in our operations and communities. This may impact the clean drinking water and wastewater infrastructure, water quality, and aquatic environments. Our adaptation strategies focus on the following elements:

- Support the construction of new infrastructure
- Participate in multi-stakeholder forums to increase system efficiency
- Integrate modelling of climate risk in our water planning and infrastructure design
- Plan for climate change
- Repair and retrofit facilities to enhance water efficiency

## 11

### Ecosystem protection

Ecosystem protection is central in our adaptation approach to climate change. Given that mining is extractive in nature, we will ensure that we follow best practice when it comes to ecosystem protection. Our adaptation approach focuses on the following aspects:

- Maintain and restore wetlands
- Preserve land and partner with emerging farmers to promote climate smart agriculture development
- Preserve habitat by integrating protected natural habitat in our operations

## 12

### Supply chain protection

Climate change may present risks to the supply chain's infrastructure that our business relies on to acquire and move goods. Ports, for example, are at risk of flooding, from rising sea levels. Rising temperatures are expected to cause asphalt to wear and deteriorate faster, as well as buckle rail lines. This will increase infrastructure cost as rebuilding busy transportation routes is expected to cost governments significant amounts of money. Thus, our adaptation strategies for the supply chain protection will focus on the following:

- Partnering with our supply chain partners to create early warning systems and long-term climate resilience plans based on climate risk models
- Encouraging reduction of GHG emissions from our suppliers with green procurement strategies

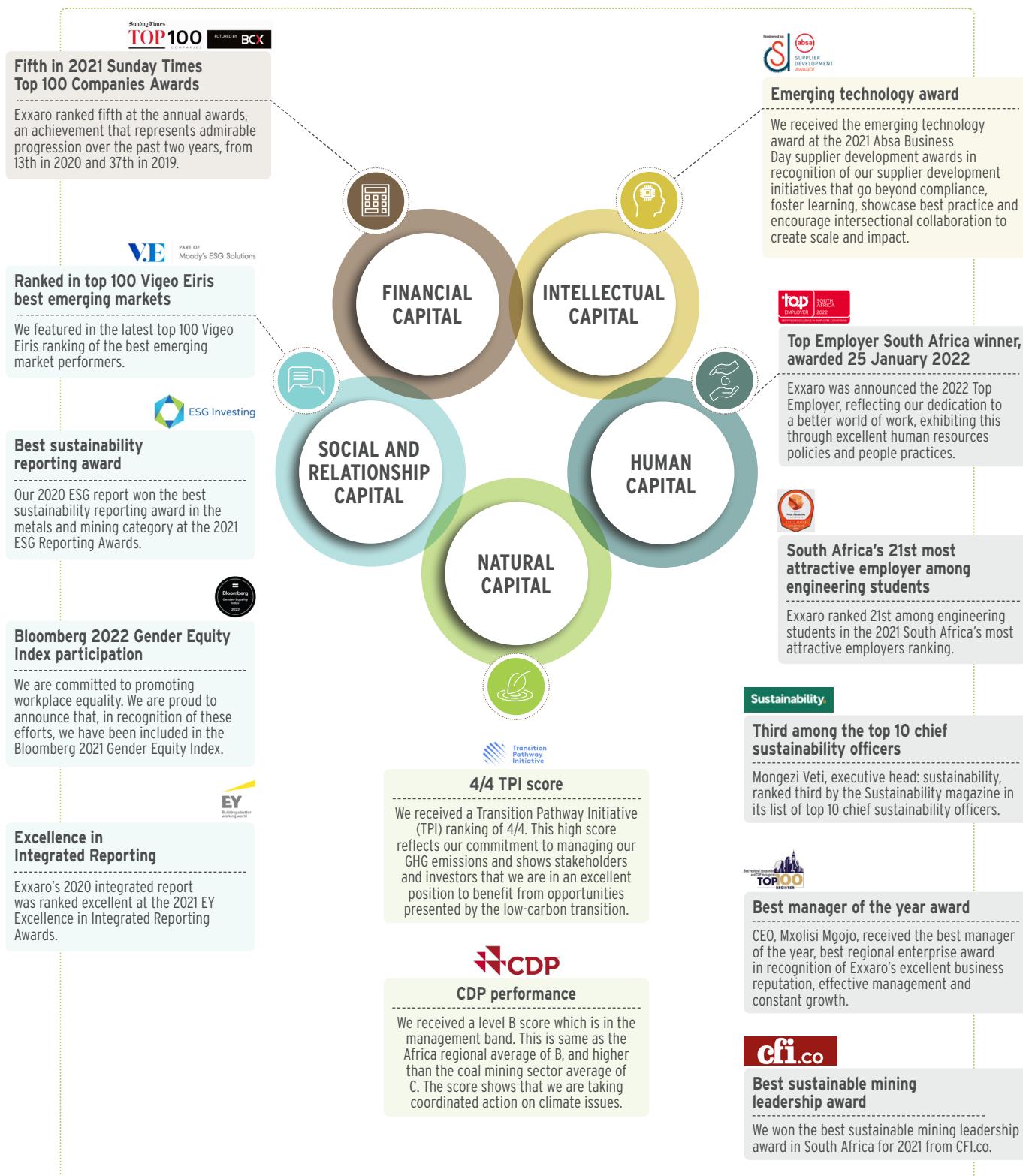
 For more information on this, please refer to our 2020 Climate Change Response strategy report and our 2020 climate change position statement.

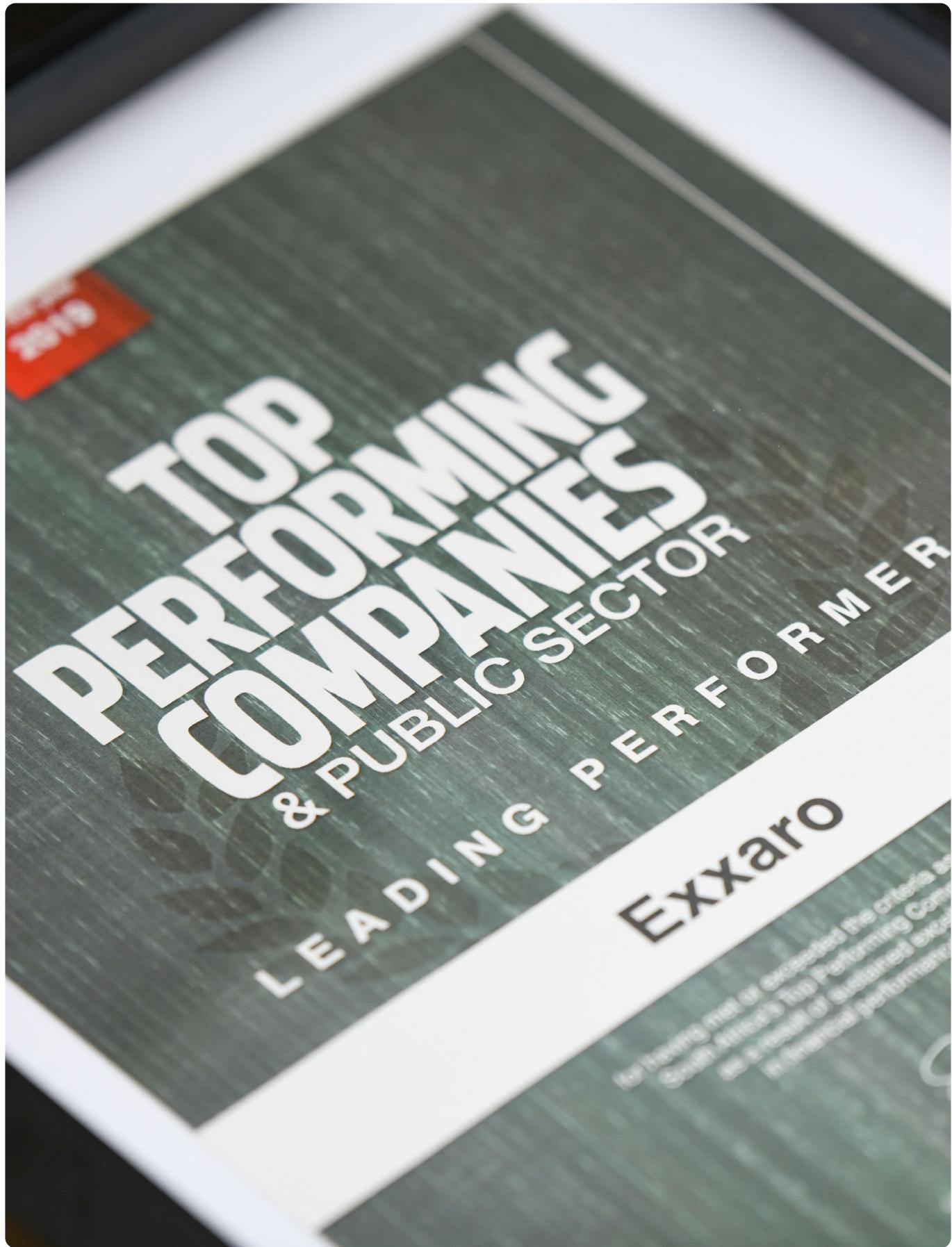
# Our ESG perspective continued

## OUR COMMITMENT IN ACTION

Everything we do today is geared towards ensuring a safer and more productive tomorrow for our business and society at large. From how we mine to what we mine, we are stewarding our resources to have a lasting positive ESG impact.

We recognise our collective responsibility to participate in global movements towards transitioning to a low-carbon world and decarbonising the energy system to reduce emissions and support prosperous and safe communities through broader environmental stewardship.





# Measuring our performance

We benchmark our ESG performance against our peers who exhibit the global best practice expected by responsible investors.

## ESG PERFORMANCE RATINGS

Global rating agencies evaluate our ESG performance using publicly available information (annual reports, websites and media) in line with the JSE Listings Requirements.

In 2021, we were again rated by FTSE Russell, Vigeo Eiris, Sustainalytics and the TPI.

### FTSE Russell ESG Index

The FTSE Russell ESG Index series measures our ESG risks and impact with a score out of five for performance rated in terms of certain themes (based on our mining context).

Our ESG report discloses performance against the following relevant themes:

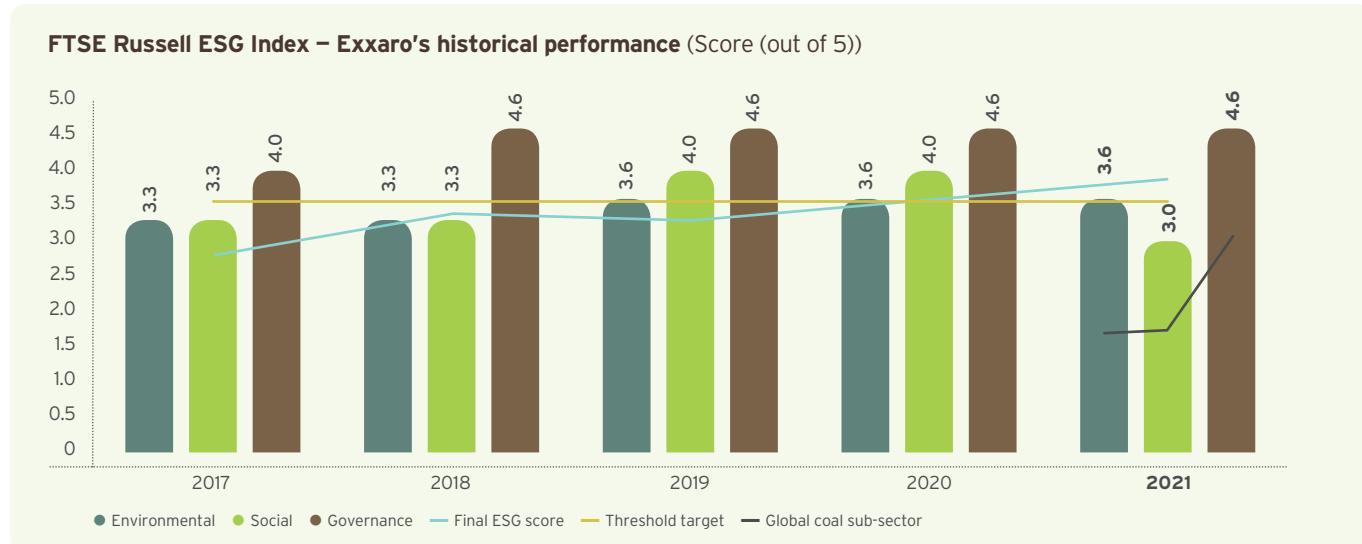
Environment	Social	Governance
Pollution and resources	Labour standards	Risk management
Climate change	Health and safety	Corporate governance
Water use	Human rights and community	Anti-corruption
Biodiversity		



## Our risk exposure is classified as medium to high, determined by our business activities, and the FTSE Russell ESG Index rating confirms our efficient and strategic response to this exposure.

### Our performance

Exxaro's FTSE Russell ESG Index score continues to improve. We remain ranked in the top quartile (22%) of global performers in the basic resources supersector. Our steady improvement since 2016 is shown below.



We scored 3.7 out of 5 (75% adherence to required index measurements) in 2021. The 25% shortfall indicates room for improvement in the environmental and social categories, which we continue to address.

We have maintained our leading ESG performance compared with global coal mining participants (outlined below).

	Year-end 2021	
	Exxaro	Global coal sub-sector
<b>FTSE Russell ESG score</b>	3.7	2.1
Environment	3.6	1.7
Social	3.0	1.8
Governance	4.6	3.0

Source: FTSE Russell Corporate Performance Results.

### Vigeo Eiris

We also feature in Moody's Vigeo Eiris ranking of the 100 best emerging market performers for social responsibility. The ranking is updated every six months, in June and December, and the top 100 performers are chosen from over 850 companies in 32 sectors of 31 countries.

Companies in this index consistently achieve the highest scores in assessments using the Vigeo Eiris methodology, which measures performance in human rights, human resources, community involvement, business behaviour and corporate governance.

We also provide evidence of corrective measures or stakeholder engagement in mitigating critical issues.

### TPI

Exxaro's TPI ranking was 4/4 in 2021, based on our commitment to managing GHG emissions, which shows stakeholders that Exxaro is well placed for the transition to a low-carbon economy.

The TPI compares companies' expected future carbon emissions with local and international targets as part of the Paris Agreement. It is used as a benchmark to determine commitment to corporate climate action. A high TPI ranking demonstrates that a company is strategically mitigating climate change.

### Sustainalytics

The Sustainalytics ESG rating measures exposure to industry-specific material risks (including company-specific factors such as the business model) and the company's management of those risks. Exxaro's exposure is rated medium and management is strong, which indicates the robustness of our ESG programmes, practices and policies.

We continue assessing feedback from other rating agencies to identify common assessment areas and opportunities for improvement.

### LOOKING AHEAD

We are dedicated to improving our resource stewardship, minimising our environmental impact and being socially responsible with maximum positive impact.

We are particularly focused on a just transition to cleaner energy while maintaining the best possible ESG performance.

# Strategic key performance indicators

Our KPIs are outlined in this strategic performance dashboard.

We remain within our sustainability risk appetite and have managed our strategic objectives by monitoring our KPIs through the strategic performance dashboard. This is done quarterly by Exxaro's board and executive committee.

We ensure strategy management is integrated with:

- A sustainability framework
- An integrated risk management framework including clearly defined material matters
- KPIs aligned with material matters
- Connected combined assurance, risks, material matters and KPIs

The board and executive committee measure and manage Exxaro's strategy and performance so that stakeholders can have a transparent and consolidated view of value creation and sustainability drivers.

Built-in risk appetite thresholds enable appropriate strategic decisions.

## HOW TO INTERPRET THE DASHBOARD

The dashboard links strategic KPIs and our material matters to present our sustainable value creation in terms of the relationship amongst the capitals we impact. Performance indicators (out of appetite, worst tolerable, best realistic, target or opportunity) show whether KPIs are within our risk appetite thresholds.

We aim for "target", and avoid "worst tolerable" or "out of appetite" to remain within our defined risk appetite. When necessary, we implement or improve controls to ensure we achieve our strategy objectives. For example, our strategic objectives include improving operational performance using core operating margin as a KPI. We underperform when it is below best realistic.

KPI performance	Current performance	Indicator			
Core operating margin	25%				
KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Opportunity
Core operating margin	<15%	15%	15% to 20%	20%	>20%
Indicator					



Pollution control dams at our ECC operation which Exxaro exited in September 2021

## NATURAL CAPITAL

KPI	Strategy	2021		2020		Trend based on actual data		
		Target	Actual	Indicator	Target			
<strong>Incidents</strong>								
Reportable environmental incidents (level 2 and 3)	Become a catalyst for economic growth and environmental stewardship	6 level 2s 0 level 3s	0 level 2s 0 level 3s		6 level 2s 0 level 3s	0 level 2s 0 level 3s		
<strong>Compliance</strong>								
Stoppage directives (includes section 54 in terms of MHSAs*)	Empower people to create impact	0	2		0	3		
Stoppage directives (includes directives in terms of NWA, NEMA and MPRDA**)	Become a catalyst for economic growth and environmental stewardship	0	0		0	0		
<strong>Valid authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)</strong>								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	100%		
Projects		100%	100%		100%	100%		
<strong>Compliance to valid licences/authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)</strong>								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	96%		100%	96.47%		
Projects	Become a catalyst for economic growth and environmental stewardship	100%	99%		100%	99.33%		
<strong>Environmental liability provisions in place</strong>								
Commercial operations	Become a catalyst for economic growth and environmental stewardship	80% and 80% to 100% and 100%	72%		Between 80% and 100%	69%		
Captive operations	Become a catalyst for economic growth and environmental stewardship	80% and 80% to 100% and 100%	109%		Between 60% and 100%	116%		
<strong>Environmental management</strong>								
Carbon intensity scope 1 emissions (ktCO <sub>2</sub> e)	Be carbon neutral by 2050	Actual for previous year less 5%	3% deterioration		Actual for previous year less 5%	10% improvement		
Carbon intensity scope 2 emissions (ktCO <sub>2</sub> e)	Be carbon neutral by 2050	Actual for previous year less 5%	11% deterioration		Actual for previous year less 5%	9.6% deterioration		
Water intensity (kL/tonne RoM****)	Be carbon neutral by 2050	0.20	0.149		0.20	0.182		

\* Mine Health and Safety Act, 1996 (Act 29 of 1996) (MHSAs).

\*\* National Water Act, 1998 (Act 36 of 1998) (NWA), National Environmental Management Act, 1998 (Act 101 of 1998) (NEMA) and Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002).

\*\*\* Environmental authorisation (EA), integrated water use licence (IWUL), atmospheric emissions licence (AEL), environmental impact assessment (EIA) and record of decision (ROD).

\*\*\*\* Run of mine (RoM).

Trend	KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Deteriorated	Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Improved	Indicator					

# Strategic key performance indicators continued

## HUMAN CAPITAL

KPI	Strategy	2021			2020			Trend based on threshold
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>Safety</b>								
Number of fatalities Lost-time injuries = 12	Empower people to create impact	0	0		0	0		
LTIFR*	Empower people to create impact	0.11	0.08		0.11	0.05		
<b>Health</b>								
Number of accepted occupational health cases = 4								
OHIFR# reported	Empower people to create impact	0.31	0.16		0.31	0.19		
People who received HIV/Aids awareness training	Empower people to create impact	90% to 100%	79.3%		Between 90% and 100%	84.1%		
Employees who received awareness training and voluntarily tested for HIV/Aids	Empower people to create impact	68% and above	71.3%		68% and above	47.6%		
HIV/Aids prevalence rate compared to country prevalence rate	Empower people to create impact	Less than country prevalence rate	3.7%		0%	8.8%		
COVID-19 infection rate compared to country infection rate	Make our minerals and energy business thrive	Equal to the country infection rate	3.6% below the country infection rate		N/A	N/A	N/A	
COVID-19 recovery rate compared to country recovery rate	Make our minerals and energy business thrive	Equal to the country recovery rate	3% more than the country recovery rate		N/A	N/A	N/A	
<b>Skills</b>								
Skills provision (% of internal appointments for critical skills)	Empower people to create impact	60%	62.17%		60%	88.4%		
Scarcity skills retention	Empower people to create impact	5%	3.7%		5%	3.6%		
<b>Security</b>								
Fraud and corruption/asset destruction	Empower people to create impact	0%	0%		0%	0%		

\* Lost-time injury frequency rate (LTIFR) and occupational health incident frequency rate (OHIFR).

\* The HIV/Aids stats above are from quarter 4 only and the annual percentage for people who received the HIV/Aids awareness and training stands at 111% and employees who received the awareness training and voluntarily tested for HIV stands at 61%.

Trend	KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Deteriorated Improved Unchanged New KPI this period	Core operating margin	<15%	15%	15% to 20%	20%	>20%
	Indicator					

KPI	Strategy	2021		2020		Trend based on actual data	
		Target	Actual	Indicator	Target	Actual	Indicator
<b>Employment equity</b>							
Black ownership at group level	Become a catalyst for economic growth and environmental stewardship	30.1%	47.1%		30.1%	38.22%	
People living with disabilities	Empower people to create impact	1.5	1.59		1.5	1.44	
Human resources development spend as % of payroll - Mining Charter III	Empower people to create impact	5%	5.51%		5%	4.92%	
HDP <sup>a</sup> representation - top management	Empower people to create impact	50	66.66		50	66.67	
HDP representation - senior management	Empower people to create impact	60	65		60	57.95	
HDP representation - middle management	Empower people to create impact	60	78.52		60	74.49	
HDP representation - junior management	Empower people to create impact	70	79.52		70	78.15	
Women representation in top management bands	Empower people to create impact	20%	33.33%		20%	33.33%	
Women representation in senior management bands	Empower people to create impact	25%	20.48%		25%	19.32%	
Women representation in middle management bands	Empower people to create impact	25%	38.19%		25%	36.16%	
Women representation in junior management bands	Empower people to create impact	30%	29.25%		30%	26.12%	
<b>Business sustainability</b>							
B-BBEE level	Empower people to create impact	Level 1	Level 2		Level 1	Level 2	
Enterprise development (% of NPAT <sup>b</sup> )	Empower people to create impact	1%	0.308%		1%	0.45%	
Supplier development (% of NPAT)	Empower people to create impact	2%	0.694%		2%	0.86%	
Socio-economic development (% of NPAT)	Empower people to create impact	1%	0.56%		1%	1.23%	
Human resources development spend for black people as % of payroll - B-BBEE	Empower people to create impact	3%	3.20%		3%	3.19%	

<sup>a</sup> Historically disadvantaged persons (HDP) and net profit after tax (NPAT).

# Strategic key performance indicators continued

SOCIAL AND RELATIONSHIP CAPITAL continued							
KPI	Strategy	2021		2020		Trend based on actual data	
		Target	Actual	Indicator	Target	Actual	Indicator
<b>SLPs®</b>							
Project delivery measure - local economic development projects per SLP time variance from plan	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	8%		0% behind schedule	11%	
Cost variance from plan	Become a catalyst for economic growth and environmental stewardship	0% over budget	19%		0% over budget	59%	
<b>MANUFACTURED AND INTELLECTUAL CAPITAL</b>							
KPI	Strategy	2021		2020		Trend based on actual data	
		Target	Actual	Indicator	Target	Actual	Indicator
<b>Capital project delivery measure</b>							
Capital projects time overrun	Make our minerals and energy businesses thrive	0% behind schedule	10.3		0% behind schedule	11.1	
Capital projects cost overrun	Make our minerals and energy businesses thrive	0% over budget	3		0% over budget	6.3	
<b>Operational performance</b>							
System availability (Core PI and ERP Solutions)	Make our minerals and energy businesses thrive	97	99		97	98	
Digitalisation programmes (cost overrun)	Make our minerals and energy businesses thrive	0% over budget	0%		0% over budget	0%	
Digitalisation programmes (time overrun)	Make our minerals and energy businesses thrive	0% behind schedule	0%		0% behind schedule	9%	
<b>FINANCIAL CAPITAL</b>							
KPI	Strategy	2021		2020		Trend based on actual data	
		Target	Actual	Indicator	Target	Actual	Indicator
Core operating margin	Make our minerals and energy businesses thrive	20%	21%		20%	17%	
Core ROCE® excluding Cennergi	Make our minerals and energy businesses thrive	20%	40%		20%	27%	

\* Social and labour plans (SLPs) and return on capital employed (ROCE).

Trend	KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Deteriorated	Core operating margin	<15%	15%	Between 15% and 20%	20%	>20%
Improved	Indicator					

# Stakeholder management

In support of Exxaro's purpose to power better lives in Africa and beyond, we aim to improve the quality of our relationships with stakeholders and build long-term, stable and trusting relationships that facilitate business activities and create shared value for all our stakeholders. Our management objective is to mature from ad hoc and procedural engagement levels to the intentional, proactive and predictive management of stakeholder-related risks and opportunities.



## EXXARO'S STAKEHOLDER UNIVERSE

Exxaro's stakeholder universe consists of four broad categories: government, communities, business and value chain participants. Key stakeholders within these categories are those who have a material influence or a high potential of forming part of a network of influence on the execution of the stakeholder excellence agenda.

### Exxaro's approach to stakeholder management

Exxaro's key account management (KAM) approach to stakeholder management is based on the global best practice AccountAbility 1000 Stakeholder Engagement Standard. It is a responsive and proactive method for building stakeholder relationships and managing key business risks, enabling us to better achieve our strategic objectives. A key tenet of the KAM approach is internal engagement among key relationship managers to share or exchange perspectives, facts and experiences of their stakeholder engagements to provide insights on possible opportunities and risks to the business strategy that may arise from individual or a combination of stakeholder relationships.

# Stakeholder management continued

## SUMMARY OF KEY STAKEHOLDER RELATIONSHIPS

Key relationships fall into eight stakeholder groups: government, regulators, employees, labour unions, communities, investors, customers and suppliers. The tables below provide an overview of how we manage relationships with each group. Due to COVID-19, the majority of engagements were conducted virtually and, where in-person, adhered to strict safety protocols.

Ratings on the quality of stakeholder relationships are a reflection of external surveys and/or internal self-assessments. The stable environment is reflected in relationship scores of 2/3 for all stakeholders. Relationships are perceived to be good but we believe there is always room for improvement.

### Stakeholder relationship rating scale

- 0 No existing relationship or the relationship has challenges
- 1 Established relationship but can be improved
- 2 Good relationship with opportunity for improvement
- 3 Very strong relationship based on mutual trust and respect

GOVERNMENT	Quality of the relationship: 2/3
<b>Material themes</b> 	<b>Group risks assessed or managed through engagement</b> <ul style="list-style-type: none"><li>• Regulatory compliance</li><li>• Country risk</li></ul>
<b>Key stakeholders engaged in 2021</b> <ul style="list-style-type: none"><li>• Department of Health (DoH) (Limpopo and Mpumalanga)</li><li>• Department of Cooperative Governance and Traditional Affairs (COGTA) including adviser to minister, Limpopo MEC</li><li>• Limpopo premier, Stanley Mathabatha</li><li>• Mpumalanga premier, Refilwe Mtsweni</li><li>• The dtic</li><li>• ANC and Action SA</li><li>• South African Local Government Association</li></ul>	<b>Why we engage</b> <p>We aim to manage compliance with regulatory requirements, collaborate in finding solutions for socio-economic challenges, and ensure Exxaro is recognised as an investor and good corporate citizen in South Africa through community upliftment initiatives and participation in shaping policies at all levels of government.</p>
<b>How we engage</b> <p>Our proactive, face-to-face engagement (as far as possible), includes:</p> <ul style="list-style-type: none"><li>• One-on-one engagements</li><li>• Dialogue platforms</li><li>• Provision of quarterly reports</li></ul> <p>In 2021, we measured the quality of our relationship through a pilot relationship quality assessment.</p>	<b>Engagement trends and challenges</b> <ul style="list-style-type: none"><li>• The cabinet reshuffle earlier in the year, and November's local government elections entailed building new relationships and realigning priorities. We are watching how the resulting coalition government in many municipalities will manifest</li><li>• The unrest in KwaZulu-Natal and elsewhere in July had a negative effect on the economy and disrupted many businesses</li></ul>
<b>Stakeholder needs and expectations</b> <p>We must engage about arising issues, partner in mutually beneficial projects and support socio-economic development projects</p>	<b>How we respond through the Sustainable Growth and Impact strategy</b> <p>We partner with local government in municipal Integrated Development Plans through our SLP projects. In the past year, we explored opportunities in government's District Development Model in partnership with the NBI's Technical Assistance, Mentorship, Development programme in a municipal capacity building initiative. Our strategy is closely aligned with the country's priorities and clearly indicates how Exxaro is partnering with government.</p>
<b>Improvements</b> <p>While the overall results of our pilot study (see case study on page 29), indicated a healthy quality of relationships with key stakeholders at the Department of Mineral Resources and Energy (DMRE) and in our host provinces' government departments, it identified areas in need of improvement for either a specific stakeholder or a relationship factor such as accessibility, engagement history, atmosphere and value creation.</p> <p>For all stakeholders, there is an opportunity to improve the manner of engagement to improve value creation for all. In particular, we need to improve engagement and collaboration with the Department of Social Development in both provinces. While not bad, our relationship with the Victor Khane municipality in Mpumalanga also needs attention. As a result of the findings, we will also be working to collaborate more closely with the DMRE in Limpopo and the province's economic development department.</p>	

## CASE STUDY

### Relationship quality assessment

In 2021, our stakeholder affairs department commissioned a pilot assessment of the quality of Exxaro's relationship with three key stakeholders in government: the national DMRE (chief inspector of mines and regional directorates as well as minerals regulation, mine environment management and SLP departments), the provincial governments of Limpopo and Mpumalanga (departments of social development and economic development) and two local municipalities (Victor Khanye and Govan Mbeki).

The assessment measured perceptions of Exxaro's engagement efforts and identified focus areas to strengthen relationships. Perceptions of the relevant stakeholder and their counterparty or "relationship owner" within Exxaro were measured across six pillars: context, history, issues, materiality, atmosphere and value creation.

The relationship quality performance scale considers scores between 0 and 40 as indicative of dysfunctional stakeholder relationships while 40 to 50 is poor, 50 to 60 is weak, 60 to 70 is good, 70 to 80 is strong and 80 to 100 is excellent. Exxaro's overall score across stakeholders was 70, which is on the border of "good" and "strong". Generally, the survey shows that Exxaro enjoys good to high levels of relational capital, which enables effective engagement and mutual value creation.

The heat map format of the results was particularly useful for data analysis to quickly identify improvement areas for management.

Stakeholders were also able to provide personal comments or suggestions to improve relationships with Exxaro. In addition to a commendation in the 2021 survey for Exxaro reducing occupational injuries, stakeholders highlighted expectations for more skills development training, engaging not only when there are issues, job creation, adhering to and delivering on SLPs, improving communication, greater assistance of communities and accountability for mining, localisation, legislative compliance, assistance with service delivery, donating mining houses, relaxing procurement policies, infrastructure and service delivery support, and land.



Exxaro mountain bike academy Cape Epic 2022 team

# Stakeholder management continued

REGULATORS	Quality of relationship: 2/3
<b>Material themes</b> 	<b>Group risks assessed or managed through engagement</b> <ul style="list-style-type: none"><li>• Regulatory compliance</li><li>• Community unrest</li><li>• Country risk (political)</li></ul>
<b>Key stakeholders engaged in 2021</b> <ul style="list-style-type: none"><li>• DMRE</li><li>• Department of Water and Sanitation (DWS)</li><li>• Department of Forestry, Fisheries and Environment (DFFE)</li><li>• Department of Employment and Labour (DEL)</li><li>• South African Revenue Service (SARS)</li></ul>	<b>Why we engage</b> <p>We aim to comply with regulatory requirements, align with new initiatives and demonstrate corporate citizenship.</p>
<b>How we engage</b> <p>We proactively engage with regulators to keep all stakeholders informed of compliance requirements and social impact through:</p> <ul style="list-style-type: none"><li>• One-on-one engagements</li><li>• Virtual engagements</li><li>• Dialogue platforms</li></ul> <p>In 2021, we measured the quality of our relationship through a pilot relationship quality assessment with key government stakeholders, including our DMRE counterparts.</p>	<b>Engagement trends and challenges</b> <p>The majority of the challenges in engaging with regulators are associated with the COVID-19 pandemic as well as working-from-home policies. This often resulted in challenges with face-to-face engagement as well as the processing and signing off of authorisations. In addition, malfunctioning of the electronic systems for storing and retrieving of documents, as well as sudden multiple government website disruptions, created additional challenges. This resulted in having to resubmit lost files, which impacted timelines.</p>
<b>Stakeholder needs and expectations</b> <p>We comply with regulations and assist with the management of socio-economic challenges.</p>	<b>How we respond through the Sustainable Growth and Impact strategy</b> <p>Our internal auditing processes and strategies aim to improve our performance while our management controls mitigate risks.</p>
<b>Improvements</b> <p>Our pilot relationship quality assessment indicated that we have a strong relationship with stakeholders in the DMRE at national level. Relationships at provincial level were effective but were influenced by factors such as the history of the relationship, stability, internal (organisational) stresses and external (environmental) volatilities. Additional efforts will be made to address these elements in the coming years. We will continue to involve the regulator in our annual Sustainability Summits.</p>	



Our community development team member engaging with communities at our Leeuwpan mine

## EMPLOYEES

Quality of relationship: 2/3

### Material themes



#### Demographics

##### Gender versus age distribution

Gender	20-29	30-39	40-49	50-59	60-69	Total
Female	393	825	360	158	24	1 760
Male	732	1 808	1 278	951	216	4 985
<b>Total</b>	<b>1 125</b>	<b>2 633</b>	<b>1 638</b>	<b>1 109</b>	<b>240</b>	<b>6 745</b>

#### How we engage

We proactively engage and share information through:

- Quarterly and monthly meetings with employees at BUs. In the wake of COVID-19, and aligned to Exxaro's digitalisation strategy, leadership communication and engagements are presented primarily through short videos
- Digital engagement through information screens, emails, bulk SMS and BU-specific communication campaigns as well as our LetsConnect mobile platform
- Conducting employee engagement and culture surveys

We measured the quality of our relationship through a baseline employee engagement and culture survey conducted in 2020.

#### Stakeholder needs and expectations

Our employee engagement and culture survey in 2020 indicated that we must focus on improving diversity across the organisation, fairness in promotion processes and effective reward systems.

#### Group risks assessed or managed through engagement

- Social licence to operate
- Labour unrest

#### Why we engage

We ensure that our employees' focus, profile and development efforts are aligned with our strategy and culture, empowering them with information to manage rapid change and uncertainty.

#### Engagement trends and challenges

COVID-19 continued to present challenges to in-person engagement with employees during 2021.

#### How we respond through the Sustainable Growth and Impact strategy

In 2021, action plans for each BU addressed the outcomes of our employee engagement and culture survey. In addition to aligning employees with Exxaro's strategy and culture, we are focusing on enabling our social impact initiatives to fulfil employees' personal needs. Our 2021 internal communication strategy therefore addressed our evolving strategy, ESG priorities, the CEO transition, the new group incentive scheme, our community and ESD initiatives, mental health and wellbeing during the pandemic as well as diversity, equality, inclusion and social justice.

#### Improvements

We need to improve how we measure employees' understanding of operational issues, policy changes and other communication. We are also aiming to improve our payment administration processes to address isolated errors that directly impact employee morale. This is part of a broader programme to improve the employee experience of Exxaro's human resources processes. We will be reviewing the implementation of our new "line of sight" short-term incentive (STI) scheme at operational level later this year to understand if it is meeting our objectives to improve motivation and performance.



Our head office, the conneXXion, employees celebrating an award received before the COVID-19 pandemic

# Stakeholder management continued

LABOUR UNIONS		Quality of relationship: 2/3																								
Material themes		Group risks assessed/managed through engagement																								
  		<ul style="list-style-type: none"> <li>• Labour unrest associated with wage negotiations</li> <li>• Community unrest</li> <li>• COVID-19 context</li> </ul>																								
<b>Demographics</b> <table> <thead> <tr> <th>Exxaro Coal unions</th> <th>Membership</th> </tr> </thead> <tbody> <tr> <td>NUM</td> <td>2 840</td> </tr> <tr> <td>Solidarity</td> <td>363</td> </tr> <tr> <td>AMCU</td> <td>333</td> </tr> </tbody> </table> <table> <thead> <tr> <th>Exxaro Coal Mpumalanga unions</th> <th></th> </tr> </thead> <tbody> <tr> <td>NUM</td> <td>1 527</td> </tr> </tbody> </table> <table> <thead> <tr> <th>Ferland Grondtrust</th> <th></th> </tr> </thead> <tbody> <tr> <td>FAWU</td> <td>44</td> </tr> </tbody> </table> <table> <thead> <tr> <th>FerroAlloys</th> <th></th> </tr> </thead> <tbody> <tr> <td>NUMSA</td> <td>54</td> </tr> </tbody> </table> <table> <thead> <tr> <th>Coastal Coal</th> <th></th> </tr> </thead> <tbody> <tr> <td>AMCU</td> <td>19</td> </tr> </tbody> </table>		Exxaro Coal unions	Membership	NUM	2 840	Solidarity	363	AMCU	333	Exxaro Coal Mpumalanga unions		NUM	1 527	Ferland Grondtrust		FAWU	44	FerroAlloys		NUMSA	54	Coastal Coal		AMCU	19	<b>Why we engage</b> <p>We strive for proactive issue resolution, relationship building, risk management, and maintenance of workplace harmony and professional working relationships with labour unions.</p> <p>We continue to focus on keeping engagement structures with organised labour functional to ensure continuation of a healthy relationship. These engagement structures play a significant role at BU and employer level in dealing with any employee issues. The critical role of these engagement structures came to light in 2021 as we embarked on wage negotiation processes across Exxaro.</p>
Exxaro Coal unions	Membership																									
NUM	2 840																									
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AMCU	19																									
<b>How we engage</b> <ul style="list-style-type: none"> <li>• Exxaro has a pluralist approach to union recognition but we only formally engage with unions where we have concluded recognition agreements and these unions maintain their collective bargaining rights. Exxaro's threshold for union representation therefore creates a platform for wider representation of union groups across a broad range of employers in the group. This significantly improves communication between Exxaro and unions, and creates an opportunity for human resources to further strengthen strategic partnerships and co-create solutions with unions to address critical strategic issues. The relationships with our union stakeholders remain stable even within the context of wage negotiations across the group</li> <li>• We engage through formal structures at BU and employer levels. These are mandatory engagements as per recognition agreements for the purpose of negotiating conditions of employment</li> <li>• At branch, regional and national level for union leadership across different unions</li> <li>• We consult on policy and procedure changes and keep unions informed about the Exxaro strategy. Over the past two years, we have also consulted extensively on Exxaro's COVID-19 response strategy</li> </ul> <p>We measure the quality of our relationship through self-assessment and resolution of collective and individual disputes.</p>		<b>Engagement trends and challenges</b> <ul style="list-style-type: none"> <li>• Some newly elected shop stewards need further education on substantive and non-substantive issues. We also need the union officials in the regions to assist us in capacitation of newly elected shop stewards</li> <li>• Continued impact of COVID-19 on our business in engaging on key issues such as vaccine mandates</li> </ul>																								
<b>Stakeholder needs and expectations</b> <p>We respect unions' objectives to ensure fair labour practices, remuneration, benefits and better working conditions for their members. We also value their input in business operations and therefore engage with unions twice a year about our performance and strategic outlook.</p>		<b>How we respond through the Sustainable Growth and Impact strategy</b> <p>We meet their expectations in line with our business and people strategies.</p>																								
<b>Improvements</b> <p>The three-year wage agreement finalised in 2021 provides us with time for capability building, relationship building and other projects in collaboration with the unions. We are currently reviewing and improving our human resource management processes, which we anticipate should contribute to further improvements in the relationship with organised labour.</p>																										

## COMMUNITIES

**Quality of relationship:** 2/3

### Material themes



### Demographics/our communities

Following the disposal of Exxaro Coal Central (ECC\*), effective August 2021, Exxaro operates in four local municipalities in Limpopo and Mpumalanga, with closed mines in another three municipalities, including two in KwaZulu-Natal.

### How we engage

Our approach to engagement and consultation on issues, projects and activities impacting communities is proactive and intentional. We have internal and external engagement platforms addressing community issues. Internally, the future forum monitors the implementation of SLPs. External forums with municipalities, civil society and traditional authorities address socio-economic conditions at local level. We also have platforms at district and provincial level for greater impact.

We measure the quality of our relationship through:

- Reputation survey conducted every two to three years (last conducted in 2018)
- Perception assessment conducted by social facilitators at Belfast and Matla
- Social media sentiment

### Group risks assessed/managed through engagement

- Community unrest
- COVID-19 concerns
- Country risk (political)

### Why we engage

Our desired engagement outcomes include avoiding unrest, which stops production, in favour of proactive resolutions. We also strive to maintain our social licence to operate by providing local employment, procurement opportunities and community development initiatives. Ultimately, we are striving for shared value from local mining activity to build trust and advocacy, and improve Exxaro's visibility in the community.

### Engagement trends and challenges

The emergence of "splinter groups" within recognised community representative structures is a threat to constructive engagement and effective implementation of social initiatives. The impacts include:

- Inconsistent community representation
- Unproductive engagement and participation in community forums
- Violent community engagement events
- Community demands led by individual agendas
- Community representatives unwilling to adhere to sound governance processes and rules of engagement

Prevailing misalignment and tension between local government structures, community members and community representation, exacerbated by service delivery challenges, introduces complexity in the local stakeholder landscape and challenges Exxaro's ability to implement SLP initiatives

Prevailing health conditions, low literacy and low skills levels within the community are barriers to community members accessing employment and procurement opportunities

### Stakeholder needs and expectations

- Ad hoc engagement with community stakeholders typically revolves around demands for exclusive access to employment and procurement opportunities as well as skills development that enables access to employment or procurement opportunities at Exxaro

### How we respond through the Sustainable Growth and Impact strategy

We endeavour to deliver sustainable, scalable and impactful projects with transparent and inclusive engagement. Our ESD programme supports small, medium and micro-enterprises (SMMEs) in creating employment, and we build capacity through skills and enterprise development programmes.



For more information about how we are responding to community needs, please refer to the social section (page 108).

### Improvements

- One of the objectives of our municipal capacity building programme is improved service delivery. Please refer to page 109 for the outline of the programme
- The free Wi-Fi provided to communities around our Belfast mine enabled our stakeholders to save on the cost of data, directed traffic to the Exxaro community portal for improved access to available jobs, COVID-19 awareness and overall information availability. In 2022, we're planning to roll out the community Wi-Fi programme to our other mining communities
- In 2021, through the Impact Catalyst we concluded a feasibility study on Community Oriented Primary Care, conducted through the University of Pretoria, Faculty of Health Sciences. This programme aims to deliver home-based healthcare, through trained health workers, which will strengthen the existing health services
- We have seen the benefits of social facilitators at some mines in the relationships with community stakeholders, and aim to appoint the same at more BUs. Social facilitators contribute to our understanding of socio-economic challenges in communities, act as intermediaries between the mine and communities, and offer insights into local dynamics
- We delivered our approved SLP projects, spending R56 million, with improved efficiency compared to 2020

\* Divestment concluded in September 2021.

# Stakeholder management continued

	Region	BU	Local municipality	Population	Unemployment rate	Dependency ratio
Mines in operation	<b>Limpopo Waterberg district</b> <b>Population:</b> 745 758 <b>Unemployment rate:</b> 37% <b>Dependency ratio:</b> 65.4%	Grootegeluk	Lephalale	140 240	22.2%	47.5%
	<b>Mpumalanga Nkangala district</b> <b>Population:</b> 1 445 624 <b>Unemployment rate:</b> 37% <b>Dependency ratio:</b> 45%	Matla	Emalahleni	455 228	27.3%	37.9%
		Belfast	Emakhazeni	48 149	25.9%	47.0%
		ECC* Dorstfontein	Emalahleni	455 228	27.3%	37.9%
			Govan Mbeki	340 091	26.2%	41.0%
		ECC* Forzando North	Steve Tshwete	278 749	19.7%	38.0%
			Govan Mbeki	340 091	26.2%	41.0%
		ECC* Forzando South	Msukaligwa	164 608	26.8%	46.0%
			Leeuwpan	Victor Khanye	84 151	28.2%
Mines in closure	<b>Limpopo Vhembe district</b>	Tshikondeni	Musina	13 200	22.0%	49.0%
			Thulamela	497 237	58.0%	70.1%
	<b>KwaZulu-Natal</b>	Durnacol	Dannhauser	102 161	47.6%	78.5%
		Hlobane	Abaqulusi	243 795	45.1%	72.9%

\* Divestment concluded in September 2021.



Health screening at our Grootegeluk mine during a breast cancer awareness campaign

## INVESTORS

**Quality of relationship:** 2/3

### Material themes



### Demographics

- New entrant in the top 20 shareholder list is Arrowstreet Capital
- From a geographic perspective, the overall shareholding continues to be dominated by South Africa, remaining largely flat for the year at 77% with offshore at 23%

### How we engage

Exxaro is committed to ongoing transparent engagement with investors. Given the focus on climate change, we particularly emphasise targeting and engaging with ESG investors to communicate about our Sustainable Growth and Impact strategy, which aims to responsibly optimise our coal business, reposition our business to capture transition opportunities, and prioritise the just transition for workers and communities.

We engage with investors and shareholders by facilitating investor roadshows, including one-on-one and group meetings, hosting capital market days and financial results presentations as well as participation at investor conferences locally and abroad.

We measure the quality of our relationship through the annual investor perception survey.

### Stakeholder needs and expectations

Exxaro's growth prospects remain top of mind with the need for clarity on the just transition and implementation of the Sustainable Growth and Impact strategy. In addition, poor performance of Transnet's rail service raises concerns about the negative impact on the coal business while domestic market demand for power station coal remains depressed as Eskom is fully stocked. Additional concerns include the impact of COVID-19, climate change activism amid calls for withdrawal from the thermal coal business, capital allocation and execution risk of the new minerals strategy, and cost escalation.

### Improvements

In addition to its current investor relations programme, Exxaro management is actively looking to engage closely with ESG-focused investors around the issue of climate change and decarbonisation to better understand their investment criteria and to allow Exxaro to articulate its plans and milestones in implementing its Sustainable Growth and Impact strategy to diversify earnings away from coal by 2030 and to becoming carbon neutral by 2050.

In 2022, Exxaro's board will embark on its annual shareholder governance roadshow with domestic and off-shore shareholders to facilitate alignment around and support for Exxaro's organisational priorities, develop stronger stakeholder relationships and to continue to build on the company's positive reputation. The governance roadshow aims to address the outcomes on Exxaro's remuneration policy and gain support for the revised policy, specifically around objective setting process and targets; ESG linkages; and implementation progress. The governance roadshow will also provide the board with a first-hand understanding of how shareholders view the notion of stewardship and their voting intentions, which will enable Exxaro to develop a stronger shareholder value proposition. It will also allow for shareholders to raise any risks and concerns they may have on other governance or ESG issues.

To mitigate against the declining access to capital from institutional investors who are increasingly transitioning capital allocation away from fossil-fuel producers, Exxaro is actively targeting engagement with private wealth funds and retail investors who hold alternative pools of capital.

### Group risks assessed/managed through engagement

- Short-term outlook of investors
- Climate change activism with increasing pressure from ESG investors to exit thermal coal. In line with the Paris Agreement, many institutional investors are committing to reducing exposure to coal in their portfolios, which will result in significant constraints in access to capital for companies' operating coal assets going forward

### Why we engage

Our investors are the owners of our business and have expectations regarding the value creation of their investment in Exxaro. Through clear and transparent communication of our strategy, distribution policies and achievement of key milestones, we can align with their expectations and grow trust in our organisation to protect returns, prudently allocate capital within the business and ensure transparency regarding our future capital allocation plans - all of which strengthens our access to capital.

### Engagement trends and challenges

- Due to the constantly evolving ESG and regulatory environment, investors are increasingly scrutinising listed companies' strategies for responsibly building sustainable businesses for all stakeholders involved and the planet at large. This has led to a greater demand for improved transparency and reporting around climate change goals from listed companies
- Global investors tightening their criteria around investing in fossil fuel producers to mitigate the impact of climate change will continue to constrain access to capital for coal-intensive companies

### How we respond through the Sustainable Growth and Impact strategy

We want to "power a clean world" with a just transition to a carbon-neutral future. Our Sustainable Growth and Impact strategy aims to diversify our earnings by 2030 as an interim step to becoming carbon neutral by 2050 - by building a resilient, future-facing portfolio; increasing customer diversification and generating multiple revenue streams; and maintaining our own ESG performance to be a catalyst for sustainable economic and environmental development. This strategy is anchored on measurable and multi-stakeholder value creation with a strategic objective of promoting business resilience in the short term and portfolio robustness in the medium to long term. We are well positioned to continue delivering value through portfolio optimisation, ensuring sustainability of our business, operational excellence and capital allocation priorities.

# Stakeholder management continued

CUSTOMERS		Quality of relationship: 2/3												
<b>Material themes</b>		<b>Group risks assessed/managed through engagement</b>												
  		<ul style="list-style-type: none"> <li>• Key customer dependency</li> <li>• Eskom systemic risk</li> </ul>												
<b>Demographics</b>		<b>Why we engage</b>												
<table> <thead> <tr> <th>Customer category</th> <th>Market percentage</th> </tr> </thead> <tbody> <tr> <td>Electricity generation (Eskom)</td> <td>71%</td> </tr> <tr> <td>Steel manufacturers</td> <td>2.9%</td> </tr> <tr> <td>Boilers and cement users</td> <td>8.1%</td> </tr> <tr> <td>International markets (various)</td> <td>18%</td> </tr> </tbody> </table>		Customer category	Market percentage	Electricity generation (Eskom)	71%	Steel manufacturers	2.9%	Boilers and cement users	8.1%	International markets (various)	18%	<p>We aim to understand our customers and strategic partners and foster mutually beneficial relationships through continuous engagement and information sharing. Engagements focus on the environment, trends and market sentiment, exploring future relationships, and improving operational and financial performance.</p>		
Customer category	Market percentage													
Electricity generation (Eskom)	71%													
Steel manufacturers	2.9%													
Boilers and cement users	8.1%													
International markets (various)	18%													
<table> <thead> <tr> <th>Customer location</th> <th>Market percentage</th> </tr> </thead> <tbody> <tr> <td>South Africa</td> <td>82.0%</td> </tr> <tr> <td>Africa</td> <td>2.2%</td> </tr> <tr> <td>Europe</td> <td>0.5%</td> </tr> <tr> <td>Asia</td> <td>9.5%</td> </tr> <tr> <td>India</td> <td>5.7%</td> </tr> </tbody> </table>		Customer location	Market percentage	South Africa	82.0%	Africa	2.2%	Europe	0.5%	Asia	9.5%	India	5.7%	<b>Engagement trends and challenges</b>
Customer location	Market percentage													
South Africa	82.0%													
Africa	2.2%													
Europe	0.5%													
Asia	9.5%													
India	5.7%													
<p><b>How we engage</b></p> <p>We engage regularly via telephone, email and virtual meetings, whenever possible, and at different levels in respective customer organisations. The pandemic has encouraged more frequent interactions with our customers, ensuring that we remain relevant and connected. This has also ensured responsiveness to stakeholder concerns and resulted in Exxaro marketing and logistics addressing issues in a timely manner. This has built relationships and allowed sustainable business to continue in unprecedented times.</p> <p>We measure the quality of our relationship through:</p> <ul style="list-style-type: none"> <li>• An internal assessment informed by various key data measured</li> <li>• Effective and ongoing engagement with customers</li> <li>• Effectively dealing with and resolving complaints</li> </ul>		<ul style="list-style-type: none"> <li>• Inability to have face-to-face discussions especially when discussing poor rail performance and the impact on deliveries. However, we continued to engage on a regular basis</li> <li>• Managing supply-demand logistical challenges that emerged from producers had high stockpiles in 2021 and an abundance of product in the domestic market. The domestic marketing team had to sell coal domestically and establish new customer relationships via mostly virtual customer engagement methods</li> </ul>												
<b>Stakeholder needs and expectations</b>		<b>How we respond through the Sustainable Growth and Impact strategy</b>												
<p>Quality product, consistent and reliable supply of product and responsive service.</p>		<p>Exxaro has clearly articulated its strategy to the market. Our stakeholders want to be kept informed and we communicate regularly to meet their expectations.</p>												
<b>Improvements</b>														
<p>As we emerge from the restrictions imposed by the COVID-19 pandemic, we hope to have more in-person engagements with our customers to maintain current relations and establish new relationships.</p>														



Mine locomotive at our Grootegeluk BU

## SUPPLIERS

### Material themes



**Quality of relationship: 2/3**

### Group risks assessed/managed through engagement

- COVID-19 concerns
- Eskom systemic risk
- Community unrest
- Safety and health concerns
- Cost competitiveness of products
- Climate change concerns
- Country risk (political)
- Inability to achieve financial targets
- Low commodity price

### Demographics

- In Limpopo, Mpumalanga, KwaZulu-Natal and the Eastern Cape, we have 2 741 vendors
- Procurement spend is segmented based on financial, price, supply and fraud risk
- Supplier spend is segmented across operational expenditure, capital expenditure, logistics and social investment expenditure
- Over 60% of Exxaro's procurement spend was directed towards black-owned and black women-owned suppliers
- In 2021, some 11% of Exxaro's procurement spend was directed towards SMMEs from host communities

### How we engage

- Direct, proactive engagement with strategic suppliers as part of our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities through collaboration intended to deliver cost savings, achieve the sustainability mandate, ensure security of supply and mitigate business risk exposure so that Exxaro is at an advantage to extract discretionary value and emerge as a "customer of choice"
- Engagement methods include ad hoc contract reviews to assess performance and negotiate price, our quarterly contractor forum platform to share information on developments in Exxaro as well as safety, health and environmental issues and a biannual Supplier Day to recognise top performers

We measure our performance through a reputation survey, various external surveys and a self-assessment. The last reputation assessment was conducted in 2018.

### Stakeholder needs and expectations

Our stakeholders include emerging and established suppliers. The main expectation from suppliers includes:

- Business opportunities within Exxaro
- To be paid in full and on time
- To collaborate with Exxaro in creating shared value

### Why we engage

As part of our risk management approach, we manage relationships with suppliers, crucial participants in our value chain, to achieve mutually beneficial operational, strategic and impact goals. Our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities. Supply chain management achieves this through joint initiatives aimed at cost savings, sustainability, supply security and business risk exposure mitigation. Exxaro is thus at an advantage to extract discretionary value and emerge as a "customer of choice" among strategic suppliers.

### Engagement trends and challenges

We will provide an update in the 2023 reporting cycle.

### How we respond through the Sustainable Growth and Impact strategy

Exxaro's sourcing strategies set out to concurrently optimise for performance and supply risk, financial and fraud risk and supply chain sustainability. Supply chain management activities and engagements with suppliers are aimed at preventing or mitigating such risks. For example, agile strategic and group sourcing, contract negotiation and innovation discussions are aimed at managing performance and supply risk. We are constantly reviewing and updating our policies and procedures to respond to the proliferation of procurement scams and fraud attempts. Ongoing improvements to our procurement processes are aimed at risk management and increasing transactional speeds for our suppliers.

In delivering on our purpose of powering better lives in Africa and beyond, our supply chain activities are aimed at increasing the participation of black-owned suppliers and those from host communities, reducing the environmental impact of Exxaro's business and enhancing our reputation while upholding sound corporate governance. Exxaro is fully compliant with the preferential procurement requirements of the B-BBEE codes and mining charters.

### Improvements

We aim to improve engagements through supplier training sessions, hosting Supplier Days and implementing joint innovation initiatives.

# ENVIRONMENT

Using environmental stewardship principles to guide our business strategies, will strengthen our organisational resilience while ensuring a positive co-existence relationship with the natural environment.

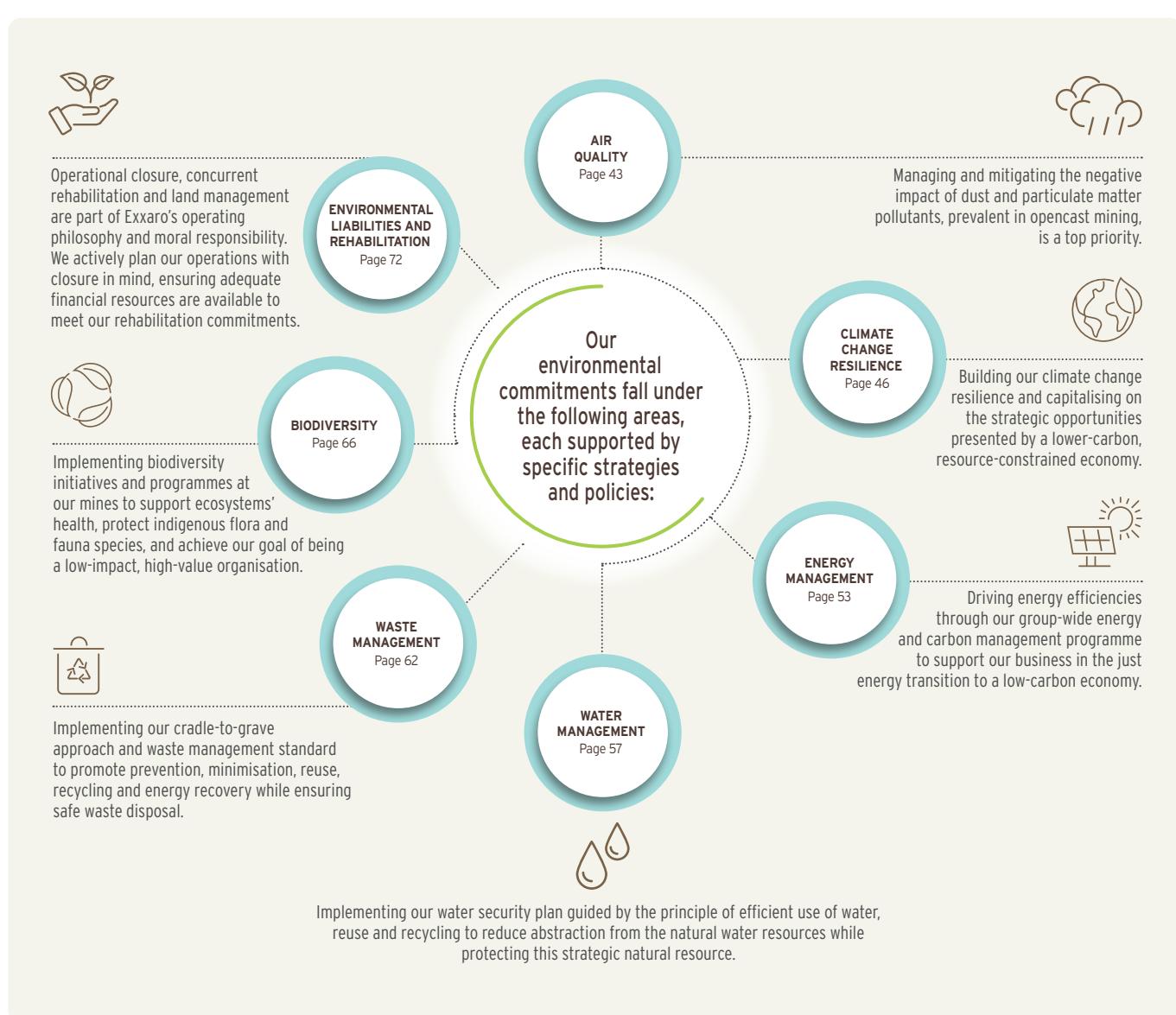
Acknowledging the role the mining industry plays in our fragile ecosystem, we continue making progress in reducing our overall environmental impact, strengthening our organisational resilience and creating environmental smart future mining opportunities for sustainable growth.

We are driven by our commitment to sustainable mining and corporate responsibility while balancing our role as a critical supplier to South Africa's coal-based electricity sector. As such, we aim to be the most environmentally responsible coal mining company at the forefront of climate change and environmental stewardship as we transition our company to low carbon portfolio.

In this chapter, we illustrate our impact on natural capital and the value we create in integrating environmental stewardship into our strategic decision making.

**We manage our environmental impact and long-term sustainability through, among others:**

- Committing to environmental stewardship
- Incorporating environmental performance principles in all our management systems, policies and practices
- Adhering to local and international environmental standards and future-based best practices
- Participating in voluntary benchmarks such as the global carbon and water disclosure projects
- Ensuring all mining and related activities are appropriately authorised and comply with all statutory environmental requirements as a minimum



## ENVIRONMENTAL MANAGEMENT

This year, we intensified our focus on all environmental areas that impact our journey to environmental stewardship and carbon neutrality target. This includes implementing energy performance metrics across all functional areas and entrenching a resource optimisation culture in the organisation.

### Highlights

- Air quality: Submitted five-year pollution prevention plans for the group and installed multi-monitor close receptors at Grootegeluk
- Climate change:
  - Established a project management office to coordinate and streamline Exxaro's decarbonisation activities
  - Piloted cross-functional STI KPIs across the organisation to support climate change initiatives and energy intensity targets
- Energy: Completed a detailed opportunity scoping review at BUs
- Water security: Finalised Grootegeluk water strategy
- Waste management:
  - Concluded three waste management contracts as part of Exxaro's Belfast SLP and ESD initiatives
  - Received the Evergreen award for hazardous waste handling at Matla
- Biodiversity:
  - Alien invasive plant control plans gained momentum and should be fully implemented by 2022
  - Recreated six pans as part of the proof of concept study of the pan creation project at Grootegeluk
  - Commenced rhino relocation project in April 2022 (from Manketti to Mozambique)
  - Adopted the biodiversity management plan at Amakhala Emoyeni windfarm to achieve no net loss in biodiversity
  - Recorded no red data species mortalities at Tsitsikamma community windfarm
  - Implemented an application across BUs to track rehabilitation and measure liabilities
- Recorded zero significant environmental incidents across the group

### Challenges

- Preparing for and implementing processes to meet the requirements of evolving environmental regulations, such as the terms of the Financial Provisioning Regulations related to liabilities
- Socialising STI targets with all employees
- Managing excess water due to above-normal rainfall in the first half of 2021
- Rolling out systems for standardised energy data acquisition
- Establishing two Cape vulture facilities at Amakhala Emoyeni windfarms

### Our approach

Our environmental approach is guided by our Sustainable Growth and Impact strategy and our goal to proactively transition our business to climate resilient portfolio. To achieve this, we are developing and continually evolving our environmental policy to align it with company goals and current international best practice and standards. This is supported by our all-encompassing group standards for air quality, water, energy, rehabilitation and mine closure, as well as environmental incident management and reporting. Each BU embeds these standards and maintains ISO 14001 certification for effective environmental management requirements. From 2022, achieving our goals will be enhanced further by the implementation of our STI scheme, linked to our decarbonisation plan and Sustainable Growth and Impact strategy.

Our operations in South Africa have environmental management programmes as required by the MPRDA and NEMA, and have the required IWULs. The defined precautionary principle as per NEMA guides us in evaluating the potential environmental impacts of our current activities and future business opportunities.

Cennergi is guided by a new environmental and social management system to manage environmental and social impacts in line with the Equator Principles, the International Finance Corporation's (IFC) Performance Standards and the World Bank's Environmental, Health and Safety guidelines, among other international requirements.

### Accountability and responsibility

The board, supported by the RBR committee, has ultimate accountability for our environmental management and impact. The executive head: sustainability oversees the implementation of our environmental strategies, and sustainability managers and BU managers are directly responsible for implementation at each BU.



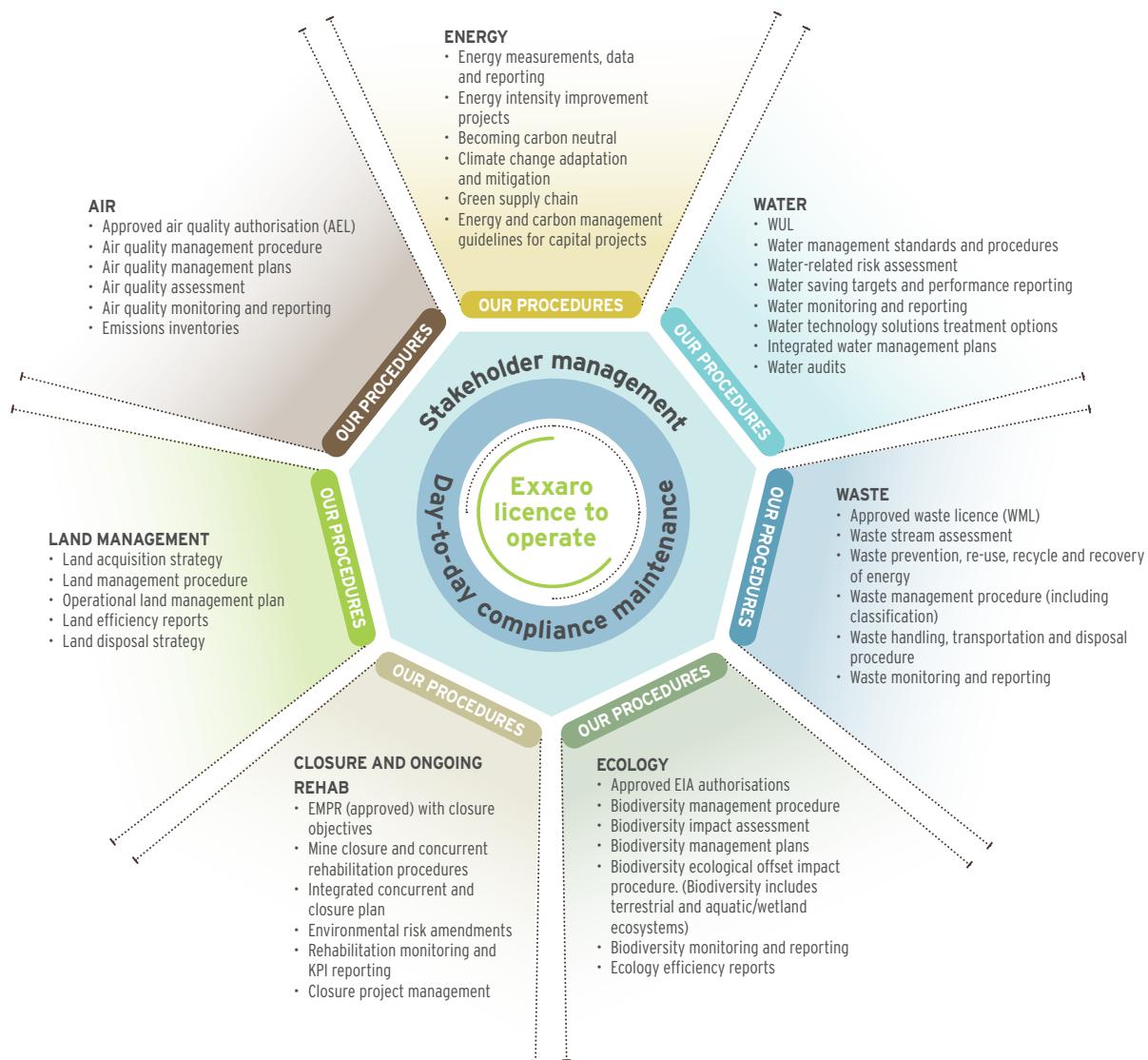
Every employee and contractor is responsible for complying with policies and procedures at each BU and site.

# ENVIRONMENT

continued

## Exceeding minimum regulatory requirements

South African mining companies and mining-related activities are strictly regulated. To ensure that we maintain our environmental licence to operate, we endeavour to exceed minimum regulatory requirements and ensure consistent compliance. This is achieved through the Exxaro wheel of environmental stewardship as per below:



The above wheel of excellence ensures that our approach to environmental stewardship is consistent across the group. It also allows us to integrate new assets quicker and place them on the path to excellent performance. We are able to ensure we can implement compliance, monitoring and reporting processes that are aligned from group to operational level. In addition, the wheel provides a skills competency guide and requirements at each operation. Our collective skills and competencies should cover all areas of the wheel.

## ENVIRONMENTAL INCIDENT REPORTING

Our standardised environmental incident reporting system ensures our BUs manage incidents effectively and efficiently to minimise negative impact. We immediately report any incidents and mitigation measures to the relevant authorities. In 2021, we updated our incidents management standard to include a level zero used to capture near misses or incidents that have zero environmental impact but pose potential risks.

A record of our environmental incidents over the past three financial years is shown in the table below.

Environmental incidents	Level 1			Trend	Level 2			Level 3		
	2021	2020	2019		2021	2020	2019	2021	2020	2019
<b>Total Group</b>	31	91	373		0	0	0	0	0	0
<b>Limpopo</b>										
Grootegeluk	6	9	15	▲	0	0	0	0	0	0
Tshikondeni	1	0	0	▼	0	0	0	0	0	0
<b>Mpumalanga</b>										
Belfast	6	15	0	▲	0	0	0	0	0	0
ECC*	6	4	293	▼	0	0	0	0	0	0
Leeuwpan	9	42	55	▲	0	0	0	0	0	0
Matla	3	21	10	▲	0	0	0	0	0	0
<b>KwaZulu-Natal</b>										
Durnacol	0	0	0	➤	0	0	0	0	0	0
Hlobane	0	0	0	➤	0	0	0	0	0	0

\* Divestment concluded in September 2021.

Level 1: Minor impact and/or non-compliance.

Level 2: Intermediate impact and/or non-compliance.

Level 3: Major impact and/or non-compliance.

▼ Negative ▲ Positive ➤ Unchanged



Cennergi recorded no significant environmental incidents in accordance with section 30 of NEMA and NWA.

## OUTLOOK AND FUTURE FOCUS

Water scarcity, air pollution, biodiversity loss, hazardous waste and climate change pose significant environmental and financial risks that we need to manage while delivering on other business objectives. In response to climate change, global efforts are driving economic reforms, commitments and regulations to steer decarbonisation efforts, such as the pledges made at COP26 to scale up transition away from unabated coal generation in support of the Paris Agreement. This will limit the average increase in global temperatures to below 2°C warming pathway with a target of 1.5°C. As part of our energy transition commitments and in response to these goals, we continue investing in and expanding a diversified renewable energy business, see page 66 of our integrated report for reference, and our internal multi-functional task team is developing a decarbonisation strategy and implementation plan using TCFD recommendations.

Our decarbonisation project management office is conducting an assessment to baseline our value chain emission profile and determine quick wins that we can implement in 2022 and beyond. To align to the TCFD recommendations on matrix and targets, water and energy intensity targets will be included as part of the revised group-wide STI in 2022 to link climate change outcomes to organisational risks and performance. This will ensure that we can implement strategic projects to mitigate the risk of water security and transition our energy use to cleaner fuels.

Our environmental management challenges include constraints experienced by the various government departments like DMRE and DWS. We are exposed to significant risks when permits are delayed. These permits include IWULs aligned with mineral rights and environmental licensing procedures. Our endeavours are also constrained while we wait for the integration of complex proposed laws dealing with climate change, pollution prevention and carbon tax.

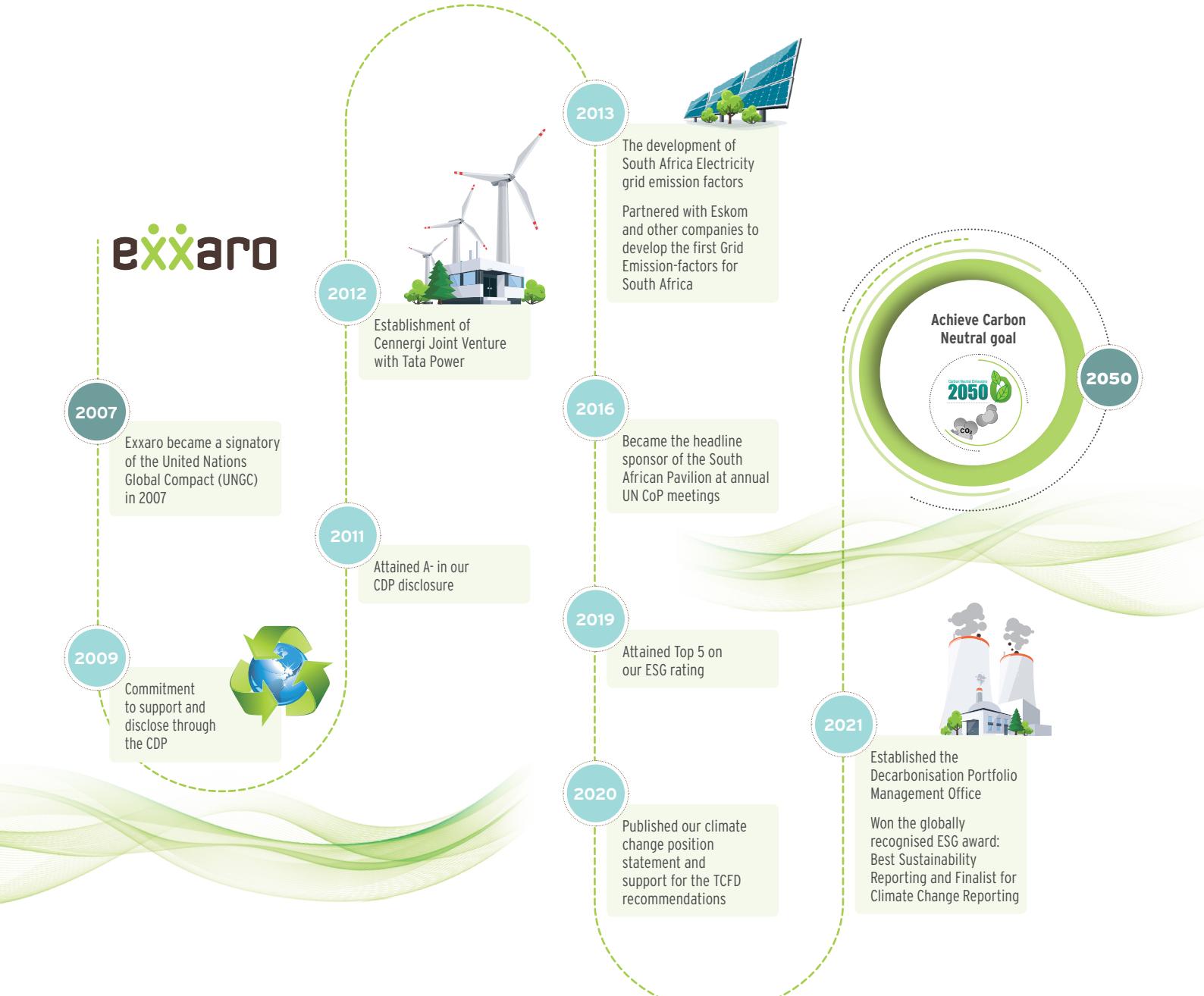
We remain focused on transitioning our business portfolio and making it resilient to the 1.5°C world.

# ENVIRONMENT

continued

## STEWARDSHIP TIMELINE

It is our aim to be a leading mining company at the forefront of climate change and environmental stewardship.



# Air quality

Air quality management is among our top priorities from an operational, social and regulatory perspective. Air quality impacts from opencast mining emanates from construction and vehicle activity on unpaved roads can impact air quality due to the release of pollutants, dust and other particulate matter, including PM<sub>10</sub> and PM<sub>2.5</sub>. At our operations, this can impact visibility and pose safety, health and hygiene risks. We are responsible to our host communities to provide a dust-free environment. A fundamental responsibility of our licence to operate is managing air quality through complying with the National Environmental Management Air Quality Act, 2005 and other relevant regulations. Our pollution prevention plans also support Exxaro's goal to become carbon neutral, as they target a reduction in CO<sub>2</sub> emissions linked to energy use.

## We uphold our licence to operate through:

- Atmospheric emission licence compliance
- Pollution prevention plans
- Maintaining 100% air quality monitoring and management
- National atmospheric emissions inventory system reporting
- Stakeholder engagement forums

## We aim to go beyond compliance to provide a pollution-free environment for our people and communities.

### OUR APPROACH

Managing air quality ranges from our operational approach of prevention and mitigation, to engaging with communities. These measures include:

- Proactive air quality management planning
- Risk management
- Monitoring, measuring and reporting via our air quality management system
- Mitigation through applying chemical dust suppressants on unpaved roads
- Adhering to all applicable legislative requirements

Our air quality management system and systematic risk-based air quality management planning at our BUs ensure effective application of these measures, compliance with regulatory and stakeholder expectations, incorporation of future mine development changes and continuous reassessment. We conduct detailed reviews of our air quality impact assessments and air quality monitoring programmes at each BU.

We engage with our host communities to improve our stakeholders' air pollution awareness. This is presented through awareness and educational campaigns. In 2021, we embarked on improving stakeholder relations through increased engagements with interested and affected stakeholders at Matla and Leeuwpan to discuss air quality matters.

Exxaro has an AEL for the Grootegeluk reductants plant. As this plant is not operational, there is no performance reporting for disclosure. Furthermore, our renewable energy business's windfarm operations are not considered sources of atmospheric pollutants and therefore we currently do not monitor, measure or report air quality information for them.

### Accountability and responsibility

The executive head: sustainability is responsible for setting our air quality policies, procedures and mechanisms. The mine manager is accountable for allocating capital, implementing projects and monitoring our impact.

### HOW WE PERFORMED

#### Management objectives

Objectives	Critical success factors	Method	Progress
Progressively reduce our air quality emissions within our operating boundary	Reduction in dust fallout and PM <sub>10</sub> levels in all our operations	Dust fallout levels and PM <sub>10</sub> concentrations reduced by applying best practice mitigation measures such as wet and chemical suppression of dust with continuous research and development of new dust suppression and air pollution mitigation technologies	A reduction in dust emissions in our operations with increased compliance with the residential and non-residential dust fallout limits

# Air quality continued

## Initiatives and goals

We continued to implement our air quality initiatives, expanding our monitoring and improving our approach systematically. We maintain our target of monitoring 100% at all operations, while increasing our monitoring networks to cover as much area as possible, and to continuously increase the granularity of the data we collect. We installed multi-monitors at Grootegeluk to deepen our understanding of the mine's impact on the surrounding environment.

As per regulatory requirements, we actively measure dust and other particulates, given their materiality and impact on employees and communities. However, committed to going beyond compliance, we continuously evaluate our material air quality issues. We are currently investigating our capacity to monitor the broader spectrum of emissions, such as methane, sulphur oxide (SO<sub>x</sub>) and nitrogen oxide (NO<sub>x</sub>), in real time. We determine and report methane as fugitive emissions using an empirical estimated method and Intergovernmental Panel on Climate Change emission factor for coal mining and handling.

Goal	Target	Progress
Continuous dust fallout monitoring at all BUS	100% of all operations	<ul style="list-style-type: none"> <li>Maintained 100% monitoring at all BUS and greenfield projects</li> <li>Monitored community-based dust fallout at Belfast, taking this goal beyond compliance</li> </ul>
Initiating and continuously monitoring PM <sub>10</sub> at all BUS	100% of all operations	<ul style="list-style-type: none"> <li>Initiated PM<sub>10</sub> monitoring at Grootegeluk and Belfast (not required at Matla, and we are not currently monitoring at Leeuwpan)</li> </ul>
Meteorological monitoring to ensure availability of surface data for temperature, wind direction and wind speed (critical for dispersion modelling, baseline characterisation, ambient monitoring design, dust fallout monitoring and reporting, among others)	100% of all operations	<ul style="list-style-type: none"> <li>Achieved our target of meteorological stations installed at all BUS in 2021. This allowed us to capture real time data on site which supports operational decisions and serves as an early warning system for climate change</li> </ul>
Ensuring compliance with dust fallout limits and air quality standards	Level below the regulated levels	All BUS currently monitor dust fallout and PM <sub>10</sub> and results are assessed for compliance with National Dust Control Regulations and National Ambient Air Quality Standards for PM <sub>10</sub>
Air quality awareness and education campaigns for various stakeholders	Quarterly	<p>Undertook engagements on air quality with relevant communities, and increased engagements with interested and affected stakeholders at Matla and Leeuwpan in 2021. COVID-19 affected the number of engagements that we normally hold in the year.</p>

## Dust mitigation measures

Our opencast mining activities (drilling, blasting, crushing, screening, transportation, materials handling, and windswept storage piles and exposed areas) unavoidably generate dust. We consistently enhance our mitigation measures to reduce the significant impacts on the environment. For example, in 2021 we introduced new additives to the water to enhance the effectiveness of the wet suppression and decrease the frequency of water suppression required.

Our mitigation measures include:

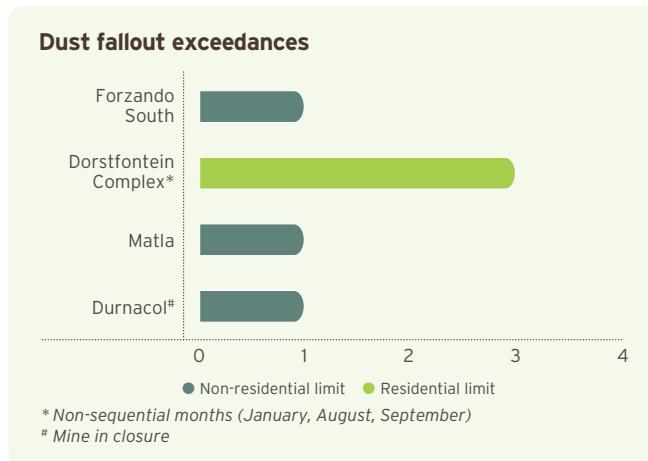
- Applying chemical dust suppressants on primary-haul roads
- Wet suppression on sources such as open areas and secondary unpaved roads
- Vegetation on topsoil stockpiles and overburden material
- Avoiding blasts during high wind conditions
- Blast design optimisation
- Limited drop heights during offloading activities
- Implementing a proximity detection system to control vehicle speeds at operations and on unpaved roads. Speed limiters control dust generation from transport and prevent road accidents

Our mining operations monitor dust fallout rates and the results are assessed in terms of residential and non-residential limits outlined in the National Dust Control Regulations, where two non-residential exceedances are permitted per operation per year (not within sequential months). Although our operations must comply with non-residential limits, some activities are close to residential areas or sensitive receptors. Therefore, we aim to minimise the impact of our operations on nearby residents.

Due to our effective dust suppression measures, the dust fallout rate at most of our operations complied with the regulated residential and non-residential limits in 2021.

In 2021, no exceedances within sequential months of the residential limit and industrial limit were recorded in the measuring points located within the community or residential receptors.

During the year, there were six exceedances (not within sequential months), namely:



	<b>Maximum allowance</b>	<b>Limits</b>	<b>Highest recorded</b>		
			<b>2021</b>	<b>2020</b>	<b>2019</b>
Dust fallout rate	Coal: 300mg/m <sup>2</sup> /day	m <sup>2</sup> /day	197	197	206
Non-residential dust fallout exceedances	Two exceedances per BU per annum (within sequential months)	600	0	9 (across 6 BUs)	8 (across 4 BUs)
Residential dust fallout exceedances	Two exceedances per BU per annum (within sequential months)	300	0	0	3 (across 2 BUs)

## Pollution prevention plans

Section 29 of the Air Quality Act requires pollution prevention plans from significant industrial sources in identified industries and sectors to manage GHG emissions. Grootegeluk completed its first five-year implementation plan (2016 to 2020) and submitted its progress report on the identified emission reduction projects. The operation achieved 27 607tCO<sub>2</sub>e in carbon savings in this first period.

Our newly submitted 2021 to 2025 pollution prevention plan includes five CO<sub>2</sub> emission reduction projects. Two of these projects are ongoing from the previous plan, and three are new. These projects are energy-saving initiatives that result in the reduction of diesel consumption and carbon emissions.

<b>Project</b>	<b>Implementation</b>	<b>Anticipated emission reduction (tCO<sub>2</sub>e)</b>					
		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Grootegeluk in-pit crushing and conveying project	Ongoing	6 053	6 503	6 250	6 104	6 050	30 960
Road management and improvement	Ongoing	3 563	3 827	3 678	3 592	3 561	18 222
Pantograph utilisation optimisation	2021	684	735	707	690	684	3 500
Out of cycle time reduction	2021	1 605	1 724	1 657	1 618	1 604	8 208
Autonomous drilling	2021	193	208	200	195	193	989
<b>Total</b>		12 098	12 997	12 491	12 199	12 093	61 879

*Assumption used to estimate anticipated GHG emission reduction: electrical and diesel conversion factors, and the project scope remain consistent throughout.*

At all our other operations, we quantify and report our impact through our national atmospheric emissions inventory system.

## FUTURE FOCUS

In 2022, we aim to maintain our current air quality monitoring network at all BUs and mines in closure to ensure compliance and emissions reduction. Our monitoring performance will be linked to our new STIs. We will be reviewing our air quality management system at Leeuwpan based on changes in mining operations. At Belfast, we will investigate alternative dust control measures (wind breakers, other technology for stockpiles) to improve our dust fallout rate. Our strategy to go beyond compliance for air quality, will be to invest in advanced digital technologies to monitor and measure a broader spectrum of emissions such as Methane, SOx and NOx in real time.

# Climate change resilience

Climate resilience is the capacity to not only survive, but adapt and succeed in the face of climate change and its direct and indirect impacts, including changes in regulation and policy. It encompasses the ability to capitalise on the strategic opportunities presented by the shift to a lower-carbon and resource-constrained economy. (Reference: from Marsh & McLeannan, 2017).

Responding to climate change is strategic, environmental, social, financial and legislative imperative.

The promulgation of carbon tax on 1 June 2019 has made reducing GHGs a business imperative as it could affect our financial performance.

## We uphold our statutory and non-statutory licence to operate through:

- Carbon tax compliance, carbon budget, pollution prevention plans and our Climate Change Response strategy
- Climate change position statement
- TCFD analysis and disclosure
- CDP disclosure
- Our decarbonisation project

**At Exxaro, we actively embrace climate change, mitigation and adaptation. The risks that climate change presents, both physical and transitional, will impact our business sustainability if not actively understood and managed. Conversely, we seek to identify and leverage the opportunities that our just transition will present.**

- Our TCFD disclosure is embedded throughout our reporting suite and our online publications. For details of our TCFD disclosure, refer to our index

## OUR APPROACH

Climate change is not a separate and siloed activity within Exxaro. The principles and mechanisms to respond to climate change is integrated into everything we do as a business. From governance to strategy, risk management and capital allocation, among others, climate change and its implications on our business and stakeholders are central to our thinking and doing.

To positively respond to the climate change agenda, we are pursuing a reduction in our carbon footprint with the goal of being carbon neutral by 2050 for scope 1 and 2. Delivering on this requires an institutional approach, with all aspects of our business involved in this transition. Carbon emission reductions are driven by our efforts in energy management and the implementation of cleaner energy sources at our operations. South Africa has revised its target range for 2025 to 398MtCO<sub>2</sub>e to 510MtCO<sub>2</sub>e and for 2030 to 350MtCO<sub>2</sub>e to 420MtCO<sub>2</sub>e. The revised nationally determined conditions (NDCs) requires us to do more to support the country's contribution to low carbon economy.

To ensure comparability, Exxaro measures, manages and reports energy and carbon data in terms of the GHG Protocol. Our scope 1, 2 and 3 emissions are monitored and reported annually. We use the operating control accounting approach in reporting emissions.

<b>Scope 1</b>	Direct GHG emissions (measured in tCO <sub>2</sub> e) from sources owned or controlled by Exxaro using diesel, petrol, gas, and anthracite combustion in day-to-day mining operations
<b>Scope 2</b>	GHG emissions from electricity generated by utility Eskom and purchased by Exxaro
<b>Scope 3</b>	Emissions outside our control but emanating from our products or activities such as customers burning coal sold by Exxaro

Our GHG emissions recorded over the past three financial years are shown on page 49. 

Internally, we report on energy and carbon data monthly, which enables us to closely monitor our performance. We report on carbon and energy data at all levels, including the executive level. Furthermore, Exxaro's 2022 short term incentive scheme will track carbon and energy reductions at group and BU levels to inform executive and all employees reward performance. We continue to investigate data solutions that will give us real-time feedback, which we believe will allow us to respond quickly to emerging issues and opportunities to reduce our emissions.

Externally, we participate in the CDP, UK-based non-profit organisation which oversees a global environmental disclosure system and receives data that provides valuable insights into corporate strategies and the journey towards environmental leadership. The system provides insights to investors on companies that adhere to sustainable carbon and emissions management.

We have participated in the CDP climate change programme since 2008, supporting our reporting with a central data repository that records our energy consumption and intensity, carbon emissions measurement and cost performance at BU and group levels. The database is audited and assured externally every year. We have also participated in the CDP Water programme since 2010 and supplier engagement 2019 to ensure that we align water security and supply chain risks to impacts of climate change. For the 2021 CDP report, Exxaro is ranked in the B list category, this is higher than the coal mining sector average of C. We also received an A- on engagement with our supply chain stakeholders with regards to climate change issues.

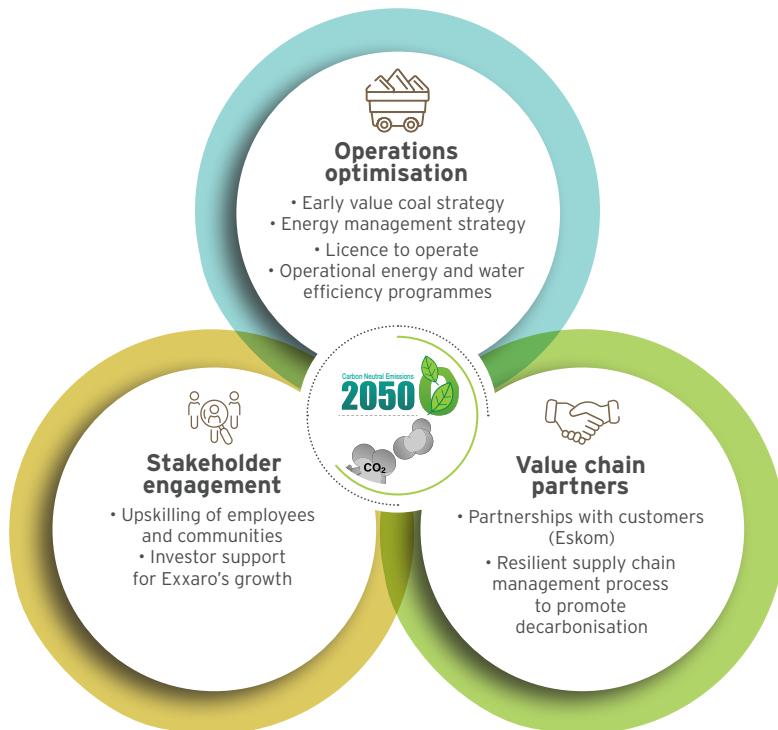
 For more information on how we performed please refer to [www.cdp.net](http://www.cdp.net).



## Decarbonisation approach

To achieve carbon neutrality by 2050 for scope 1 and 2, Exxaro will need to actively reduce our emissions by at least 40% by 2030. Our strategy also ensures that opportunities to reduce scope 3 emissions, are actively investigated, as we intend to take our entire value chain along in our journey to decarbonisation the portfolio. We see three primary areas to address to meet this goal:

1. Operational optimisation
2. Value chain partnership
3. Stakeholder engagement and inclusion



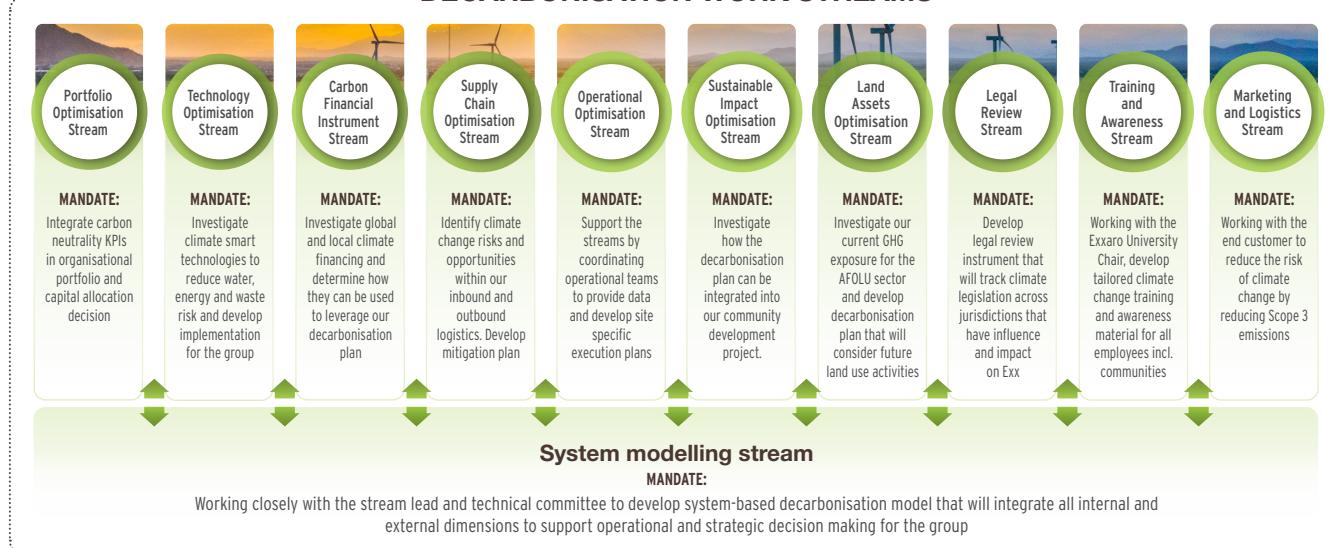
We established a decarbonisation portfolio management office and several interconnected workstreams that focus on the three areas highlighted above, with clear ownership at executive level to ensure accountability and delivery.

There are several exciting projects that will reduce our direct emissions, including a solar photovoltaic (PV) project at our flagship Grootegeluk mine, estimated to reduce our emissions by 208ktCO<sub>2</sub>e.

Further information on this project can be found under energy management on page 53.

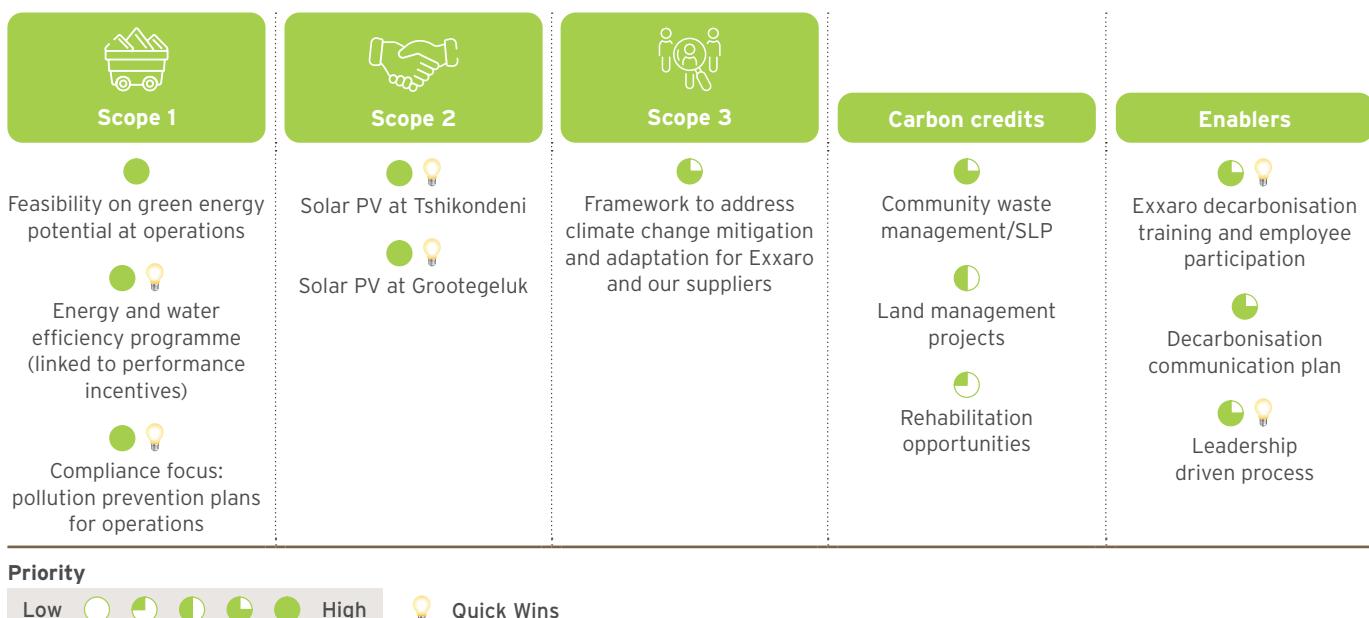
Several operational efficiency programmes are ongoing to reduce both scope 1 and 2 emissions. However, these initiatives are primarily focused on reducing diesel consumption. It is estimated that these initiatives would reduce our emissions by 62ktCO<sub>2</sub>e.

## DECARBONISATION WORK STREAMS



# Climate change resilience continued

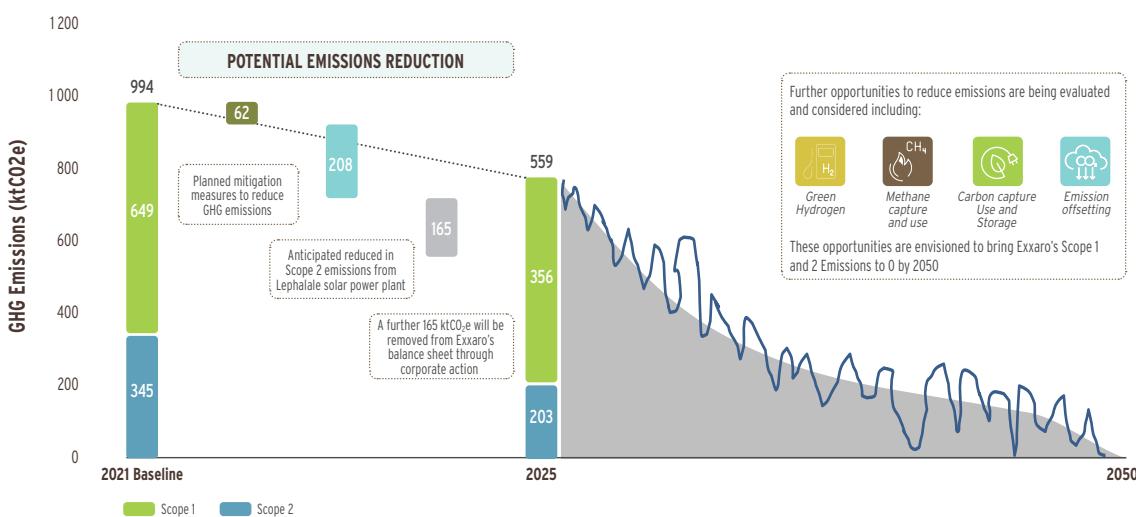
We know that, while it is critical to reduce our direct emissions, the largest contributor to our emissions profile is from our scope 3 emissions. It is thus imperative for our stakeholders to understand the impact and importance of climate resilience. We have several ongoing education initiatives with stakeholders across our value chain. While the impact of these initiatives cannot be measured in terms of tCO<sub>2</sub>e saved, they are critical to ensuring that we take everyone along with us on our journey and that our transition is just. We have already seen changes in behaviour from our employees, with increasing interest in reducing their personal carbon footprints.



Priority

Low     High  Quick Wins

## OUR EMISSIONS REDUCTION OPPORTUNITIES BEING EVALUATED



## HOW WE PERFORMED

### GHG consumption and efficiency

Exxaro conducted a carbon intensity baseline assessment in 2018, which we rebased in 2020. We have reduced our carbon intensity by more than 8% against the 2018 baseline as we focus on managing our electricity and diesel consumption. In 2021, the total carbon intensity was 5.5ktCO<sub>2</sub>e/TTM (scope 1 = 1.91ktCO<sub>2</sub>e/TTM and scope 2 = 3.6ktCO<sub>2</sub>e/TTM) compared to 4.9ktCO<sub>2</sub>e/TTM in 2020. This translates to a 13% increase in carbon intensity due to lower total tons of material moved. Electricity and diesel intensities increased in 2021, mainly due to production challenges at our operations. Based on production tonnages in 2021, electricity intensity increased by 10% to 14.18MWh/kt (13MWh/kt in 2020) and diesel intensity increased by 2.05% to 2 000L/kt (2 042L/kt in 2020). Whilst our intensity has increased, the absolute GHG emissions have reduced.

GHG emissions (ktCO <sub>2</sub> e)	Targets	Year-on-year change (%)	2020		2019
			2021	(baseline)	
Scope 1	Actual for previous year less 5%	▼ -11.6	345	385	412
Scope 2 <sup>1</sup>		▼ -0.8	650	650	670
Total scope 1 and 2		▼ -4	995	1 035	1 082
Year-on-year change (%)			-4	-5	25
Scope 3 <sup>2</sup>		▲ +2.5	70 931	69 220	70 947
Year-on-year change (%)			+2.5%	+2.5%	+2.7%
Target 2050	<b>Carbon neutral</b>				



<sup>1</sup> Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa, which is 1.08tCO<sub>2</sub>e per MWh.

<sup>2</sup> Scope 3: Reported emissions based on use of product sold by Exxaro (representing over 98% of Exxaro's scope 3 emissions).

Carbon emissions by source	Year-on-year change (%)	2021	2020	2019
<b>Electricity (ktCO<sub>2</sub>e)</b>	▲ -0.8		650	670
Year-on-year change (%)		-0.8	3	18
Source proportion (%)		65.3	63	62
<b>Diesel (ktCO<sub>2</sub>e)</b>	▼ -11.8	230	261	268
Year-on-year change (%)		-11.8	3	19
Source proportion (%)		23.1	25	25
<b>Fugitive emissions (ktCO<sub>2</sub>e)</b>	▼ -2	115	117	136
Year-on-year change (%)		-2	14	32
Source proportion (%)		11.6	11	13
<b>Other sources (ktCO<sub>2</sub>e)</b>	▼ -93.8	0.5	8	9
Year-on-year change (%)		93.8	11	96
Source proportion (%)		0.1	1	1

# Climate change resilience continued

GHG emissions in 2021 (ktCO <sub>2</sub> e)	Scope 1	Scope 2	Scope 3	Total
<b>Mpumalanga</b>				
Belfast	186.15	234.59	20 654.48	21 075.22
Dorstfontein East	44.68	16.63	1 098.39	1 159.70
Dorstfontein West	10.98	12.92	542.10	566
Forzando North	7.41	14.41	1 069.72	1 091.54
Forzando South	1.34	32.05	0.00	33.39
Leeuwpan	1.22	0.00	1 077.26	1 078.48
Mafube	60.04	23.68	3 033.27	3 116.99
Matla	25.12	25.35	3 119.39	3 169.86
	35.36	109.55	10 714.35	10 859.26
<b>Limpopo</b>	158.75	405.35	50 276.55	50 840.65
Reductants	0.00	0.00	62.79	62.79
Grootegeluk	158.73	404.51	50 213.76	50 777.00
Tshikondeni	0.02	0.84	0.00	0.86
<b>Gauteng</b>	0.12	9.79	0.00	9.91
Corporate Centre, the conneXXion	0.02	2.62	0.00	2.64
FerroAlloys	0.10	7.17	0.00	7.27
<b>KwaZulu-Natal</b>	0.21	0.12	0.00	0.33
Durnacol	0.06	0.10	0.00	0.16
Hlobane	0.15	0.02	0.00	0.17

## Leading the way

Exxaro participated in COP26 climate change deliberations and sponsored the South African COP pavilion.

## Supporting research and development

We prioritise innovation, research and development, and collaborations on sustainability issues with value chain stakeholders. Over the past decade, Exxaro has invested extensively in building long-term research to develop the body of knowledge in climate change, renewable energy, and sustainability through three university chairs:

	Focus	Research outputs
Wits Global Change Institute	The chair undertakes research on adaptation pathways for a changing world, alignment of global climate change adaptation and mitigation with the SDGs, minimising the impact of extractive industries such as mining, and maximising post-extractive landscapes for sustainable communities.	The research outputs are used by both industry and government to enhance our climate change adaptation and resilience.
Unisa Business and Climate Change	The chair operates in key thematic areas: research, development, innovation and advocacy-oriented community engagement. The chair also undertakes research on climate governance, SDG domestication, climate change mitigation and adaptation, as well as green buildings.	<ul style="list-style-type: none"> <li>Published research articles on the coal mining sector's response to climate change</li> <li>A decision-making framework for corporate climate change response</li> </ul>
University of Pretoria Energy, Water and Food	The chair undertakes research and development work on energy efficiency improvement in Exxaro's operations, providing high-quality services to our business on energy efficiency.	To date, the chair has developed two toolkits on motor resizing and multi-drive conveyor belt design and simulation to save energy and has published technical reports on energy efficiency in South Africa.

This year, we invested R9.5 million in support of this research (2020: R10.99 million), with R54.14 million invested to date since 2015. All three chairs have made substantial contributions to our strategy.

## Stakeholder engagements

### Suppliers

- The green procurement strategy prioritises sustainable supplier engagement and has critical objectives that include increasing the adoption of environmentally friendly, natural resource-efficient equipment, products and technology in Exxaro's operations
- We encourage innovation to reduce climate impacts on products and services and have suppliers we can partner with for the achievement of our 2050 carbon neutrality objective. Furthermore, we have identified hot spots for collaborative action in our value chain and prioritised these based on criteria such as carbon impact and ease of implementation
- Collaboration with our value chain partners has enabled the understanding of Exxaro's position regarding climate change, ie carbon emissions reduction with a view to achieve carbon neutrality by 2050, energy efficiency, sustainable operations, our global and national contribution to meeting the Paris Agreement commitments and our journey in the implementation of the TCFD recommendations

### Customers

- Exxaro has engaged with downstream customers who have an impact on our carbon footprint, business strategy and our 2050 carbon neutrality objective. The objective was to share our Sustainable Growth and Impact strategy and divestment from some coal operations. Customer engagements will support our efforts to reduce our scope 3 emissions by exploring carbon capture and storage opportunities as well as carbon offsets.

### Policy makers

- Engagements with the national lead authority on climate change and carbon budgets (the DFFE and National Treasury (lead department on the Carbon Tax Act, which we support with minor exceptions). Engagements have been on the alignment of the carbon tax and carbon budget and how these instruments will be applied effectively to meet South Africa's international obligations on climate change, particularly the NDC
- Although South Africa has draft legislation that addresses climate change (the Draft Climate Change Bill published in June 2018), we have raised several issues with policy makers on the Bill. It was proposed to policy makers, during the public consultation workshops, that critical comments on the shortcomings of the Bill be adequately considered and addressed, especially issues that relate to the NDC, Paris Agreement, the National Benchmark Trajectory, alignment of the carbon tax and carbon budgets, regulatory uncertainty and associated impacts
- Discussions with the Department of Energy on renewable energy generation, given our renewable energy strategy and potential future investments in renewable energy

### Trade and research associations

- Exxaro is a member of the Industry Task Team on Climate Change (ITTCC), a non-profit organisation aimed at undertaking technical, fact-based studies to ensure that South Africa's policies on climate change are based on the best information and best practice, and prescribe real, achievable ends. The ITTCC works with various stakeholders such as government and business groups on critical matters such as climate change, South Africa's international climate change obligations, supporting the low-carbon transition, carbon price merits, collaboration and the just transition

- Exxaro is a member of the NBI, a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa. We participate and contribute to thought leadership on issues such as the just transition and businesses' roles in ensuring the transition to a low-carbon economy; preparation for COP meetings; and aligning to the achievement of the SDGs
- The Minerals Council is a mining industry employers' organisation that supports and promotes the South African mining industry and provides strategic and advisory support. A key role of the organisation is to facilitate interaction among mining employers to examine policy issues and other matters of mutual concern for the definition of desirable industry standpoints. We are active participants in the Minerals Council environmental policy meetings, with contributions on the Minerals Council's work on the carbon tax and implications for the mining industry, waste and water management in a changing climate and implications for the mining sector. We have also participated, through the Minerals Council, on a number of discussions with National Treasury on the carbon tax and have influenced discussion points on the tax
- Business Unity South Africa is a confederation of business organisations that represents South African business on macro-economic and high-level issues that affect it at the national and international levels
- The Energy Intensive User Group is committed to working with government, power utilities, industry and other stakeholders to ensure South Africa has an energy supply industry that is financially viable, technically healthy and well managed. The Energy Intensive User Group recognises the impacts and implications of climate change on energy supply and security
- Energy Efficiency Leadership Network, which recognises the linkages between climate change and energy efficiency, enables government and business to openly discuss energy efficiency as well as energy strategy and policy implementation
- Business Leadership South Africa recognises the implications of climate change on businesses and focuses on securing energy supply

### FUTURE FOCUS

We will continue contributing to Exxaro's goals to build a resilient organisation through reducing emissions and extending our influence throughout our value chain and with our stakeholders.

We will continue to raise awareness about climate change and the just transition required to support South Africa's development.

We remain cognisant of the changing regulatory landscape and continue to be involved in and actively monitor related developments that may impact our business such as the carbon tax and carbon budget.

From a skills perspective, we continue to work with our human resources teams to understand our future skills needs, particularly with regard to climate change, to support our strategic objectives. We strive to attract talent through our reputation as a company known for our innovation, stewardship and proactive approach to global climate issues.

# Climate change resilience continued

## CASE STUDY

### Helping our supply chain decarbonise

Our ESD decarbonisation programme is designed to facilitate a change in behaviour within SMMEs to reduce their emissions. This year, we held a decarbonisation and climate change awareness masterclass for our current and prospective enterprise development suppliers. With over 70 suppliers attending, the masterclass helped unpack the impact of climate change and highlighted how businesses need to enhance their resilience and decarbonise their operations.

The class was well received, and interest was expressed for additional classes. We are currently gathering emissions data from our enterprise development beneficiaries, and we will ultimately align with the broader goals of the supply chain management decarbonisation workstream.

### Addressing climate change awareness

Climate change is a clear threat to the sustainability of our operations, communities and livelihoods. Stakeholders should appreciate its significance, aim to better understand it, how it will affect us and how we as Exxaro are adapting. To address this, in conjunction with the university chairs, we are working to develop tailored climate change and awareness training material for employees and communities.

We started decarbonisation awareness engagement with employees this year to enhance awareness and upskill employees to support a just transition. Three classes were delivered and two are scheduled for early 2022.

We continue to raise awareness of our strategic roadmap in a way that makes it clear to our employees that we are managing the risks and positioning ourselves for the future, and in that journey, we are committed to bringing our stakeholders with us.

### **EMPLOYEE INVITE: JOIN US FOR AN EXCITING MASTERCLASS HOSTED BY THE GLOBAL CHANGE INSTITUTE**

The Global Change Institute (formerly known as the Global Change and Sustainability Research Institute) was established as an enabling research platform of global significance and local impact, fostering informed action for adaptation and innovation in the rapidly changing southern African region.

The Global Change Institute addresses problems related to global change, climate change and sustainability in a multidisciplinary and transdisciplinary manner. It wants to play a more prominent role in helping to co-create, understand and inform global change solutions at various levels of decision making (in business, industry and government - municipal, provincial, national); and to function as an enabling platform utilising research to support progressive change through collaborative efforts with stakeholders.

### Understanding the impact of NDCs

NDCs are at the heart of the Paris Agreement and embody each country's efforts to reduce national emissions and adapt to the impacts of climate change.

Under the Paris Agreement, all parties must deposit NDCs every five years. South Africa deposited its first NDC with the UNFCCC in October 2015, committing to keep national GHG emissions between 398MtCO<sub>2</sub>e to 614MtCO<sub>2</sub>e for 2025 and 2030. The Paris Agreement also seeks to lower global temperatures to well below 2°C and pursue efforts to 1.5°C.

All parties were expected to update their 2015 targets in 2020 to ensure they are aligned to the latest science. The revised target range considers the latest reports of the Intergovernmental Panel on climate change and aligns with the stakeholders that contribute to the country's efforts.

### Impending regulation: Climate Change Bill

The Climate Change Bill has been approved by Cabinet and will soon be tabled in Parliament. It provides for a coordinated response to climate change and its impacts. The Bill gives effect to South Africa's international commitments and obligations to climate change, and defines the steps to be taken to protect and preserve the planet for the benefit of present and future generations.

We support government's efforts to manage and combat climate change and will continue to monitor this and consider the potential impacts on our operations.

# Energy management

The efficient use of energy is critical, particularly in South Africa, where electricity costs are increasing and primarily generated using fossil fuels. Exxaro is committed to being carbon neutral by 2050 for scope 1 and 2, and we recognise that energy management is the key driver of carbon emissions and therefore the achievement of decarbonisation goals.

## We uphold our licence to operate through:

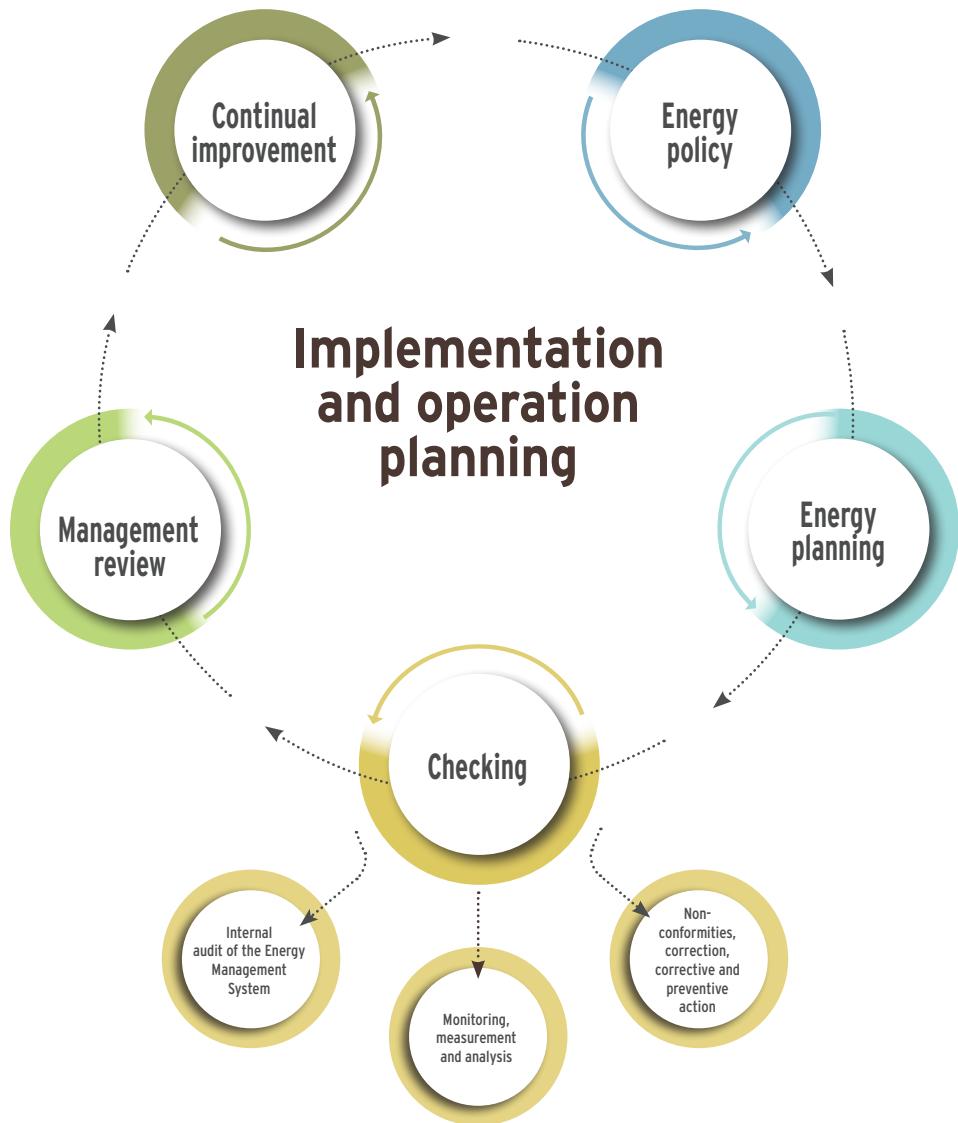
- Energy management
  - Energy efficiency plans and reports
  - Energy intensity target setting
- Climate Change Response strategy
  - Responsible resource usage
  - CO<sub>2</sub> emission reports

**How we manage our energy consumption will play a vital role in whether we achieve our goal of being carbon neutral by 2050.**

## OUR APPROACH

Innovative and efficient energy management is critical on our path to carbon neutrality. As we prepare our business for the low-carbon economy, we must ensure that decarbonisation thinking is embedded in our operations with an ongoing commitment to reduce scope 1 and 2 emissions across BUs and our value chain. To support these goals, a group-wide energy and carbon management programme was implemented during the year.

### ISO 50001 ENERGY MANAGEMENT SYSTEM



<sup>1</sup> The 12L tax rebate provides a rebate for businesses that implement energy efficiency projects and savings.

Our journey aims to be inclusive, sustainable and productive. As such, we consider our whole value chain and support our suppliers on our decarbonisation journey.

# Energy management continued

## Accountability and responsibility

BU managers at each operation are responsible for the management and achievement of energy management objectives. They are supported by the group engineering manager and the executive head: projects and technology.

## HOW WE PERFORMED

### Initiatives undertaken

Our energy and carbon management programme aims to reduce energy consumption and increase efficient diesel and electricity consumption. Our technology and engineering department's projects aim to reduce diesel consumption at our operations with fuel additives and payload management.

While we have always strived to reduce our energy consumption, our large-scale investments previously centred on Grootegeluk, our largest coal mining operation, due to the scale of opportunities and the impact of these initiatives on energy intensity. Our focus at Grootegeluk has set the base for our processes and strategy. In 2021, we shifted our focus to include all active operations to implement a cohesive energy management system to baseline energy intensity, set targets, and measure performance of the identified initiatives to reduce energy and carbon intensity in 2022 and beyond.

Employee energy-saving behaviour impacts our results. With our human resources, business improvement and information management departments, we are driving behaviour change through embedding a culture of energy awareness, reduction and accountability by all employees. This involves ongoing communication, awareness training and engagement. Operational teams are taking ownership of and supporting efforts to establish the energy management systems, with engineering teams championing initiatives.

To further entrench energy reduction at all levels, the board and executive committee approved the inclusion of energy intensity measures as part of BU and employee STI KPIs. This is being piloted at Grootegeluk and, following its successful implementation, will be rolled out to all sites in 2022.

To enable our BUs to identify and achieve energy intensity reduction goals on our journey to net zero, we completed a detailed review of each key BU's energy efficiency opportunities and key focus areas for 2022. Furthermore, we have developed the Exxaro energy and carbon transition profiler tool to track fuel and electricity usage at group and BU levels and project our emissions toward the 2050 goal of carbon neutrality. The dashboard will provide routine energy usage and source apportionment information.

These initiatives support the transition to a low-carbon economy and enable our operations to improve energy efficiency by striving to achieve low-carbon footprints and optimise energy consumption.

### Energy consumption and efficiency

Our BUs' primary sources of energy in 2021 were electricity (40%) and diesel (59%). In 2020, the primary sources of energy were also electricity and diesel (63% and 25% respectively). Total energy consumed decreased by 16% in 2021 to 5 441 267GJ, compared to 6 462 881GJ in 2020, attributable mainly to energy efficiency projects implemented at BUs.

Electricity and diesel intensities increased in 2021, mainly due to energy efficiency projects at our operations, particularly at Grootegeluk. As a result, section 12L tax rebates were successfully claimed at Grootegeluk in 2021 for several energy intensity reduction projects.

Based on a decrease of 10% in production tonnages in 2021, electricity intensity increased by 10% to 14.18MWh/kt and diesel intensity decreased by 2.05% to 2 000L/kt.

	Electricity				Production (kt)				Intensities (MWh/kt)			
	2020	2021	2021 vs 2020		2020	2021	2021 vs 2020		2020	2021	2021 vs 2020	
Total (group)	605 770	601 717	-0.67%	improved	47 008	42 430	-9.74%	decrease	13	14.18	9.08%	regressed
<b>Mpumalanga</b>												
Belfast <sup>4</sup>	2 904	15 395	430.13%	regressed	2 850	2 520	-11.58%	decrease	1	6	-83.33%	regressed
Dorffontein East	17 286	11 965	-30.78%	improved	909	548	-39.71%	decrease	19	21	-9.52%	regressed
Dorffontein West	14 393	13 341	-7.31%	improved	1 104	954	-13.59%	decrease	13	13	0.00%	improved
Forzando North	43 795	29 674	-32.24%	improved	84	0		decrease	26	27	-3.70%	regressed
Forzando South <sup>1</sup>					1 594	1 082	-32.12%	decrease				
Leeuwpan	25 927	21 930	-15.42%	improved	3 720	2 396	-35.59%	decrease	7	9	-22.22%	regressed
Mafube	26 237	23 476	-10.52%	improved	1 818	1 795	-1.27%	decrease	14	6	133.33%	improved
Matla	100 358	101 439	1.08%	regressed	6 153	5 902	-4.08%	decrease	16	17	-5.88%	regressed
<b>Limpopo</b>												
Grootegeluk	371 785	374 548	0.74%	regressed	28 776	27 229	-5.38%	decrease	13	14	-7.14%	regressed
Tshikondeni <sup>2</sup>	1 651	775	-53.06%	improved	-	-	-	-	-	-	-	-
<b>KwaZulu-Natal</b>												
Durnacol <sup>3</sup>	50	96	92.00%	regressed	-	-	-	-	-	-	-	-
Hlobane <sup>3</sup>	18	18	0.00%	no change	-	-	-	-	-	-	-	-

<sup>1</sup> Electricity consumption at Forzando South is included in the Forzando North figure (consumption is for Forzando North and Forzando South, hence the calculated electricity intensity reflected for Forzando North is based on production figures for both operations).

<sup>2</sup> Arnot was transferred to Arnot OpcO Proprietary Limited during Q1 2020.

<sup>3</sup> Closed operations.

<sup>4</sup> Regressed due to mine expansion.

	Diesel consumption (kL)				Production (kt)				Intensities (L/kt)			
	2020	2021	2021 vs 2020		2020	2021	2021 vs 2020		2020	2021	2021 vs 2020	
Total (group)	96 075	84 831.3	-11.70%	improved	47 008	42 426	-9.75%	decrease	2 044	2 000	-2.17%	improved
<b>Mpumalanga</b>												
Belfast	13 100	10 843	-17.23%	improved	2 850	2 520	-11.58%	decrease	4.60	4.30	-6.39%	improved
Dorffontein East	7 154	3 454	-51.72%	improved	909	548	-39.71%	decrease	7.87	6.30	-19.91%	improved
Dorffontein West	409	270	-33.99%	improved	1 104	954	-13.59%	decrease	0.37	0.28	-23.61%	improved
Forzando north	763	493	-35.39%	improved	84	0		decrease	9.08			
Forzando South	240	194	-19.17%	improved	1 594	1 082	-32.12%	decrease	0.15	0.18	19.08%	regressed
Leeuwpan	19 480	14 878	-23.62%	improved	3 720	2 396	-35.59%	decrease	5.24	6.21	18.58%	regressed
Mafube	4 571	7 454	63.07%	improved	1 818	1 795	-1.27%	decrease	2.51	4.15	65.16%	regressed
Matla	2 073	2 453	18.33%	regressed	6 153	5 902	-4.08%	decrease	0.34	0.42	23.36%	regressed
<b>Limpopo</b>												
Grootegeluk	48 189	44 713	-7.21%	improved	28 776	27 229	-5.38%	decrease	1.67	1.64	-1.94%	improved
Tshikondeni	10	6.3	-37.00%	improved	-	-	-	-	-	-	-	-
<b>KwaZulu-Natal</b>												
Durnacol	39	20	-48.72%	improved	-	-	-	-	-	-	-	-
Hlobane	47	53	12.77%	no change	-	-	-	-	-	-	-	-

There were no energy management grievances lodged during the year.

## FUTURE FOCUS

Our 2022 objective is to align the measurement and management of our energy goals across all our BUS. We will confirm and finalise the 2022 targets for operations, as well as clarify our five and 10-year goals, and track performance through the energy and carbon transition profiler tool and site productivity and energy management services.

In line with our renewable energy strategy, we will begin the construction of the Grootegeluk solar PV facility in 2022. The 70MW facility will be developed with Cennergi and will provide clean, secure energy and significant cost savings, and reduce our carbon footprint.



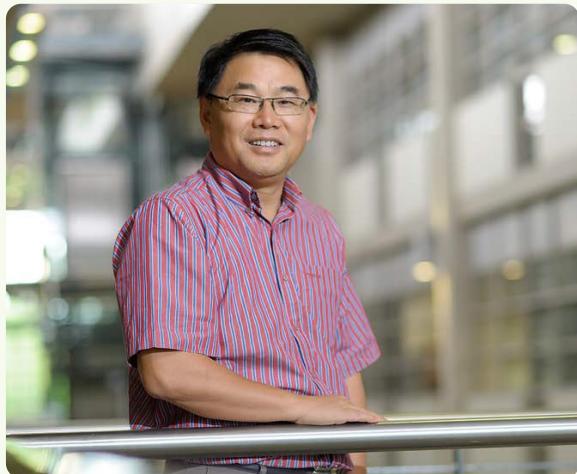
Solar installation at our Tshikondeni mine in closure

# Energy management

continued

## CASE STUDY

### Saving energy through education and collaboration



Professor Xiaohua Xia

A technical masterclass on energy efficiency and demand side management was held for all the operation engineers by Professor Xia, a professor in the electrical, electronic and computer engineering department at the University of Pretoria. The workshop was designed to raise awareness on how demand side management can be used to save costs and energy efficiency can save costs and electricity.

The outcome was a proposed framework to understand how behaviour, time and technology contribute to a successful energy management programme and planning. In the year ahead, our operations will explore this framework further, looking into aspects such as energy baselining, modelling and optimisation.

Over 30% of energy is estimated to be lost at an operational level due to inefficiencies. This masterclass is just one of the ways we are supporting our people as they look at innovative ways to solve real problems.



Tsitsikamma windfarm turbines in the Eastern Cape

# Water security management

Water is a strategic natural resource for the country and our business. South Africa is a water-scarce country, and experiences the effects of climate change, particularly increased temperatures and rainfall variability. Furthermore, the International Council on Mining and Metals identified several risks relating to mining operations due to chronic changes in precipitation extremes and droughts. These include flooding, which results in increased run-off and erosion and drought induced water shortages. Therefore, it is our responsibility to effectively manage our water supply to safeguard various mine aspects to enable production, dust mitigation to prevent dust fallout on the surrounding communities, effective pollution prevention and health and hygiene considerations.

Water management is a critical component of a mine's overall operational and environmental management.

## We maintain our water security through:

- Our water management standard
- Water authorisations
- Site-specific water management plans:
  - Water-related risk assessments
  - Water efficiency plans and reporting
  - Stormwater controls
  - Security of supply
  - Water monitoring
  - Water balance simulations

## Our water management vision is to be a leader in water stewardship – innovatively planning and managing our water resources.

### OUR APPROACH

We are committed to responsible and sustainable water use as enshrined in our water management policy. The policy focuses on efficient water reuse and recycling, and aligns with the legislated environmental framework mainly governed by the NWA, supported by the integrated water resource management hierarchy issued by the DWS to prioritise mine and waste management decisions and actions. The hierarchy informs our policy and strategy on mine and wastewater management by:

- Preventing pollution
- Minimising environmental impacts
- Maximising water reuse and reclamation
- Responsible water discharge and disposal
- Water treatment

We implement this policy through our water management standard, which covers mining and industrial water use. This standard articulates our integrated water and waste management plan across each mine's lifecycle, including planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard also reflects management's vision to:

- Ensure a cost-effective integrated approach to water management
- Environmental responsibility
- Ecological sustainability

From 2022, we will measure and link the achievement of our water-related targets to our group-wide STI scheme as a driver of our Climate Change Response strategy and Sustainable Growth and Impact strategy. As part of our TCFD process, the financial and business resilience implications of water security will be effectively quantified. We are in the process of establishing an internal price on water that considers social and environmental water costs. Once this internal price is set, we will be able to account for the real price of water and hedge against risk and supply chain disruption as the price of water increases.

## Group water strategy

Our group water strategy was approved in 2017, aiming for excellence in:

- Compliance
- Operational water efficiency
- Policies, standards and processes
- Water technologies
- Stakeholder partnerships

We implemented a comprehensive programme on responsible and sustainable water management at our BUs, focusing on water use and related risks. This includes security of supply, water efficiency and cost management in terms of current and anticipated regulatory compliance. We support the programme with research and skills development as well as water issues awareness through ongoing communication and training.

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

**Equitable distribution** of water resources, considering both business growth and sustainable consumption

Our commitment to **protecting and improving water quality** by discharging water treated in our BUs through our reverse-osmosis water treatment plant at Matla

### Water use and storage projects

Investigating possibilities of alternate water sources, such as the Mokolo Crocodile Water Augmentation Project phase 2 for the Grootegeluk mining and processing operations.

### Water management projects

Water-saving projects include innovative leak detection, repair and pressure monitoring.

# Water security management continued

We continue collaborating with other mining houses and universities through the Coaltech research initiative in projects that provide guidelines on sustainable mine water management and mine closure. Our collaboration also affords accurate final land use planning.

The Mine Water Coordinating Body, formed in 2017, further strengthens our public-private collaboration by providing a platform to align our mine water management plans with the National Water Resource Strategy and investigate regional solutions in the Olifants River catchment of Mpumalanga.

## Accountability and responsibility

Implementing our policy and practices at an operational level is overseen by the sustainability manager supported by the water team and on-site environmental specialists under the leadership of the executive head: sustainability.

Water is crucial to all our operations and changes in availability or quality will affect production, efficiency and cost.

## HOW WE PERFORMED

We continued implementing and improving our water management efficiency, mitigation, maintenance and conservation measures during the year. Highlights include:

- Finalising the Grootegeluk water strategy, which includes a revised water balance simulation over the life of mine (LoM) and recommended changes to infrastructure to enhance water security in short, medium and long-term horizons
- Finalising the Belfast water balance simulation over the LoM to identify wastages and areas to improve efficiency
- Improvement in managing and desilting pollution control dams to allow for sufficient storage over the wet season to be utilised over the dry season
- Investing in research, new and alternative technologies, and technological changes that will increase process efficiency and water recycling and treatment
- Appointing a new tailings dam operator

We were challenged by above-normal rainfall during 2021, which negated the short-term risk of water shortage. We will continue carefully managing excess water.

Data provided is verified as part of the SD assurance process by PwC.

## Water security

Water security is the backbone of our water strategy. The fundamental principle of our water management approach is sustainable use of water resources and to actively engage with our fellow water users in the catchment to collectively manage the resource.

Without controlled efforts to maintain water security, we face the risk of production stoppages, financial loss and WUL non-compliances, further impacting the reissue of WULs. The knock-on effect leads to competition for scarce resources, a considerable loss of investment opportunities, and damage to our biodiversity efforts.

We manage security through implementing water conservation plans that holistically assess the impact of available water in the face of climate change. Our mitigation plans include water treatment plants and optimising water storage infrastructure.

## Water use and intensity

Our coal operations require good quality freshwater for some of our beneficiation processes, washing activities, and employee domestic use. The balance of our water use can come from localised rainfall storage, recycling, reuse and reclaimed sources. We protect our freshwater, as interruptions to this supply could pose a risk to operational continuity and profitability.



Cennergi's two windfarms source water from licensed boreholes and rainwater harvesting. Bottled potable water is provided to Cennergi's operational employees and contractors.

Our primary water source is surface water (including rainwater and water from rivers and lakes), followed by groundwater and third-party sources. Our surface water usage has stabilised after an increase in 2020 due to changes in in-pit conditions at Grootegeluk trapping water in the backfill material reducing our recycling ratio, and the ramp-up of our Belfast operation.

We carefully manage and treat our water discharges. At Matla, we use reverse osmosis to treat contaminated process water to potable standards, and two sewerage treatment plants release treated sewage effluent. Discharges have decreased 30% due to lower underground dewatering and treatment at Matla in 2021 and increased ability to reuse treated sewage effluent in the beneficiation processes as part of our water conservation efforts.

Our total water consumption (water withdrawals less water discharged) for 2021 was 10 281ML. This is a 6% decrease from 2020 due to lower surface water utilisation and increased water efficiency.

### Water withdrawal and discharge (ML)

	2021	2020	2019
Total water withdrawal	10 890	11 798	9 021
Surface water	8 165	8 877	5 869
Groundwater	1 312	1 368	2 072
Third-party water	1 413	1 553	1 081
Total water discharged	609	874	1 339
Water consumption	10 281	10 924	7 682

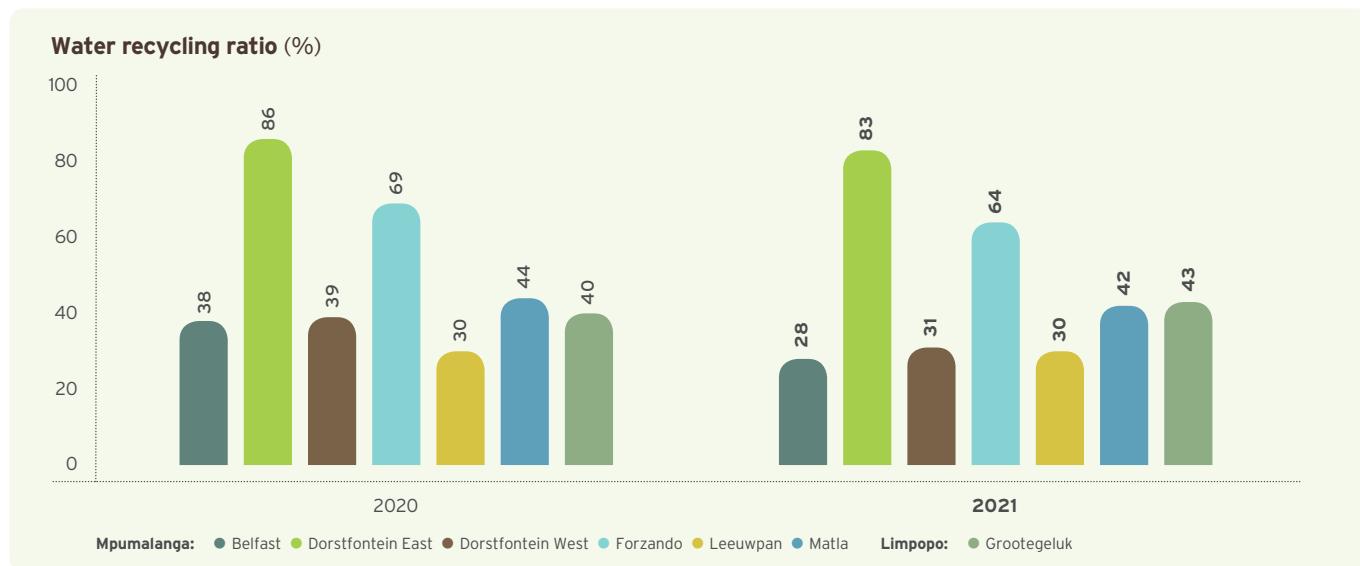
We refined our water intensity targets in 2020 and developed a new five-year target in line with industry norms and site-specific conditions. We lowered our previous aggregated target of 200L/t to 180L/t. This target is well below the coal industry average of 380L/t. It supports our strategy to reduce water intake in line with the DWS's drive to increase water conservation and reclamation.

Our overall water efficiency rate deteriorated by 9% due to the higher storages of water at all our operations during 2021 driven by high rainfall.

Water intensity	Target (L/t) by 2025	Water intensity (L/t)			Water consumption (kL)		
		2021	2020	2019	2021	2020	2019
<b>Mpumalanga</b>							
Belfast	250	237	132	28	654 132	416 628	29 501
Dorstfontein East	280	227	116	168	256 735	219 140	383 541
Dorstfontein West	130	60	66	88	81 064	111 798	112 009
Forzando	180	157	124	70	364 853	406 326	281 797
Leeuwpan	100	27	38	25	106 380	228 085	165 241
Matla	230	190	190	159	1 120 930	1 168 683	950 292
<b>Limpopo</b>							
Grootegeluk	170	149	150	99	7 681 560	8 198 145	5 364 282
<b>Gauteng</b>							
FerroAlloys	21 000kL	n/a	n/a	n/a	15 175	14 494	18 725
<b>Total group</b>	<b>180</b>	<b>149</b>	<b>137</b>	<b>99</b>	<b>10 280 829</b>	<b>10 763 299</b>	<b>7 305 388</b>

## Water recycling

Our target is 38% overall water recycling ratio, defined as the total water recycled divided by total water used (including recycled water), substantially higher than the coal industry average of 6%, as outlined in the national water use efficiency benchmarks of the DWS. Our overall recycling ratio of 46% in 2021 is well within our target range.



\*ECC = Divestment completed in September 2021.



Slimes dam at our Grootegeluk BU

# Water security management continued

## Tailings storage facilities

Our tailings management system focuses on the operation, monitoring and decommissioning of the tailings dams and uses comprehensive risk-based management and governance systems in line with internationally recognised good practice. The company has a drive to align the management of tailings with the Global Industry Standard on Tailings Management.

Our dam assets have clean and polluted water. Dams with a wall height exceeding 5m and a capacity exceeding 50 000m<sup>3</sup> are considered dams with a safety risk according to the South African Dam Safety Legislation. Only a few clean and dirty water dams meet above minimum requirements to be classified with the DWS as dams with a safety risk. Once classified, the dams are categorised in categories I, II and III according to their risk potential. A category III dam has the highest hazard potential. The safety classification of the slimes dam was revised in 2020 from a medium to either a high or very high hazard level. Due to the revision, there was a breach analysis executed to determine zone of influence in a failure of the dam, and a team was established to review the risks. The aim is to review current controls to manage these risks, review the current operation and develop a permanent solution.

The table below shows all dams categorised as dams with a safety risk by DWS.

BU	Category I	Category II
Matla	-	Brine ponds
Grootgeluk	-	Cyclic ponds
ECC*	-	Dorstfontein East PCD 1, 2 and 3
Leeuwpan	-	Witklip dam
Durnacol	Durnacol dam number 4	Durnacol dam number 7 Langley dam number 2 Langley dam number 3
Tshikondeni	Unwa dam	-

\* Divestment concluded in September 2021.

## FUTURE FOCUS

We will continue our efforts to improve our water efficiency through various infrastructure projects and enhancements.

To support the achievement of our Sustainable Growth and Impact strategy, we have set water-related targets and aligned these to our STI scheme. This is currently in the pilot phase and will be implemented in 2022.



Water monitoring at ECC in Mpumalanga

## CASE STUDY

### The Mokolo Crocodile Water Augmentation Project phase 2



*Construction in progress on the Mokolo water project*

We have entered into a collaborative water augmentation project agreement phase 2 with the DWS and Eskom in water-scarce Waterberg. The projected outcome of this project will be a supplementary 400 000m<sup>3</sup> increase in water supply to the Grootegeleuk mine, bringing our total allocation to 8 million m<sup>3</sup> per annum, and will enable the further development of the mineral and energy prospects in the larger Waterberg region. This project is planned for completion in 2026.

# Waste management

At Exxaro, we understand that mining activities create various waste streams, including but not limited to mining waste, general waste, hazardous waste and scope 3 GHG emissions through the transportation of waste. To address and manage these impacts, we develop policies and procedures that align with leading practices, ensuring we leave a positive legacy for future generations.

## We uphold our licence to operate through:

- Following a cradle-to-grave approach to waste management
- Encouraging innovative waste solutions
- Management procedures (including waste classification and reporting)
- Authorisation (waste management licences)
- Waste handling, transportation and disposal methods
- Waste efficiency reports
- Waste classification

**Our ultimate waste management goal is to attain zero waste operations through embracing a cradle-to-grave approach.**

## OUR APPROACH

The responsible and successful management of waste is critical to maintain our licence to operate and an important part of how we minimise environmental degradation. We have a group environmental policy and waste management standard for hazardous and non-hazardous waste. Our waste management standard enforces a hierarchy that promotes prevention, minimisation, reuse, recycling and energy recovery while ensuring safe waste disposal in line with the National Environmental Management: Waste Act, 2008 (Act 59 of 2008) and supporting legislation.

We regularly review our environmental policy and management standards to ensure they remain relevant and consistent with any changes or updates in legislation that could impact our operations. The policy was reviewed and updated in 2021 to focus on environmental issues.

Our environmental policy includes initiatives such as waste prevention, reuse, recycling, energy recovery and safe waste disposal to reduce environmental and health risks. Exxaro's BUS receive a rebate for recycling waste such as paper, used oil and scrap metals.

KPIs aligned with the FTSE Russell sustainability and ESG indices drive continuous improvements.

To ensure we align with leading practices, Exxaro also supports the:

- Proximity principle, which highlights a need to treat and/or dispose of waste in reasonable proximity to their point of generation
- Duty of care, which stipulates that the waste generator has a citizenship and ethical obligation to handle their waste properly and with care
- Precautionary principle, which requires the waste generator to take precautions to avoid environmental damage

As far as possible, we support a cradle-to-grave approach to waste management. This approach ensures we use waste from one process in another, reducing and ultimately eliminating the waste generated. We see this as an opportunity for the business that aligns with the concept of a circular economy. We continue exploring solutions that support this approach.

 See our off-the-road tyre case study on page 65 for more information.

Each mine is responsible for managing general and hazardous waste. In compliance with the South African Waste Information System, sites that produce more than 20kg/day must be registered and retain certificates of compliance with regulatory requirements.

Exxaro's operations do not have on-site waste treatment processes. Contractors clean oil and hydrocarbon spills and remove the waste to hazardous landfills. Medical professionals manage waste produced by our Matla and Grootegeuk on-site clinics.

We collaborate with government, research institutions and industrial partners to monitor technological developments of waste stream conversions that address climate change and job creation.

Exxaro takes part in discussion with Business Unity South Africa and Minerals Council, where waste-related issues are deliberated and shared with other mining companies. We participate in the Waste Industry Forum and waste management initiatives as directed by the DFFE.

Furthermore, we invest in waste management research and development to identify new technologies that ensure the safe handling of materials.

No waste-related grievances were lodged in 2021.

## Accountability and responsibility

The implementation of our policy and practices at an operational level is overseen by the sustainability manager supported by the senior environmental specialists and on-site environmental specialists, practitioners and interns under the leadership of the executive head: sustainability.

## HOW WE PERFORMED

Our waste management team focused on implementing initiatives to better classify, manage and reduce our waste across our BUs as we embrace our cradle-to-grave approach and the ultimate goal of attaining zero waste operations. Our waste streams were previously classified in 2013, and we intend on redoing this assessment to better classify and manage our performance.

Grootegeuk	Belfast	Matla	Leeuwpan	Renewable energy business
At Grootegeuk, our tyre waste project is ongoing. The temporary waste tyre storage area's fire protection system was finalised and the stacking was completed per the approved layout.	Our Belfast mine has waste handling contracts for general and hazardous waste, and a monthly on-site service that was awarded to local communities as part of Exxaro's ESD initiatives. A waste reporting dashboard system was established to track the volume of waste generated, recycled and disposed of off site to registered landfill.	Our Matla operation has established waste recycling stations, with sorting at the source, managed by an external service provider. The Matla team won the Evergreen award this year for reducing the cost of hazardous waste handling following training interventions. This award recognises various internal top performers.	At Leeuwpan, the optimisation of the sewage treatment plant was completed. The plant is operating more efficiently.	Material waste at Cennergi's two facilities include general waste, oil rags and used oil. Waste separation is implemented at source to increase recycling where possible and minimise the amount of waste going to landfill.

### General waste

Exxaro's general waste consists of recyclable domestic waste (including plastics, polymers, cardboards, metal cans and papers), non-hazardous recyclable industrial waste (rubber, steel and plastic industrial products) and inert, non-recyclable waste (such as rubble and demolition waste). Waste is separated at source and we appoint third-party specialised companies for the recycling, collection and safe disposal of our general waste.

### Waste recycling

Our recycling systems are managed by third-party specialised companies that offer training and skills development on the proper management of general waste and sorting between recyclables and non-recyclables. Our BUs receive rebates from selling scrap metals and conveyor belts. We also incorporate recycling initiatives into our SLPs to empower and uplift local communities where possible.

Following the revision of our waste stream assessment, we aim to improve our waste recycling targets. We plan to raise our recycling targets to achieve 80% to 85% diversion of recyclable waste to landfill sites. This initiative is targeted for 2025 and will explore alternatives, research and development technologies in waste reduction or avoidance, and opportunities for procuring new equipment that will enable us to support our commitment to the circular economy concept.

Our general waste recycled increased 7% in 2021 to 3 018t (2020: 2 914t), with a 5% increase in recyclable and reclaimed waste noted at Grootegeuk following targeted focus in this area.

### General waste materials

recycled (t)	2021	2020	2019
Ferrous and non-ferrous scrap	2 950	2 860	2 746
Paper	28	22	30
High-density polyethylene	34	29	42
Plastics	6	3	0
<b>Total</b>	<b>3 018</b>	<b>2 914</b>	<b>2 818</b>

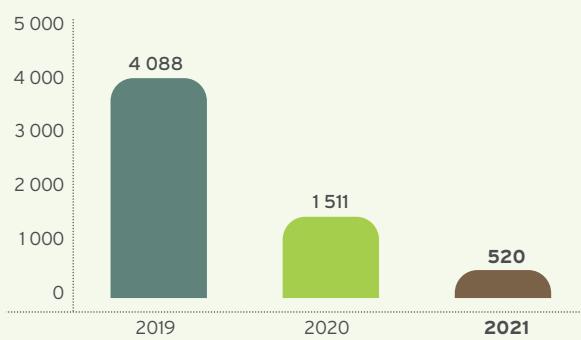
### Hazardous waste

Exxaro's BUs capture hazardous waste volumes monthly including contaminated soil, medical waste, used personal protective equipment (PPE) and sewage.

The total weight of hazardous waste generated at our managed coal operations and sent to landfill in 2021 decreased by 66% to 520t (2020: 1 511t). This is due to proper handling of hazardous waste and not mixing hazardous waste with general waste. This is also because ECC's\* waste figures are excluded in this reporting due to the divestment process.

\* Divestment concluded in September 2021.

### Hazardous waste sent to landfill (t)



### COVID-19 medical waste

We added COVID-19 medical waste (masks, gloves and screening waste) as a new stream of hazardous waste. We therefore had to rethink our approach to hazardous medical waste. This waste is disposed separately into medical waste containers and taken off site by our medical waste disposal contractor for incineration. The relevant disposal certificates are issued.

The additional FTSE KPI added in this reporting is total costs of environmental fines and penalties during the financial year.

There were no environmental fines and penalties issued for waste.

# Waste management continued

## FUTURE FOCUS

Looking ahead, our focus remains on:

- Improving our disclosure
- Finalising our environmental policy
- Updating our waste classification study to quantify the impacts of each waste stream, and identify methods to reduce, avoid and mitigate each waste stream, and the associated cost implications
- Raising our recycling targets to achieve 80% to 85% diversion of recyclable waste to landfill sites by 2025
- Upgrading and expanding the infrastructure at landfill sites
- Creating linkages between recyclers and recycling buyers using innovative technology
- Facilitating micro-enterprise training and development
- Facilitating access to funding



Waste management team at our Belfast BU

## CASE STUDY

### Grootegeluk waste tyre project

#### Applying our cradle-to-grave approach to waste management

Following a notice of non-compliance with the on-site storage of old used waste tyres, a waste tyre storage facility was built at Grootegeluk to ensure that our tyres are disposed of in an environmentally responsible manner. This facility had around 1 000 off-the-road waste tyres in a designated area with controlled access, stockpile and stacking plans, and fire prevention measures.

Ensuring that our waste disposal approach supports the circular economy principles, we have appointed a waste tyre processing company to generate value from our waste tyres. The contractor uses these old tyres to create rubber crumbs and chips used for various processes, creating value out of waste. For example, a coal substitute, tyre-derived fuel is created from waste tyre chips, used in industrial processes. All the historic tyres are removed and processed. Discussions around removing new tyres have started between Exxaro and the Waste Bureau.

This project helps us manage our historic and current waste tyres through applying the cradle-to-grave principle, which supports our environmental stewardship, ensures our environmental compliance and reduces our liabilities. This is taking Exxaro into a cradle-to-cradle principle in managing our waste. The waste management standard will be updated to apply the cradle-to-cradle principle.

The project will be rolled out to other BUS.

Performance	2021	2020
Waste tyres removed/processed	1 000	500



Waste tyres sorted by wear and tear at the Grootegeluk BU

# Biodiversity

Biodiversity loss caused by human activity is a fundamental risk to our urban and natural habitats and the ecological systems we rely on. Unmanaged, mining activities may impact these systems. It is an economic and ethical imperative for the industry, Exxaro, the communities that depend on biodiversity resources to prioritise its conservation. We do this through being understanding our impacts on biodiversity before we start any activity and continuous bio monitoring system and reporting as part of our environmental incident reporting. Our long-term goal is to be a low-impact, bio-regenerative organisation now and for future generations.

## We manage biodiversity through:

- Biodiversity management plans, monitoring and reporting
- Biodiversity standards
- Ecological efficiency reporting
- Environmental research and knowledge sharing

**As part of our Sustainable Growth and Impact strategy, we are committed to ensuring that our mines, co-exist in harmony with the surrounding natural environment.**

## OUR APPROACH

Exxaro is committed to ensuring the protection and conservation of biodiversity-rich ecosystems, including the protection of red data species, threatened and protected species and the management and control of alien invader species. Our efforts are aligned with the legislative environmental framework governed mainly by the National Environmental Management Biodiversity Act, 2004 (Act 10 of 2004).



Our renewable energy business manages biodiversity around its facilities through an operational environmental management programme, and aligns its approach with the Equator Principles and the IFC's Performance Standard 6 (IFC PS6) guidelines on biodiversity conservation and sustainable management of living natural resources.

Exxaro takes a holistic approach to biodiversity and is committed to:

- Cost-effective solutions
- Environmental responsibility
- Conservation of biodiversity-rich areas within the right mining areas, as far as possible
- Management of threatened red data species
- Control of category 1a, 2 and 3 invasive plants
- Integration of biodiversity into social impact studies

To achieve our biodiversity goals, Exxaro collaborates with key stakeholders including, among others, the:

- Mpumalanga Tourism and Parks Agency
- DFFE
- Limpopo Economic Development, Environment and Tourism
- DWS
- Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs

## Accountability and responsibility

Our biodiversity management programmes and stakeholder engagement efforts are managed by a balanced team from our operations and head office, including executives and mine management, as well as sustainability and environmental specialists.



*Indigenous flora protected by Exxaro's biodiversity policy*

## HOW WE PERFORMED

Pleasingly, no biodiversity-related grievances were lodged during the year.

### Biodiversity relocation and conservation programmes

Our programmes range according to the various biodiversity needs of our different BUs.

#### Baboon spider relocation



At Grootegeluk, our team, in close cooperation with the authorities, successfully relocated Baboon spiders and some protected succulent species as our mining footprint expands. This is not a project but continuous biodiversity vigilance for protected and endangered species. At Belfast, a similar project is scheduled for 2022, subject to the relevant permits being issued.

#### African grass-owl project



This project monitors the grass-owl population at Matla to ensure mining and associated activities do not impact the population. The project is ongoing and the grass owl count will be re-evaluated in 2022.

### Manketti Conservancy Area



The Manketti Game Reserve is one of our biodiversity projects surrounding Grootegeluk. The 22 000ha reserve optimises land use while protecting the operation's sustainability. Managed by Ferroland Grondtrust, a wholly owned subsidiary of Exxaro, the land was a cattle farm until 18 years ago when indigenous wildlife species were introduced. The thriving game reserve generates income from commercial hunting and game trading as well as accommodation provided by the Manketti Lodge. The reserve is home to many small and large predators as well as other animals. Due to its location and size, the reserve has a responsibility to maintain the ecological balance of the prescribed area and manage the land unimpacted by mining operations around Grootegeluk. This year, the reserve sustainably achieved the ecological stocking rate of wildlife and seen a drastic improvement in vegetation conditions.

# Biodiversity continued



Since 2016, Cennergi has implemented several biodiversity monitoring programmes including alien plant control management, birds and bat monitoring, off-site Cape vulture programme and on-site Cape vulture food management programme.

## Bat curtailment programme

Amakhala Emoyeni windfarm introduced a strategy to minimise bat fatalities due to bat fatality in line with our zero harm principle. This strategy includes a curtailment regime at the seven turbines identified as causing the most fatalities and considered bat activity patterns and weather parameters.

During the October 2020 to May 2021 curtailment programme, resulted in no bat fatalities showing early success of the intervention.

## Bird and bat monitoring programme

As part of our commitment to mitigating the impact of windfarms on avifauna, Cennergi has employed local carcass search companies since 2016 to undertake bird and bat fatality monitoring, in accordance with the South African Bird and Wind Energy Facilities Guidelines.

## Cape vulture management



Amakhala Emoyeni also supports the Eastern Cape vulture safe zone research programme implemented by the Endangered Wildlife Trust which aims to:

- Reduce Cape vulture fatalities on operational and proposed wind energy facilities
- Support and stabilise the local population by addressing key threats in the safe zone
- Establish the first safe vulture habitat within wind energy facilities and the surrounding landscape

One juvenile Cape vulture fatality was recorded in October 2021 attributed to the lambing season.

## Alien plant eradication

### Why this is important

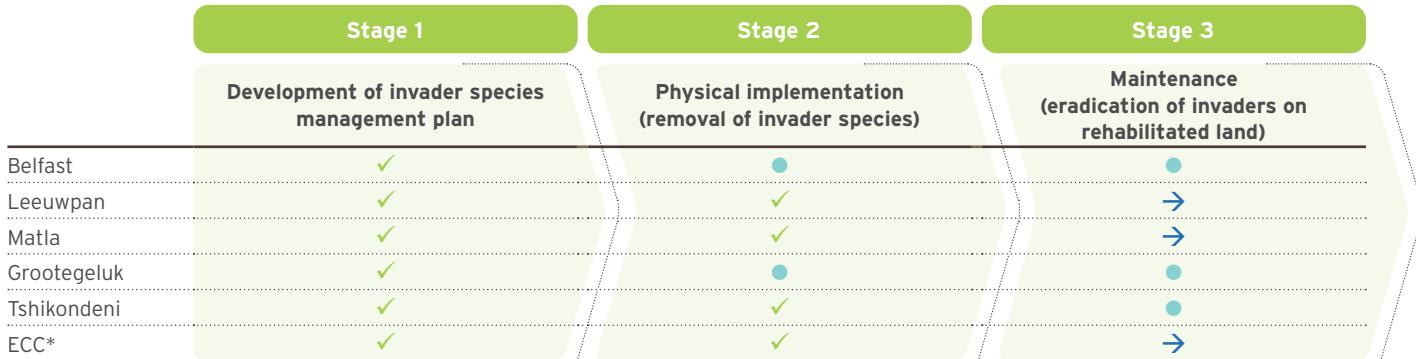
We monitor, control and eradicate invasive alien plant species found on our sites to avoid:

- Species diversity (biodiversity) decline
- Fauna changes as indigenous animals cannot feed or nest in the area
- Extinction of indigenous species (loss of genetic pool): pine, wattle and hakea trees prevent fynbos species from growing
- Greater risk of catastrophic events (fire and flooding) due to ecological imbalance
- Lower productivity of rangeland due to selective grazing
- Invasive alien plants causing soil erosion and consequent siltation of dams and rivers by consuming more water than indigenous flora
- Sandy and nitrogen-poor natural soil

### Positive outcomes

- Improved water quality and surface water runoff
- Flourishing indigenous vegetation
- Increase in species diversity
- Ensuring productive land is available

Our progress across our sites includes:



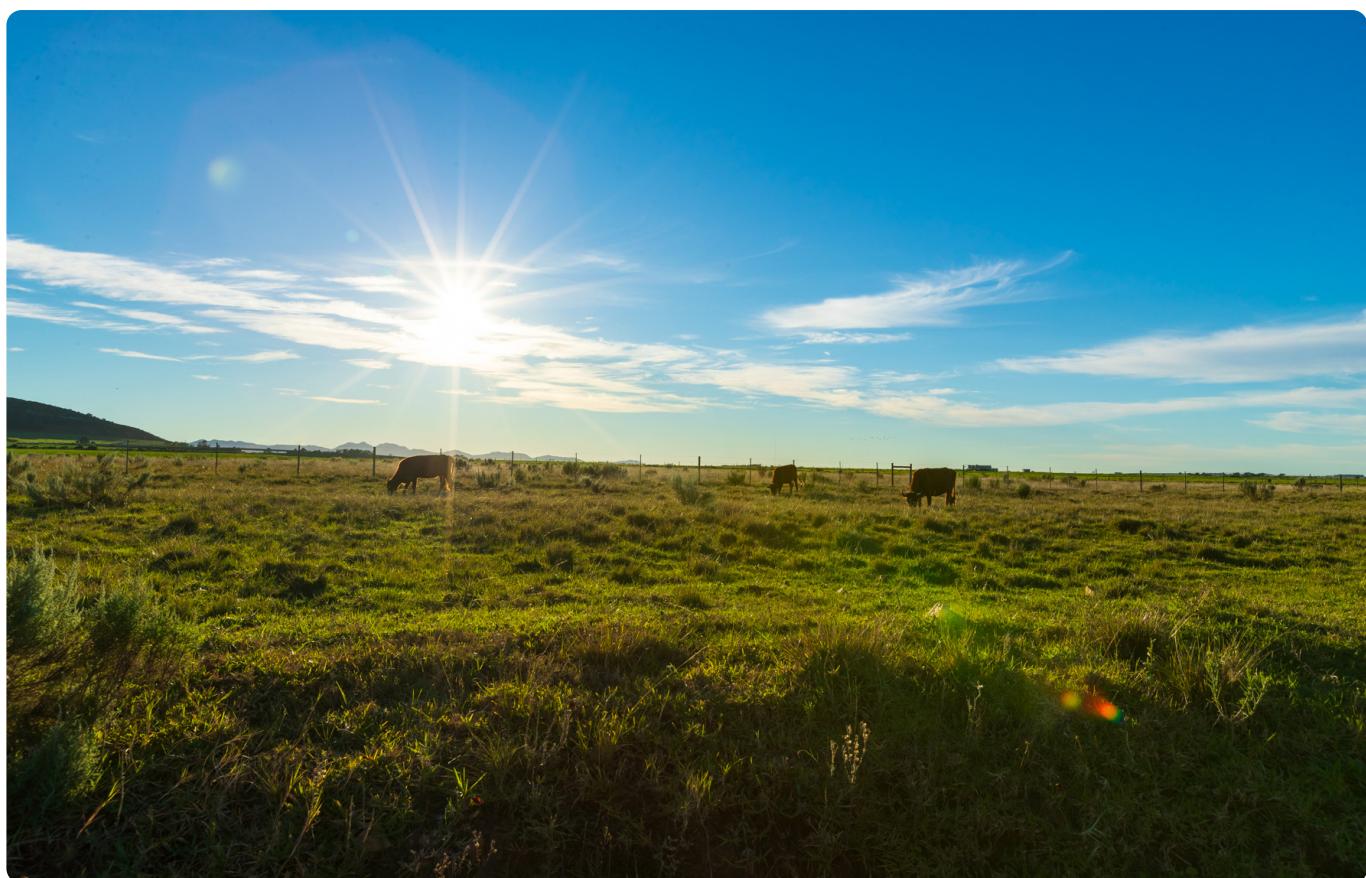
\* Divestment concluded in September 2021. Project will not be tracked and reporting.

✓ Completed     ● To commence in 2022     → Ongoing

Land cleared of invader plants (ha)	2021	2020	2019
Leeuwan	118	146	172
Matla	23	70	6
ECC*	0	4	0
Tshikondeni	264	198	0
<b>Total</b>	<b>405</b>	<b>418</b>	<b>178</b>

\* Divestment concluded in September 2021.

An alien eradication programme has been operating at Cennergi's windfarm operations since 2016. A local full-time contractor manages the programme and alien plant species within the operational boundaries. The Department of Agriculture, Land Reform and Rural Development issued a positive compliance letter following an inspection on declared weeds and invaders plants in September 2021.



Farmland around Cennergi's Tsitsikamma windfarm

# Biodiversity continued

## Pan research

Our Belfast operation appointed the Council for Scientific and Industrial Research (CSIR) to determine natural hydrological drivers and anthropogenic stressors of pans in the vicinity of the mine in 2019. Accordingly, we conducted wet season sampling in January 2020 in the mining right area to monitor this. We sampled and analysed 10 pans for physicochemical and chemical isotope parameters, while the benthic phytoplankton samples were analysed for diversity and dominance. Findings from the 2020 assessment compared to the 2019 report indicate that no deprivation occurred. We used this project to establish a baseline on the state of the pans prior to mining commencing and since then, an external reviewer undertakes monthly and quarterly monitoring of the pans. The need for a review of the outcomes of the research study will be undertaken in 2022.

## Wetland rehabilitation

Rehabilitation of the wetland system adjacent to the Belfast operation was completed in 2020. The primary rehabilitation interventions included establishing concrete and high-density polyethylene liner walls, constructing concrete drop inlet weirs, and backfilling the Klein Komati River's main channel to re-establish a channelled valley-bottom wetland. All interventions in the original rehabilitation plan were implemented and the process to recover the system is underway. Continuous monitoring of the system's functioning and the performance of implemented interventions took place in 2021 and will continue into 2022. To support this, a weir was installed along the wetlands at Klein Komati to help monitor flow through the wetland. Planning for phase two of the project will commence in 2022 and will look at improving the wetlands around the total Belfast mining right area.

At Grootegeluk, the proof-of-concept study for the seasonal pans in the LoM footprint area was completed, with six seasonal pans created using donor material from pans that will be lost to mining. The five-year monitoring programme will commence in 2022 so as to assess the success of this recreation and determine if these pans can successfully be recreated as part of future rehabilitation or offsetting.

Matla completed its wetland offset project in 2020 in line with commitments made to DWS to operate its water treatment plant. Ongoing maintenance was completed in 2021 and a contractor was appointed towards the end of 2021 to monitor the status of the rehabilitation work and maintenance work undertaken. The monitoring will be ongoing for 2022. The wetland rehabilitation project for Matla Mine 2 has been drafted and will be finalised in 2022 for implementation in 2023.

The implementation of the approved offset strategy at Leeuwpan, as part of the Block OI project, was once again delayed and planning is scheduled to begin in 2022.

## FUTURE FOCUS

As part of Exxaro's efforts to consolidate our biodiversity programmes, we will reassess our impacts in 2022 to identify specific targets and related KPIs to measure our performance.

To ensure compliance and continued conservation of areas around our operations, biomonitoring, the implementation of alien invasive control plans, and biodiversity management plans will commence at all BUs in the next financial year.

## CASE STUDY

### AMAKHALA EMOYENI BIODIVERSITY MONITORING AND MITIGATION PLAN (BMMP)



#### Safeguarding priority bird populations at Amakhala Emoyeni windfarm

In May 2021, Cennergi together with the IFC and WildSkies team, developed the BMMP to ensure no net loss of biodiversity, as defined in IFC PS6 for a project located within natural habitat.

The windfarm is located within the Drakensberg Montane Grasslands, Woodlands and Forests ecoregion and is classified according to IFC PS6 as it is situated within a natural habitat, despite not meeting any of the five IFC PS6 critical habitat criteria. However, 0.5% of the global Cape vulture population use an area within 50km of the windfarm for foraging during the summer months, exceeding one of the two threshold components of critical habitat criterion 1 and seven other IUCN Red List bird species also occur at the project site: blue crane, Denham's bustard, southern black korhaan, secretary bird, black harrier, tawny eagle and martial eagle.

The principal biodiversity risk at the windfarm is susceptible birds and bats colliding with rotating wind turbine blades. Our main objective is to identify those species at highest risk and establish fatality thresholds for adaptive management to safeguard these populations.

Bat fatality thresholds at Amakhala Emoyeni will be assessed against the South African bat fatality threshold guidelines (MacEwan et al, 2018;2021). The annual threshold bat fatality rate ranges between nine (in unfavourable climate and environmental conditions, eg drought years) and 38 (in more favourable climate and environmental conditions).

Nine species were classified as having zero fatality thresholds. These priority birds include Cape vultures, tawny eagles, black harriers, martial eagles, Denham's bustards, blue cranes, W-bellied korhaans, black korhaans and secretary birds.

#### Fatality reported

Any fatality is reported within 24 hours by the field search team leader to Amakhala Emoyeni's ecological consultancy.

#### Incident report

The ecological consultancy completes an incident report for Cennergi management within 48 hours.

#### Response plan

The incident is discussed between Cennergi management and the IFC/enders within a week, where the details and timing of any adaptive management response is to be agreed.

# Environmental liabilities and rehabilitation

We are committed to being a responsible mining partner. To achieve this, we approach mine closure from a holistic and integrated perspective, understanding that responsible mining practices continuously evolve, as we strive to deliver a lasting positive legacy while balancing environmental protection and social wellbeing with financial performance.

## We uphold our licence to operate through:

- Mine closure and concurrent rehabilitation procedures
- Integrated mine closure plans
- Financial provision
- Closure objectives (management plans)
- Mine closure impact assessments
- Concurrent rehabilitation, monitoring and reporting
- Closure and concurrent efficiency reports
- Land management procedures
- Operational land management plan
- Land disposal strategy
- Land management efficiency reports

**We see environmental rehabilitation as an opportunity to uplift our communities, leaving a positive legacy of alternative sustainable land use.**

## OUR APPROACH

Due to the complex nature of environmental liabilities and rehabilitation, Exxaro adheres to several legislative frameworks that guide our management and approach. All assessments were done according to relevant regulations.

We review mine closure and rehabilitation financial provisions every year. Rehabilitation plans and closure objectives are amended after environmental management programme performance assessments. Cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted. External auditors visit our sites, review documents and audit the provisions twice a year.

In 2021, we appointed consultants to compile reports on financial provisions for mine closure and rehabilitation. Except for ECC\* and Leeuwpan, our operations were assessed in line with the regulations for financial provision for prospecting, exploration and mining operations (GNR 1147), which were published in December 2015 and amended in September 2018 by the DFFE.

New draft regulations (GN 765 in GG 45058) were issued on 27 August 2021 for comments. The proposed regulations will repeal GNR 1147. Exxaro forms part of the Environmental Policy Committee chaired by the Minerals Council and is aware of a draft of Financial Regulations published for comments on 27 August 2021. Discussions between the Minerals Council and the DMRE on the proposed regulations are still in progress. We continue engaging with all relevant parties on the financial rules attached to the entire mining industry.

External assessments were done at ECC\*, Leeuwpan, Tshikondeni and Strathea in 2021. If the new regulations are promulgated, all BUs will be assessed annually from 2022.

While we review the provisions annually, we use cutting edge systems and tools to manage environmental liabilities and rehabilitation. This year, we introduced a business analytics service to track expenses against budgeted figures. The application provides interactive visualisations and business intelligence capabilities, enabling timeous mitigation measures to be applied to fast-track concurrent rehabilitation.



At Cennergi, an external consultant is appointed to review the financial provisions for facility closure and rehabilitation every third year. We consider amendments to rehabilitation plans and closure objectives based on periodic environmental management programme performance assessments. The cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted where necessary.

## Accountability and responsibility

The implementation of our policy and practices at an operational level is overseen by the sustainability manager supported by the rehabilitation team and on-site environmental specialists under the leadership of the executive head: sustainability.

\* Divestment concluded in September 2021.



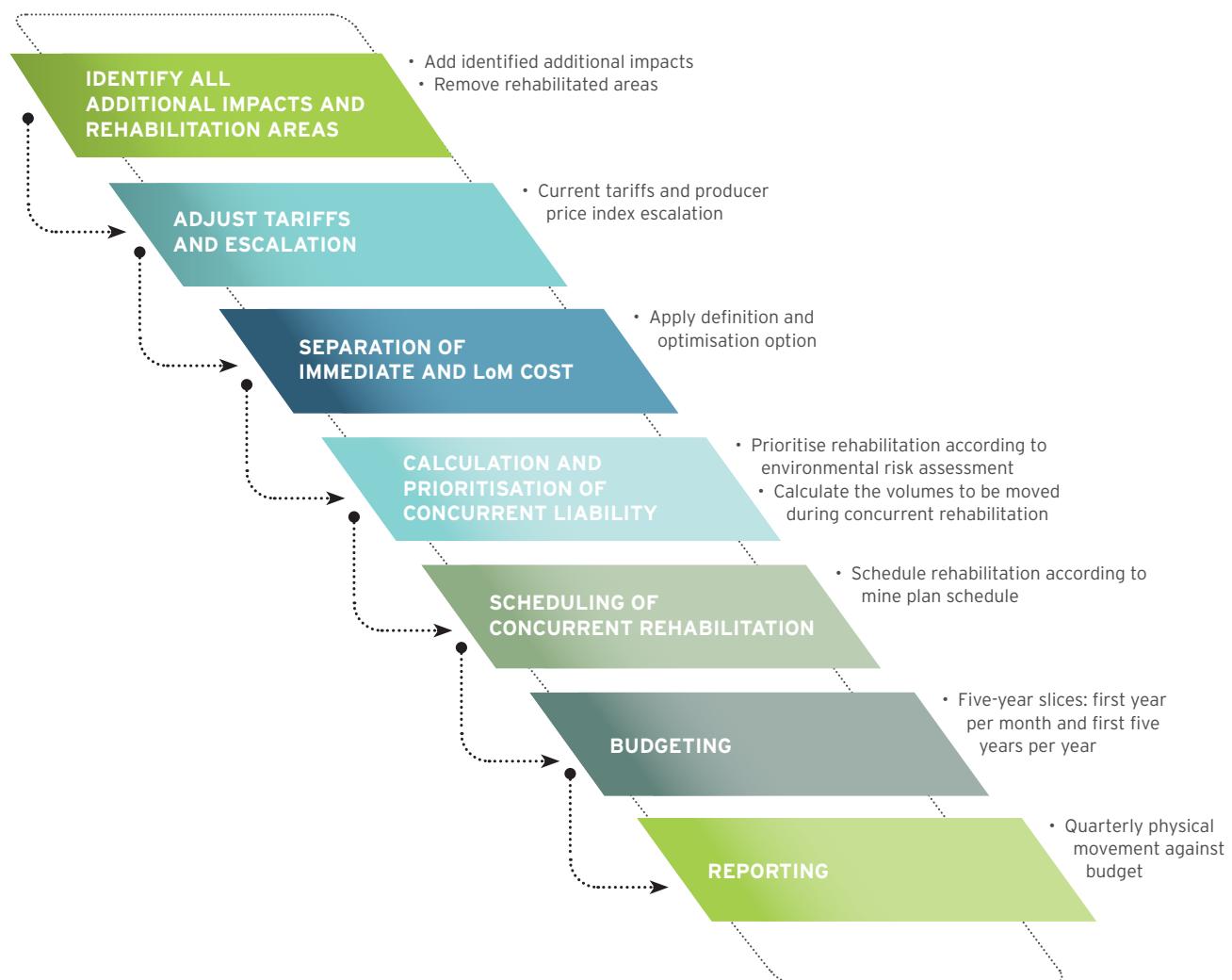
Blasting at Belfast

## HOW WE PERFORMED

Each BU has five-year conceptual concurrent rehabilitation plans, schedules and associated budgets to:

- Set measurable targets
- Avoid backlogs and related liabilities
- Enable managers to implement strategies without cash flow constraints
- Include concurrent rehabilitation in operational tracking

The annual environmental liabilities update is illustrated below.



Inspecting the boxcut at Matla LoM project

# Environmental liabilities and rehabilitation continued

Land disturbed versus land rehabilitated (ha) <sup>1</sup>	Land disturbed			Land rehabilitated		
	2021	2020	2019	2021	2020	2019
<b>Mpumalanga</b>						
Arnot		—	830	—		241
Belfast	600	679	479	0		
Dorstfontein East	—	556	544	—	17	17
Dorstfontein West	—	61	61	—		
Forzando North	—	275	275	—		
Forzando South	—	209	209	—		
Leeuwpan	1 693	1 294	1 202	65	56	56
Matla	1 164	1 163	1 073	356	356	356
Strathrae	223	223	223	121	161	161
<b>Limpopo</b>						
Grootegeluk	3 848	3 772.00	3 772.00	—		
Tshikondeni	198	198	198	139	139	139
<b>KwaZulu-Natal</b>						
Durnacol	334	334	334	147	147	147
Hlobane	1 220	1 220	1 220	1 105	1 105	1 105
<b>Total</b>	<b>9 280</b>	<b>9 984.00</b>	<b>10 420.00</b>	<b>1 933</b>	<b>1 981</b>	<b>2 222</b>

<sup>1</sup> ECC\* mines are removed from reporting due to the divestment process.

\* Divestment concluded in September 2021.

Disturbed area is the footprint of disturbed area and includes all buildings, roads and mining areas that need to be rehabilitated, according to the Environmental Management Programme. Rehabilitated area is the area rehabilitated up to the required standard of the Environmental Management Programme and the final land use plan at which point only maintenance and monitoring is needed.

On 31 December 2021, total land disturbed was 9 280ha (2020: 9 889ha) and total rehabilitated 1 933ha (2020: 1 981ha). Exxaro's Environmental Rehabilitation Fund (EERF) and additional bank guarantees provide for new developments and cover shortfalls in financial provisions.

The EERF's assets are managed in terms of asset and liability modelling aligned with risk, return and liability on each site. The objective is to maximise investment growth in the cost of liability provisions. An external specialist supports EERF trustees with technical skills required to profile and identify suitable structures for assessment by the trustees.

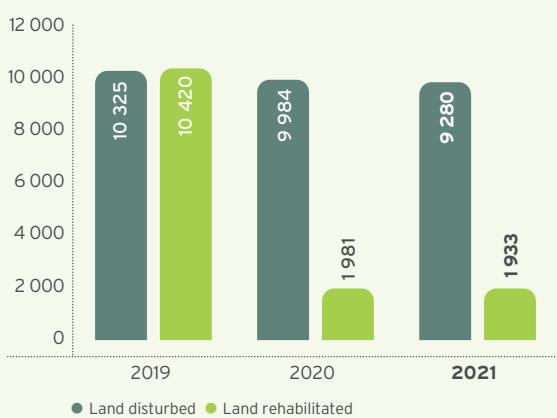
Current implementation includes:

- Two income building blocks benchmarked to cash rates and investing in government treasury bills, banks and corporate paper
- Three growth building blocks targeting inflation-linked returns and investment in insurance and bank-guaranteed products
- Equity-driven portfolios without explicit investment guarantees but portfolio managers controlling capital risk by managing volatility

Quarterly contributions to the EERF are based on closure cost estimates at LoM without considering any guarantees in place.

The Exxaro and the Matla rehabilitation trust funds (the funds) combined have shown growth of R261 million (2020: R249 million), mainly relating to cash contributions, interest earned on investments and fair value adjustments. The funds have grown by 13.0% (2020: 12.1%) from an opening balance of R2 006 million in January 2021 to R2 266 million in December 2021. In addition, Exxaro had bank guarantees of R3 606 million in place at year end. Updating these provisions twice a year highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of operations.

## Land disturbed versus land rehabilitated (ha)



## Liabilities

We are committed to rehabilitation beyond compliance. We believe it is our moral responsibility to conduct concurrent rehabilitation in a changing regulatory, economic and operating landscape.

## Estimated closure costs per operation

Calculation of rehabilitation cost is governed by relevant legislation (GNR 1147). It is conducted by independent technical and financial specialists, and our internal sustainability and finance departments, with expertise and experience in environmental management.

In 2021, our total unscheduled closure costs were R7 581 million (2020: R8 608 million).

BUs as at 31 December 2021	DMRE office	Estimated unscheduled closure cost (Rm)	Estimated residual cost (Rm)	Trust fund balance (Rm)	Guarantee (Rm)	Funding shortfall to be covered over remaining LoM (Rm)	Remaining operational LoM (years)
<b>COAL</b>							
Grootegeluk (including reductants area)	Limpopo	3 992	346	995	1 226	2 117	36
Thabametsi	Limpopo	1		12	885	(896)	
Belfast	Mpumalanga	552	124	619	80	(23)	12
Leeuwpan	Mpumalanga	649	191	178	277	385	8
<b>Coal – operational mines</b>		5 194	661	1 804	2 468	1 583	
Matla	Mpumalanga	672	307	94	972	(87)	20
<b>Coal – Eskom tied mines</b>		672	307	94	972	(87)	
Durnacol	KZN	255	13			268	
Hlobane	KZN	122	94			216	
Tshikondeni	Limpopo	13	6	219	49	(249)	
Inyanda	Mpumalanga	5				5	
Strathrae	Mpumalanga	13	85	112		(14)	
Paardeplaats	Mpumalanga				53	(53)	
Coastal Coal	KZN		11	5		6	
Arnot	Mpumalanga				28	(28)	
<b>Coal – other</b>		408	209	336	130	151	
<b>COAL – TOTAL</b>		6 273	1 177	2 234	3 570	1 646	
<b>OTHER</b>							
Cennergi – Amakhala	Western Cape	54				54	25
Cennergi – Tsitsikamma	Eastern Cape	33				33	25
FerroAlloys	Gauteng	5				5	20
Inactive sites		39		32	36	(29)	
<b>OTHER – TOTAL</b>		131	–	32	36	63	
<b>EXXARO – TOTAL</b>		6 404	1 177	2 266	3 606	1 709	



Revegetation as part of Matla's rehabilitation activities

# Environmental liabilities and rehabilitation continued

## Mine closure

Four Exxaro operations were in active closure in 2021, namely Tshikondeni, Durnacol, Hlobane and Strathrae (2020: five).

We understand that operational closure, concurrent rehabilitation, and land management activities directly connect employees, communities, the environment, government and infrastructure.

We are committed to:

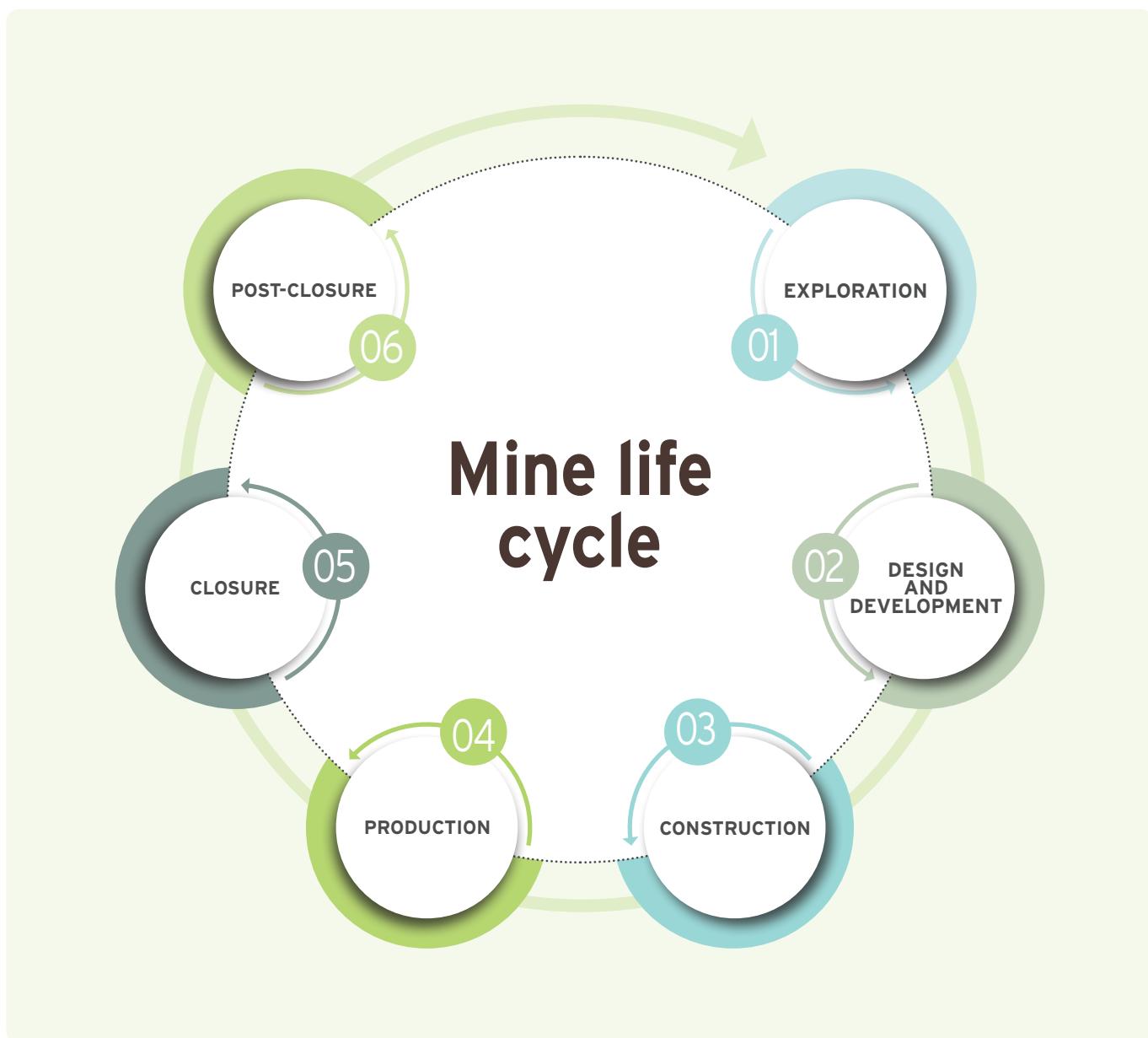
- Ensuring operational closure is inclusive and within legal framework parameters
- Proactively managing environmental impacts to minimise residual liabilities
- Leaving a positive legacy of alternative sustainable land use for employees and local communities
- Allocating financial resources required to ensure process conclusion
- Managing Exxaro's land according to agreed strategy

Our land management goals for 2021 included transferring 90% of post-mining land to emerging farmers in local communities by 2026.

We continued to create strategic partnerships with farmers to advance agri-economies in support of government's land redistribution policies.

## Integrated stages of mining and mine closure planning

Operational closure, concurrent rehabilitation and land management are part of Exxaro's operating philosophy and moral responsibility. We actively plan our operations with closure in mind, ensuring adequate financial resources are available to meet our rehabilitation commitments.



We also strive to integrate land and rehabilitation liability management in daily mine planning. This minimises final closure costs for each operation and optimises final land use after closure. All operations report concurrent rehabilitation KPIs every two weeks on Exxaro's Middle Eye platform.

The diagram below shows the 11 aspects that must be taken into account when closing a mine.



# Environmental liabilities and rehabilitation continued

## Social closure principles

The social aspects of mine closure are integrated into our approach. These include the following principles:

- Equip employees with portable skills to pursue alternative employment and participation in meaningful economic activity
- Develop and implement a communication plan for employees
- Employee training to implement and manage mine closure plans
- Address health and safety issues as well as employment opportunities for communities
- Socio-economic activities that must continue after mine closure
- Identify the needs and expectations of stakeholders and socio-economic impacts
- Assist host communities to acquire skills for commercial activities and infrastructure use after mine closure
- Ensure opportunities are available to improve quality of life
- Align closure with community expectations to honour SLP commitments
- Develop and implement plans for engagement with communities, government and NGOs, among others
- Help mine owners and operators achieve liability-free closure within a reasonable timeframe
- Management's commitment to implementing the closure plan



Cennergi reviews its financial provisions for facility closure and rehabilitation every three years, and considers amendments to rehabilitation plans and closure objectives, based on periodic environmental management programme performance assessments. The cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted where necessary.

## FUTURE FOCUS

We aim to:

- Embed rehabilitation and mine closure in our daily management of BUs
- Focus on rehabilitation standards that ensure sustainable alternative post-mining land use
- Set clear, measurable, concurrent and ongoing rehabilitation targets
- Build accountability into operational management KPIs
- Reduce or maintain financial environmental liability levels
- Introduce concurrent rehabilitation reporting
- Develop engagement and management plans with the decarbonisation team to incorporate rehabilitation into carbon-neutrality initiatives



Monitoring the impact of a river diversion at Matla mine



Matla mine LoM project

# SOCIAL

## Everything we do today ensures a safer and more productive tomorrow.

Our sustainability is built on mutually beneficial relationships and the values we share with our stakeholders. As such, we conduct our business activities in a way that promotes development and success for us and our stakeholders, ensuring we have a holistic, positive and lasting impact on our people, communities and society at large.

Our social approach to business is driven by our responsibility to be accountable for our actions and positively impact our people and communities. As such, our business activities promote social development in our communities and, as responsible corporate citizens, we strive for operational efficiency, growth and regulatory compliance.

We are guided by our Sustainable Growth and Impact strategy, supported by individual people, community and human rights-related strategies and policies, as outlined below. Our commitments include endorsements of several external voluntary standards, charters and principles, including the UNGC and SDGs. We also consider the long-term perspectives of government strategies such as the 2030 National Development Plan and integrated development plans of the local municipalities where we operate.

Our activities align with South African mining industry regulations and actively participate in many industry channels, including the Minerals Council, Business Unity South Africa and Business Leadership South Africa.

We monitor legal and parliamentary processes to clarify the intent and standing of the Mining Charter III and remain committed to complying with its letter and spirit.

Our social commitments fall under the following three areas, each supported by specific strategies and policies:

People  (page 82)	Communities  (page 108)	Human rights  (page 128)
<p><b>People strategy:</b> Guides our employee engagement approach</p> <ul style="list-style-type: none"><li><b>Safety strategy:</b> Drives our commitment to zero harm</li><li><b>Health and wellness strategy:</b> Emphasises a preventive and employee-driven approach to managing health and wellness</li><li><b>Employee relations strategy:</b> Guides our approach to managing employee needs and expectations</li><li><b>Talent management strategy:</b> Ensures we have the right skills and people</li></ul>	<p><b>Community strategy:</b> Manages community and socio-economic development activities</p> <ul style="list-style-type: none"><li><b>Community development strategy and Impact at Scale approach:</b> Establishes inclusive, collaborative, cross-sectoral platforms, initiatives and partnerships to achieve systemic socio-economic impact</li><li><b>ESD strategy:</b> Defines our approach to driving Impact at Scale and ESD</li></ul>	<p><b>Human rights approach:</b> Guides us in upholding and protecting the dignity of people</p> <ul style="list-style-type: none"><li><b>Labour and human rights policy:</b> Outlines our human rights position and intent</li></ul>

In this chapter, we report on our progress during the year in achieving our social impact objectives, including our commitment to societal stakeholders, our impact on social and relationship capital, and how our projects support our Sustainable Growth and Impact strategy.

### Highlights

- Record five consecutive years fatality-free
- 12 791 employees and 2 452 community members vaccinated
- Three-year wage agreements concluded with four unions
- Disbursements of R85.8 million to ESD beneficiaries
- Cennergi:
  - Zero community unrest
  - Zero COVID-19 loss of life
  - Buy-in of safety indaba by all contractors

### Lowlights

- One high-potential incident (HPI) at Grootegeluk mine
- COVID-19 loss of life
- Delays in SLP approvals
- Community procurement process protests
- Cennergi: One lost-time injury (LTI)



A timely reminder to employees to vaccinate during Exxaro's vaccination campaign

# People

Our people are the central pillar of our labour-intensive mining business. Without them, Exxaro cannot thrive. As our sustainability and productivity are inextricably linked to their holistic wellbeing, we are dedicated to protecting their safety, health and wellbeing, personal development, and other needs and expectations of our people.

We uphold our licence to operate through our people and diversity and inclusion strategies, alignment with and commitment to internal policies, and our employee value proposition (EVP).

**We inspire our people and guide them toward a meaningful purpose while creating new opportunities, appreciating that change is inevitable.**

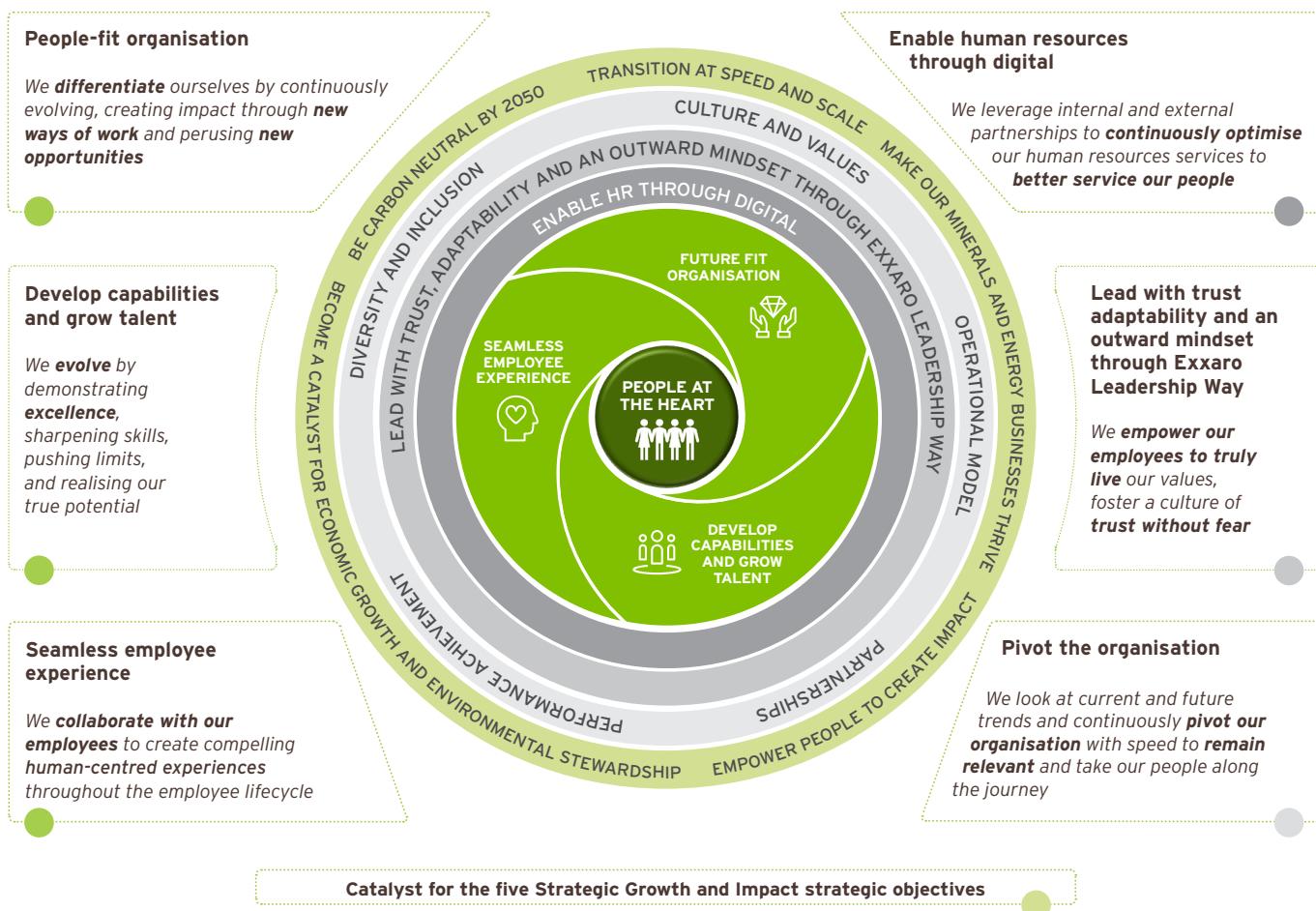
## OUR APPROACH

Our people and partners have the capabilities, mindset, environment and passion to achieve our purpose, and we as a company can build on each other's creativity and experience. We have several measures to ensure we empower our people to create impact.

The board, supported by the SERC, has ultimate accountability for our people's health, safety, engagement and development. The executive head: human resources, supported by various management departments, is responsible for developing and implementing employee-related strategies.

### Our people strategy

Our robust people strategy is the foundation of our employee engagement approach. The strategy is based on six pillars:



These pillars are underpinned by a commitment to a people-fit organisation, developing capabilities and to enable human resources through our purpose to power better lives in Africa and beyond.

## Our commitment to safety, health and wellness (pages 84 to 94)

The safety, health and wellbeing of our employees and host communities remain a priority. We strive to achieve zero harm through collective responsibility, commitment and risk awareness.

## Employee engagement and talent management (pages 95 to 107)

Our Sustainable Growth and Impact strategy is a strategic and tactical response to the dangerous effects of climate change. We aim to grow our organisation through investments in low-carbon minerals and renewable energy while creating positive impact for people and our natural environment, and supporting a just transition for people and communities.

By embedding our culture – the behaviour we expect from all employees – throughout the business, we are geared to deliver on our Sustainable Growth and Impact strategy as it evolves.

We are mindful that our journey has an impact on our people. To negate any negative impacts, we have a robust EVP, supported by our diversity and inclusion strategy through the co-creation of an innovative and agile work environment. Value-adding people solutions afford a fulfilling work experience with growth and development.

We also maintain sustainable human resource governance with a comprehensive suite of policies covering employment, diversity and inclusion, racial and sexual harassment, labour relations, occupational health and safety, training and education, among others.



Cennergi's two operations are SPVs without management or employees but a management service agreement with Cennergi. The majority of Cennergi's employees are hired by two contractors who have 10 and five full-time employees on site at Tsitsikamma community windfarm and Amakhala Emoyeni windfarm respectively. These contractors use various sub-contractors for specific maintenance activities. Other local contractors support various environmental programmes on the sites. Cennergi maintains human resources governance by applying a comprehensive suite of policies.



Exxaro employed 18 813 people (2020: 22 466) – 35.84% full-time employees and 64.13% contractors. The significant fluctuation in the number of employees over the past year is a reflection of the sale of ECC\*.

\* Divestment concluded in September 2021.

For detail on our human capital-related performance, refer to the sections that follow.



Exxaro's top performing office professionals during our recent recognition awards

# People continued

## SAFETY

Safety remains a top priority for us due to the nature of our operations. We have a moral and legal obligation to ensure that all employees return home unharmed at the end of each workday, and continuously monitor and improve our safety measures.

**We uphold our licence to operate through** our safety strategy, abiding by basic conditions of employment and ensuring the safety of our people and communities.

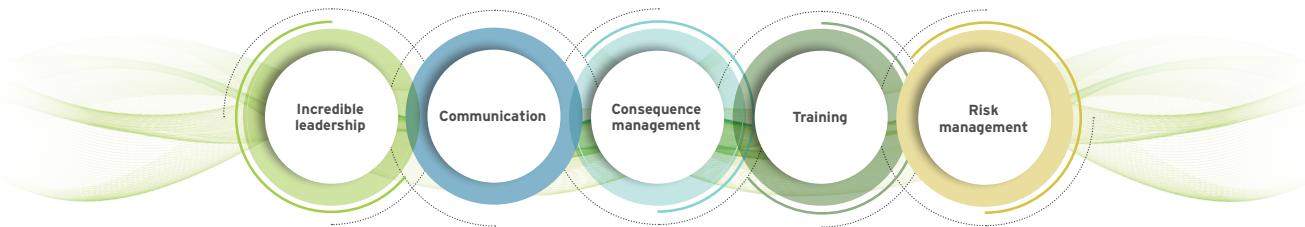
### We have a long-standing track record of prioritising safety on our operations.

#### Our approach

Safety is explicitly linked to our strategic objective: make our minerals and energy businesses thrive. To deliver on this, we have an effective safety strategy, supported by our response to safety incidents, reducing as well as eliminating safety-related risks.

#### Our safety strategy

We are guided by our safety strategy in our efforts to achieve zero harm, focusing on five areas:



We review the strategy annually and the focus areas have been reviewed and judged appropriate each year since their institution in 2009. We also review our safety targets every year based on prior performance, and apply stringent management protocols, programmes and systems.

#### Accountability and responsibility

While ultimate responsibility for safety lies with our people, accountability for their safety is built into leadership and governance structures, and ultimately rests with the board.

Health and wellness is an executive KPI under the strategic objective: make our minerals and energy business thrive.

In terms of the MHSA and OHSA, our BUs select management and operators as safety and health committee representatives. Each BU tracks adherence to standards and legislation through a safety improvement plan of self-assessments and corporate audits.

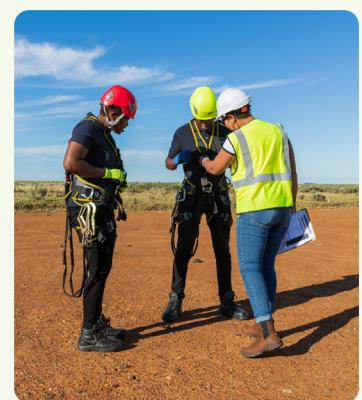
Our BU management team investigates all safety incidents, and a skilled committee, headed by an independent chairperson, investigates fatalities and HPIs.

Exxaro reports investigation findings, in particular HPI and fatalities, to the executive committee and RBR committee, and escalates these to our board.



Cennergi prioritises the health, safety and wellbeing of employees and contractors with zero harm as a key objective. We have robust policies and procedures for health and safety, aligned with South African legislation and international standards. Risk assessment and hazard identification are critical in ensuring a safe working environment and mitigation against potential hazards. Cennergi's operations are governed in terms of the Occupational Health and Safety Act, 1993 (Act 85 of 1993) with the CEO and head of operations designated as persons accountable for the health and safety of employees and visitors, and for selecting management and operators as health and safety committee representatives. Our health and safety officer conducts site safety reviews at least once a month. In addition, in terms of our finance agreement and legislation, an independent health and safety consultant conducts external audits every quarter. The group also conducts an annual operations and health, safety and environment external audit.

Cennergi supports local contractors' health and safety requirements as part of our supplier development initiatives. We encourage everyone on our sites to openly report and prevent safety risks. Together with our contractors, we plan to further enhance our focus on safety in 2022.



Cennergi's technical and safety team at the Tsitsikamma community windfarm

## Risk reduction and elimination interventions

We conducted corporate safety management standard audits across the group	Our Khetha Ukuphepha campaign continues to play a fundamental role in our efforts to ingrain a sense of personal responsibility for safety across the group
We held BU safety indabas in the third and fourth quarters of 2021, when it was critically important to remain focused on safety	<p>Our Leadership Safety Day led by the Chairperson of the board, took place on 12 October 2021. The importance of the Leadership Safety Day is:</p> <ul style="list-style-type: none"> <li>• To afford executive committee members the opportunity to engage with employees and have conversations about health and safety</li> <li>• To give the executive committee an opportunity to demonstrate their commitment to the zero-harm vision</li> <li>• To congratulate all employee and contractors on the excellent 2020 safety performance</li> </ul> <p>As part of the build-up to this day, each executive committee member has recorded a video message on a specific risk awareness focus area. These recorded messages have been broadcast on virtual platforms across the group since August 2021.</p>
Our annual sustainability summit, which emphasises the importance of safety, was regrettably not held in 2021 due to COVID-19 concerns but will continue in 2022	We analysed serious safety incidents from 2012 to 2021 and lessons learned was communicated across by dedicated executive committee members

## How we performed

We are proud of our safety performance during the year; a true reflection of our commitment to our people's safety.

### Safety incidents

Our 2021 safety targets	How we performed
Zero fatalities	Five consecutive years fatality-free (as at 3 March 2022)
Zero HPIs	One HPI
LTIFR of less than 0.08	0.08 LTIFR which was on target

Safety performance	2021	2020	2019
Fatalities	0	0	0
HPIs	1	3	0
LTIs	12	9	26
LTIFR	0.08	0.05	0.12

Cennergi has a strong health and safety record, having achieved zero fatalities since we began operating in 2014.



External compliance audits are conducted quarterly by Safetech. Tsitsikamma community windfarm and Amakhala Emoyeni windfarm achieved average scores of 97% and 98% respectively in 2021.

Two reportable health and safety near misses were reported to the DOL during the year.

In November 2021, an LTI was recorded at Amakhala Emoyeni after a contractor's employee was electrocuted while testing a pads-mounted transformer. We conducted a thorough investigation of the incident, supported by our CEO, head of operations, operations engineer and the various contractors involved. The incident was discussed and reviewed with the Exxaro health and safety team, and the results were shared with the Cennergi and Exxaro boards.

## Incident analysis results

The leading causes of incidents and sources of safety risk have remained consistent from 2012 to 2021. These are:

- Trackless mobile machinery
- Fall of ground
- Energy and machine isolation
- Lifting and material handling
- Poor risk awareness and discipline

To highlight these high-risk and high-consequence areas, each cause is assigned to an executive team member. Executives publicly engage with stakeholders across our operations about the importance of care and caution in each instance.

# People continued

## Grievances and DMRE notices

The DMRE issued two section 54 notices (mining activity stopped) and two section 55 notices (mining in affected area stopped) (2020: three), resolved amicably and all activities resumed

No safety-related grievances were raised against Exxaro in 2021

## Benchmarking against industry standards

The group performed well compared to industry averages.

### Training

G-MIRM	Safety representatives	On the job	Renewable energy business
We rolled out Global Minerals Industry Risk Management (G-MIRM) training for leadership and front-line employees in 2021.  G-MIRM training improves hazard identification and effective decision making.  It also provides a common language for risk management and safety.	We continuously train our safety representatives to empower them.	We provide continuous on-the-job training to ensure well-trained people are in suitable positions.	Every employee and visitor at a Cennergi facility must complete safety induction and mandatory safety training every year.  Cennergi also conducts daily toolbox talks and safe-task instructions, weekly sessions on specific risks and annual safety awareness days.  In addition, two safety indabas were held in October 2021 to entrench safety-related conversations in the company culture.
330 employees participated in G-MIRM training	182 employees attended safety representative training	All employees receive on-the-job training	All contractors at the operation participate in ongoing safety training as part of the induction requirements

## Future focus

In 2022, we aim to continue delivering an encouraging safety performance. Our objectives are to record:

- Zero fatalities
- Zero HPIs
- Further reduction in our LTIFR (38% year on year reduction) LTIFR for 2022 set at 0.06

## CASE STUDY

### Khetha Ukuphepha



Khetha Ukuphepha, translated as "choose safety", highlights our efforts to achieve zero harm across the group.

As the cornerstone of our zero harm pledge, the campaign ensures that every employee adheres to strict safety standards and returns home unharmed every day.

One of its strategic initiatives is communicating and emphasising the importance of individual safety by educating employees about potential hazards such as machinery, dust inhalation, silicosis, TB and seemingly harmless obstacles like noise or fatigue.

## CASE STUDY

High-risk area executive videos

### Key Safety Risk: Structural Failures.



**Johan Meyer**  
Executive head:  
Projects and  
technology



"The best measure in preventing energy and machinery isolation incidents is to always approach all equipment as if it is live."

**EVERY DAY COUNTS**  
Khetha Ukuphepha

### Key Safety Risk: Energy and Machinery Isolation



"Change can be planned or unplanned. It can be permanent, or it can be temporary. Either way, the identification of SHE related risks and additional controls and actions required must be undertaken before the change is implemented."

**EVERY DAY COUNTS**  
Khetha Ukuphepha

### Key Safety Risk: Management of Change

**Mzila Mthenjane**  
Executive head:  
Stakeholder  
affairs

**Itumeleng Lebepe**  
Chief risk officer

"Let us re-commit to our safety pledge and the ethos of the Khetha Ukuphepha campaign, in honour of our zero-harm vision."

**EVERY DAY COUNTS**  
Khetha Ukuphepha

### Key Safety Risk: Trackless Mobile Machinery (TMM)

**Mongezi Veti**  
Executive head:  
Sustainability

"As per our safety improvement plan, consequence management is essential in ensuring that there is accountability and collaboration on the part of both our leadership and employees?"

**EVERY DAY COUNTS**  
Khetha Ukuphepha

### Key Safety Risk: Consequence Management

**Vanisha Balgobind**  
Executive head:  
Human resources

"Let us re-commit to our safety pledge and the ethos of the Khetha Ukuphepha campaign, in honour of our zero-harm vision."

**EVERY DAY COUNTS**  
Khetha Ukuphepha

### Key Safety Risk: Fire Incident

**Riaan Koppeschaar**  
Financial director

# People continued

## HEALTH AND WELLNESS

Employee health and wellness contributes significantly to improving quality of life, employee morale, productivity and safety performance - all critical for productivity and sustainability in the mining industry.

We uphold our licence to operate through our health and wellness strategy, abiding by the basic conditions of employment and remaining compliant with industry and regulatory standards. Through this, we ensure the health and wellbeing of our people and communities.

**The health, resilience and wellbeing of our workforce are critical for their productivity and thus the sustainability and growth of our business.**

### Our approach

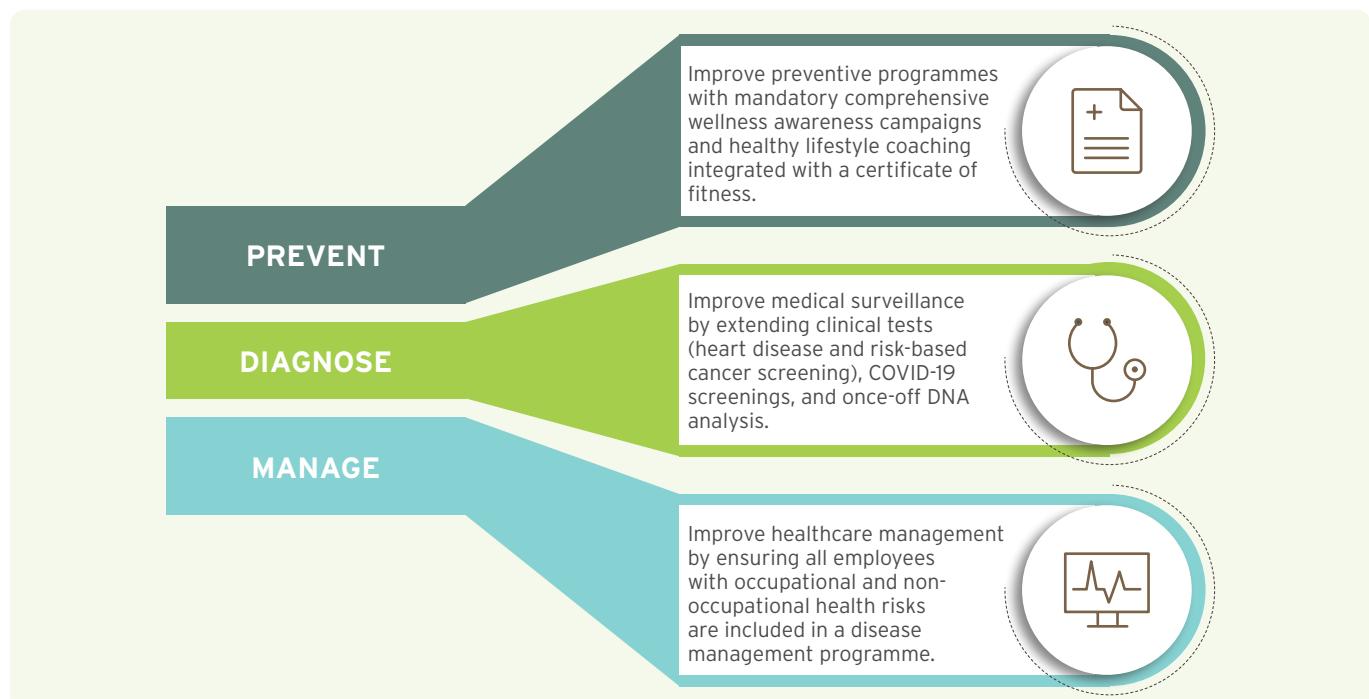
We have several measures to ensure the health and wellness of our people and communities, including, among others, our response to COVID-19, foregrounding mental health and consideration of the basic conditions of employment required by legislation. Our health and wellness strategy guides our approach to managing health and wellness throughout the business.

### Health and wellness strategy

This strategy drives our continued management of health and wellness in the group. It emphasises a preventive and employee-driven approach, and aligns our health and wellness portfolios for a holistic and integrated management programme.

The strategy identifies occupational and non-occupational health risks and their causes, solutions to mitigate these risks, impacts of the risks on the business, and the best approach to ensure an environment that empowers employees to manage and protect their health.

We base our approach to health and wellness on three pillars: prevent, diagnose and manage.



Mobile clinic visits Grootegeluk mine for a breast cancer awareness campaign

### Integrated wellness strategy

Exxaro's integrated wellness strategy is a collaborative and holistic approach to employee wellness. It has eight dimensions, and our focus for 2021 was on implementing three dimensions. All employees attend an employee wellness programme (EWP) services awareness session during induction through MyNexxt. The EWP is well established and is key in our EVP. Details on our performance are on page 93. 



### Accountability and responsibility

The board is ultimately accountable for our health and wellness strategy. Responsibility and accountability for implementation is cascaded from executive to mine manager level.



Although the COVID-19 lockdowns were implemented to protect our health, they brought about a level of wellness-related stress and a change in the way we work. In response to this, a key focus for Cennergi in 2021 was to support employee health and wellbeing through the new normal.

We made counselling available to employees, and they were encouraged to use the Exxaro EWP.

We hosted a wellness day in November 2021, where we tested employees' biometrics, blood types and eyes, and provided vitamin shots and dietary advice.

We also celebrated World Mental Health day and Breast Cancer Awareness month when employees received pamper packs.

# People continued

## How we performed

During the year, we achieved positive health and wellness outcomes. Among others, we successfully managed the impact of COVID-19 on our business, rolled out an employee assistance programme (EAP) and certificate of fitness, and made significant headway in foregrounding mental health issues. Unfortunately, we faced several challenges, including permits for our COVID-19 laboratory and employees' hesitancy regarding vaccines.

## Our response to COVID-19

COVID-19 remained a significant health risk during the reporting period. Our response, in line with our health and wellness strategy, has prioritised preventing, reducing and managing infections.

As at 31 December 2021, the group had 6 816 confirmed (310 active) cases and a recovery rate of 95%. We remain committed in our fight to prevent further loss of life to implement COVID-19 preventive measures in line with government regulations and recommendations.

	Exxaro	Cennergi	Mining industry	South Africa
Confirmed cases	6 797	19	62 519	3 603 856
Cases as percentage of workforce	47	21	13	6
Active cases as at 31 December 2021	33	0	408	65 299
Fatalities	33	0	744	95 022

## Overview of COVID-19 initiatives

At the start of 2021, we:

- Enabled working from home where possible
- Opened the conneXXion to 30% capacity at a time
- Developed return-to-work procedures with rigorous screening and testing
- Established a COVID-19 support call centre
- Continued EAP counselling services
- Provided isolation facilities for employees who tested positive
- Limited business travel

On 15 June 2021, the South African government enforced stricter restrictions to curb rising infections. In response, we reinstated previously relaxed initiatives such as:

- Closing the conneXXion and restricting the use of external venues
- Limiting international travel and movement between BUs at the discretion of the executive head

## Testing and support of infected employees

By mid-December 2020, all BUs had developed their respective return-to-work procedures. BUs drafted these procedures in line with government's guidelines on COVID-19 for employers. BUs also adopted a staggered return-to-work approach to ensure on-site occupational health centres and laboratories were not overwhelmed. In the last quarter of 2020, we doubled capacity of our two laboratories to manage high test numbers.

We conducted rigorous screening and mass testing of asymptomatic and symptomatic employees at entry and intermediary medical examinations.

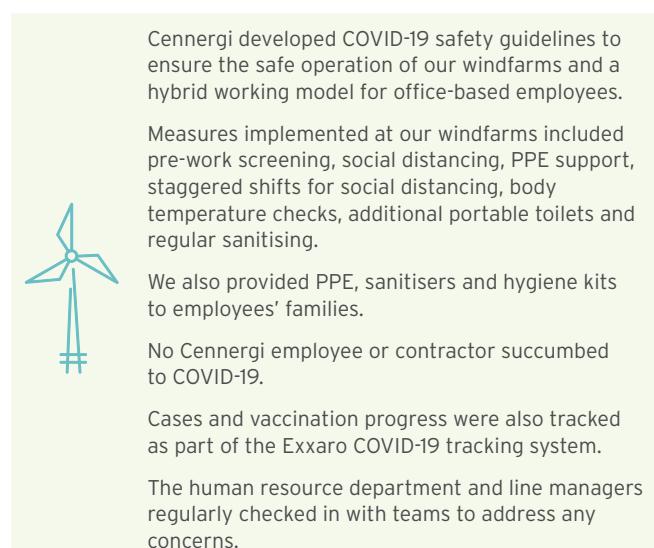
We also provided oximeters across the group to measure blood oxygen levels and heart rates of employees who tested positive for COVID-19 until they recovered. When there was cause for concern, we alerted our occupational medical practitioner. In addition, our occupational health centres distributed nutritional supplements to infected employees.

Exxaro encouraged employees to use our approved and paid-for quarantine and isolation facilities to recuperate in a safe environment under medical practitioner surveillance.

Our 24-hour COVID-19 call centre, operated by health practitioners, supported infected employees with relevant information and an emergency response service.

On 28 February 2021, government relaxed restrictions as infections decreased but, anticipating the third wave experienced by other countries, we optimised our approach to include a combination of antigen and polymerase chain reaction tests.

Our laboratory at Matla has not yet received a permit to test local community members.



## Entrenchment of COVID-19 compliance

We:

- **Appointed COVID-19 compliance officers** in line with the Disaster Management Act, 2002 (Act 57 of 2002) as the primary drivers of COVID-19 protocol compliance and behavioural change at operations where officers oversee the relevant risk assessments and codes of practice
- **Appointed internal safety inspectors** across all BUs to drive COVID-19 compliance
- **Empowered SHE representatives** to drive compliance and share information about COVID-19 through toolbox talks and periodic workplace inspections

At the beginning of 2021, we embarked on a campaign to further communicate and entrench primary preventive measures. This campaign focused on changing behaviours, such as attending funerals and participating in mass events, which spread COVID-19. These messages were aligned with Exxaro's culture of responsibility and ownership of actions that could lead to infections.

## Our vaccine journey

### Vaccination highlights

- 10 789 of employees and contractors vaccinated
- Public-private partnership with departments of health in Limpopo and Mpumalanga (vaccination drives)
- Partnership with Dis-Chem to vaccinate Gauteng employees and their next of kin
- Executive committee approved COVID-19 vaccination procurement and funds
- Registration of the Matla and Grootegeluk occupational health centres as primary vaccination centres
- Training health workers to vaccinate
- We achieved a vaccination rate of 81% as at 31 January 2022 compared to the mining industry rate of 73%
- We also had no COVID-19-related deaths in the fourth wave

On 11 January 2021, the president announced the country's COVID-19 vaccine strategy, stating that 67% of the population (40 million people) would need to be vaccinated to achieve herd immunity.

The national vaccine roll-out programme began in mid-February with the Sisonke programme using a single dose of the Johnson & Johnson vaccine. A month into the programme, government announced that companies could register for on-site vaccination of employees.

In May 2021, our executive team approved our vaccination programme, in line with government's guidelines, and we purchased the Johnson & Johnson and Pfizer vaccines for our employees, contractors and their families.

### Occupational health practitioners

Exxaro's 40 healthcare workers registered with the National Department of Health as vaccinators, and were trained and vaccinated against COVID-19 during the first phase of government's vaccine roll-out programme.

### Registration of Exxaro health centres

The Grootegeluk and Matla occupational health centres were registered and approved as primary vaccination sites by the National Department of Health, and received permits in terms of the Medicines and Related Substances Act, 1965 (Act 101 of 1965).

### Electronic vaccine data system

Exxaro's occupational health centres have access to an electronic vaccine data system so that employees can be registered as a group by human resources. This ensures that employees are efficiently allocated for vaccination at the appropriate health centre.

As of 31 December 2021, we successfully vaccinated all our healthcare workers, and 74% of employees and contractors. Our vaccination sites were opened to local communities and 2 465 community members were vaccinated.

### Communication

We had ongoing communication campaigns and digital masterclasses on vaccination led by our medical health practitioners.

### COVID-19 partnerships

The COVID-19 third wave led to public and private hospitals experiencing an influx of patients. In response, we entered into an agreement with Thungela Resources to use their hospital in Emalahleni, Mpumalanga, for employees and contractors needing hospitalisation and treatment.

In collaboration with Limpopo and Mpumalanga health departments, we provide equipment and resources (such as gazebos, chairs and marshals) for on-site vaccine roll-out programmes while the departments supply vaccines, vaccinators and pharmacists.

We also partnered with Dis-Chem to administer vaccines at the conneXXion for employees and their family members in Gauteng.



COVID-19 communications at Grootegeluk mine

# People continued

## EWP

The EWP is part of the Exxaro integrated wellness strategy. It provides employees with an external counselling service to address psychosocial, legal, financial, emotional, family, work-related and substance abuse issues. These EWP services were extended to contractors at the onset of COVID-19. We also finalised the integration of the certificate of fitness and EWP.

### Implementation of the integrated wellness strategy

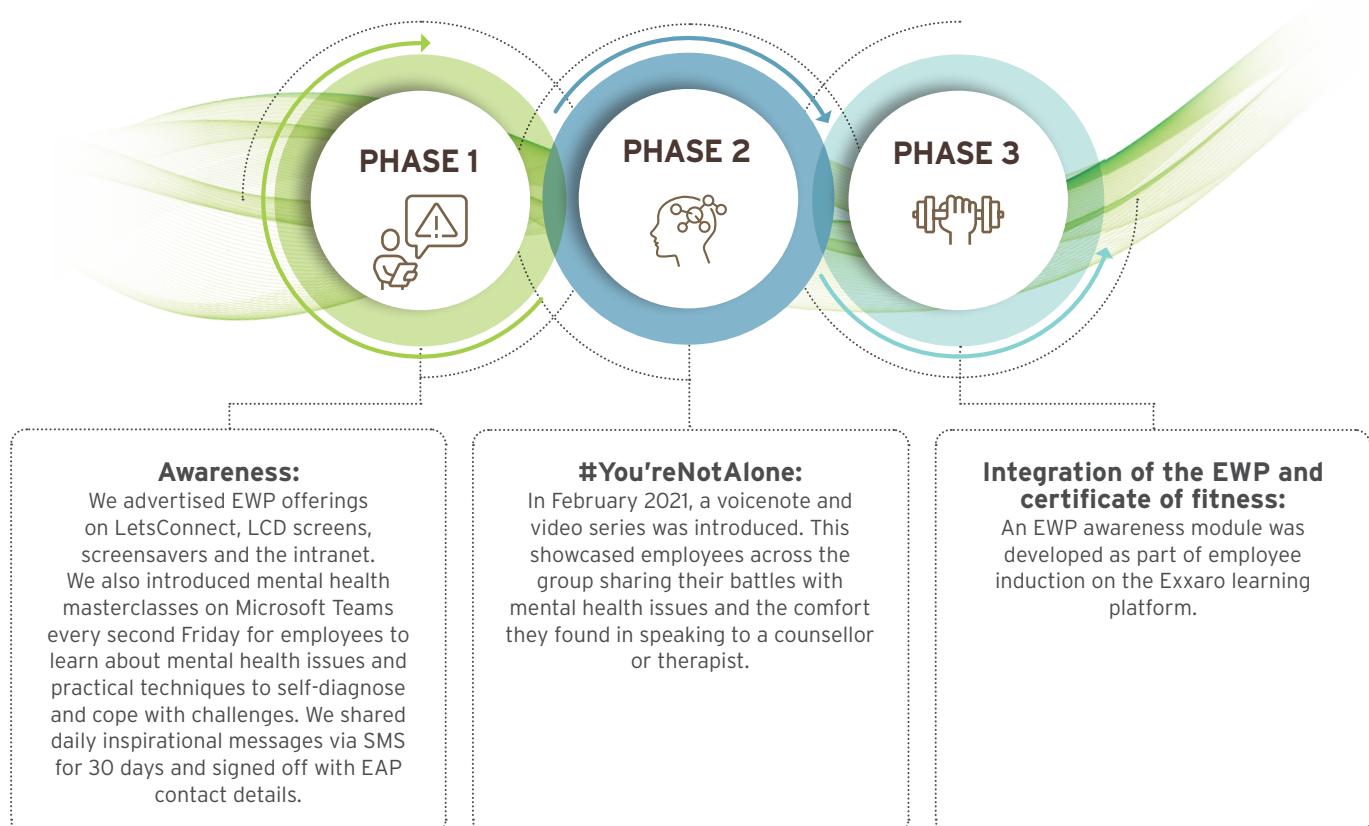
We finalised the integrated wellness strategy and we are busy implementing it. In 2021, three of the eight dimensions were rolled out, namely emotional wellness (through the EWP), financial wellness and occupational wellness, mainly driven by our response to the impact of COVID-19. Financial wellness is supported by Bayport Financial Services and aimed at assisting employees in financial hardship, worsened by the impact of COVID-19. The key services to employees included debt restructuring, financial rehabilitation and providing financial skills (budgeting). Occupational wellness is covered through our sustainability response to COVID-19 at BU level. We will implement the remaining six streams in 2022.

### EWP overview

<b>Problem profile</b>	Mental health and wellbeing was the top category presented to the EWP and accounted for 53.6% of all cases. Stress was the top problem to the EWP.
<b>Utilisation</b>	The group's wellness utilisation rate for the year was 15.82%. This is higher than the previous year (10.15%), the mining sector (7.67%) and the Life EHS Benchmark (9.47%).
<b>Referral source</b>	Management referred 167 employees to the EWP during the year; 18 group trauma interventions were requested and the remaining cases were linked to self-referrals. Seventy-four dependants accessed the EWP.
<b>Services accessed</b>	Face-to-face counselling was the top service accessed during the year.
<b>Demographics</b>	More men than women used the EWP during the year. The ages of people using the programme ranged from 14 years to older than 50. English was the most commonly used language for counselling.

### EWP roll-out campaign

Although employees were using the service, we launched a campaign on 15 January 2021 to make the EWP services more visible and accessible to employees and contractors. The phased campaign included the following:



## Mental health

Our approach to mental health incorporates World Health Organization principles. COVID-19 highlighted the extent and significance of mental health issues in the workplace. Disruptions to regular working routines, fear of loved ones contracting the virus and uncertainty about the future can all affect mental health.

We rolled out a series of masterclasses this year, aligned to our integrated wellness strategy, addressing our employees' financial, emotional, social, cognitive, occupational, environmental and spiritual wellbeing.

Employees who were concerned about their mental health were also encouraged to use the EWP.

## Occupational diseases

We categorise occupational diseases contracted at work as communicable and non-communicable. Communicable diseases are contagious (passed from one person to another) such as occupational TB. Non-communicable diseases such as noise-induced hearing loss (NIHL), chronic obstructive airways disease (COAD), silicosis, dermatitis, asbestosis and work-related limb disorders are not contagious.

Exxaro recorded one non-communicable disease case (asthma) in 2021.

Mitigation measures to prevent the spread of COVID-19 helped decrease occupational diseases from 32 in 2020 to 25 in 2021.

	2021 Exxaro	2020	2019	2018	2017
NIHL	4	1	11	11	12
Pneumoconiosis	5	1	2	8	18
Silicosis	0	0	1	0	0
COAD	2	3	2	4	1
Occupational TB	13	27	35	42	26
Occupational asthma	1	0	0	0	0
<b>Total</b>	<b>25</b>	<b>32</b>	<b>51</b>	<b>65</b>	<b>57</b>

### Accepted cases

Four occupational disease cases (demonstrably work-related) (2020: six) were accepted for compensation in 2021, including three (2020: five) Occupational TB and one (2020: one) pneumoconiosis.

### Mining industry targets for noise and silicosis

We aim to meet mining industry targets set in 2014 to eliminate NIHL, silicosis and pneumoconiosis, as presented below.

<b>NIHL</b>	No employee's standard threshold shift will exceed 25dB from the baseline when averaged at 2 000Hz, 3 000Hz and 4 000Hz in one or both ears
<b>Silicosis</b>	<p>By December 2024:</p> <ul style="list-style-type: none"> <li>95% of exposure measurement results will be below the milestone level of 0.05mg/m<sup>3</sup> for respirable crystalline silica (as individual readings and not average results)</li> <li>Using current diagnostic techniques, no new cases of silicosis will occur among previously unexposed individuals</li> </ul>
<b>Pneumoconiosis</b>	<p>By December 2024:</p> <ul style="list-style-type: none"> <li>95% of exposure measurement results will be below the milestone level of 1.5mg/m<sup>3</sup> (&lt;5% crystalline silica) for platinum dust respirable particulate (as individual readings and not average results)</li> <li>Using current diagnostic techniques, no new cases of pneumoconiosis will occur among previously unexposed individuals</li> <li>95% of exposure measurement results for coal workers' pneumoconiosis will be below the milestone level of 1.5mg/m<sup>3</sup> (&lt;5% crystalline silica) for coal dust respirable particulate (as individual readings and not average results)</li> <li>Using current diagnostic techniques, no new cases of coal workers' pneumoconiosis will occur among previously unexposed individuals</li> </ul>
<b>HIV/Aids and TB</b>	<p>By December 2024:</p> <ul style="list-style-type: none"> <li>At or below the national TB incidence rate and employees should be offered annual HIV counselling and testing with eligible employees linked to an antiretroviral treatment programme (as per the National Strategic Plan)</li> </ul>
<b>Current status</b>	<ul style="list-style-type: none"> <li>No cases of silicosis accepted for compensation (2020: none)</li> <li>Three cases of employees with hearing loss reported (2020: 11)</li> </ul>

Previously unexposed individuals were not exposed to mining dust before December 2008 (equivalent to a new person entering the industry in 2009).

# People continued

## Hearing conservation programme

NIHL cases remained at three, indicating that the group successfully implemented the programme. The programme will be reviewed in 2022 for further improvements to eliminate cases.

## Occupational TB and HIV/Aids

Identified TB and HIV/Aids cases decreased in 2021 due partly to our approach to TB with contact tracing measures and active management of employees on treatment.

HIV/Aids awareness among employees is part of medical induction. Contractors attend awareness programmes during specific campaigns and, since the beginning of 2021, during medical inductions.

HIV/Aids campaigns across the group encourage voluntary counselling and testing. Exxaro ensures that HIV-positive employees can easily access medication at occupational health centres.

### HIV/Aids awareness (employees and contractors)

	2021	2020	2019	2018
Attended information sessions	19 586	17 693	30 403	18 657
Total tested	12 143	8 475	12 679	9 492
% tested	61	48	54	77
Employees tested positive	457	746	578	356
Enrolled at December (cumulative)	5 054	4 554	5 342	4 475
Received antiretroviral treatment	5 897	5 848	5 124	3 167

The number of people attending awareness sessions increased in 2021 due to HIV campaigns.

The prevalence of HIV/Aids cases among full-time employees is 3.6%. The national prevalence rate is 13.7% (as at 31 July 2021).

## Occupational diseases accepted for compensation

In total, four cases have been accepted for compensation. These include one case at Matla and three at ECC\*.

\* Divestment concluded in September 2021.

## Non-occupational diseases

We categorise lifestyle (non-occupational) diseases as communicable and non-communicable. Communicable lifestyle diseases include cholera, malaria, typhoid, influenza and sexually transmitted infections including HIV/Aids. Non-communicable lifestyle diseases are mainly diabetes, hypertension and cardiovascular ailments.

In 2021, we identified 39 new diabetes cases (2020: 70) and 290 hypertensive employees and contractors (2020: 196).

When managing malaria, Exxaro provides prophylaxis to employees and contractors in affected areas.

## Grievances

No health and wellness-related grievances were reported in 2021.

## Mining industry targets

We report against the industry TB and HIV targets on the Minerals Council's Masoyise dashboard.

## Training

As part of annual induction training, 10 927 employees and contractors received HIV/Aids awareness training and 2 836 employees and contractors received noise and hearing awareness training.

## Future focus

We will continue implementing our health and wellness strategy in 2022, increasing medical offerings for employees at all levels to include electrocardiogram tests. We will also work towards a wearables strategy to manage occupational health data.

As the importance of wellness has been highlighted by COVID-19, we expect integration of wellness-focused ways of working to increasingly become the norm with improved health and wellness practices working to overcome challenges in the global response to the virus.



On-site lung testing at Matla mine clinic

## EMPLOYEE ENGAGEMENT

Ensuring our employees are engaged actively supports the best interests of our business, host communities, society and the environment. Engaged employees are productive and focused, which enhances safety and supports business stability. Engaging with our employees helps us understand their material needs and concerns to respond accordingly, maintain our EVP as an employer of choice, and attract and retain key talent.

**We uphold our licence to operate through** our established engagement structures, union recognition agreements, compliance with DMRE requirements, and ongoing consultation and negotiation.

**The values inculcated throughout the organisation define how employees experience and contribute to their work and our position as a business in society.**

### Our approach

We believe that our success in delivering on our strategy lies in the strength of our culture and values. To ensure these are successfully embedded across the business, we have an effective employee relations strategy, supported by engagement structures, recognition agreements and frameworks.

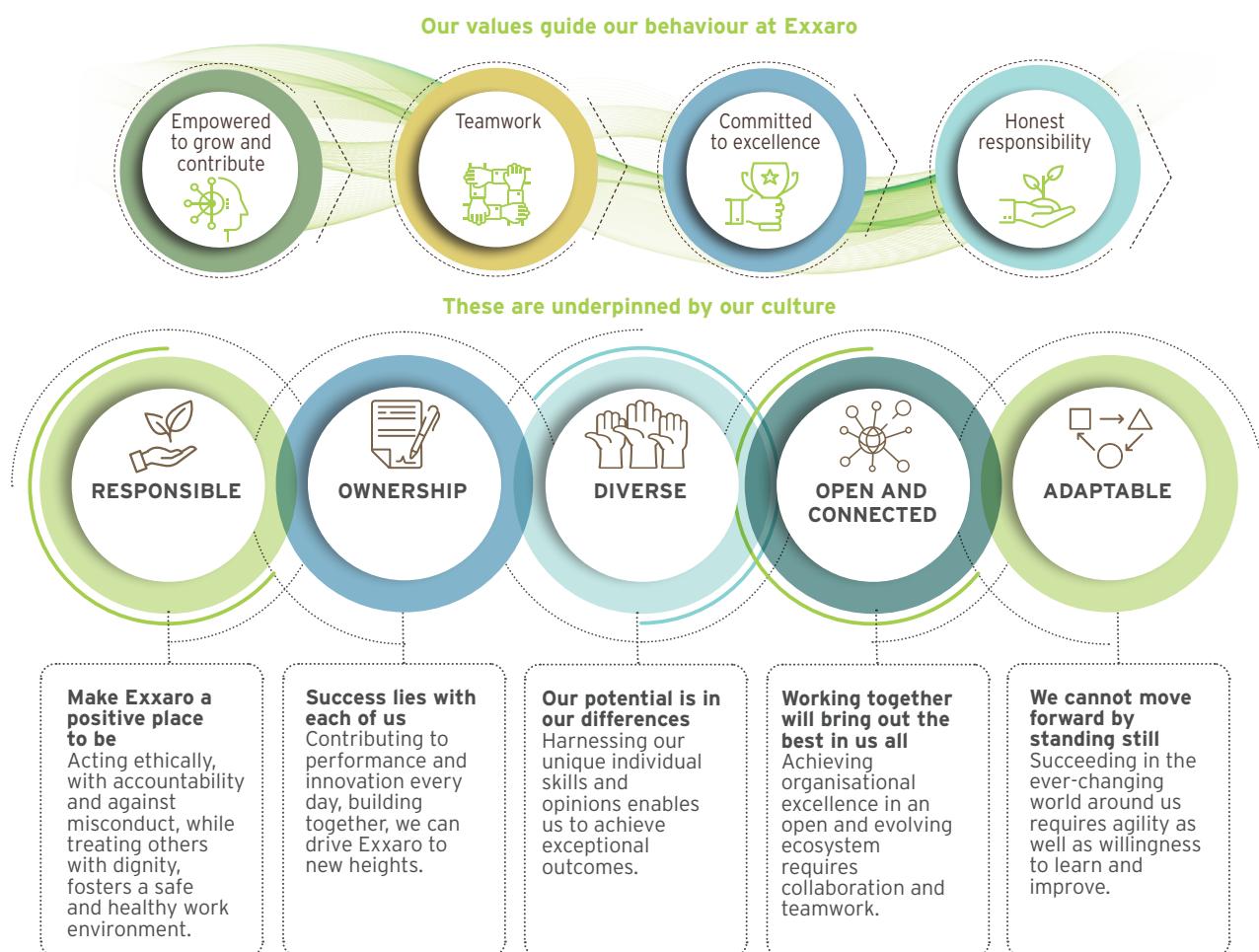
### Employee relations strategy

Our employee relations strategy guides our approach to managing employee needs and expectations to maintain a healthy and productive workplace. Employee engagement is mainly managed through BU and employer-based structures where we engage with recognised trade unions. We also have broader structures for employee engagement which include community and contractor engagement forums. We also have engagement structures in support of our diversity and inclusion strategy which include women in mining and transformation forums.

The employee relations strategy is premised on proactively engaging and dealing with employee issues through formalised structures to ensure adequate feedback and resolution. We encourage our leadership to keep abreast of the employee relations climate through continuous interactions with employees, communities and unions.

### Our values and culture

Our well-embedded values and empowered culture form the very core of our organisation and define how we work, interact, behave and respond to issues. Further, they filter into the positive work we do to better society.



Our adaptable culture reflects our willingness to learn and improve as we strive to achieve our strategy. We continue intensifying our employee engagement efforts to share critical information and changes. This includes feedback from our employees through our culture and engagement survey.

# People continued

## Accountability and responsibility

The SERC is ultimately accountable for and oversees employee engagement. The executive head: human resources is responsible for implementing engagement initiatives. We see our culture as a leadership responsibility across the business, from executive level down, driven by employees and leaders. Additionally, BU managers and teams drive our culture at operations.

## How we performed

In a year marked by initiatives promoting wellness, values of diversity and equity, and the strategic shift towards decarbonisation as a priority, it was essential for us to ensure that our culture supports and is accentuated by those initiatives. In particular, the work done in health and wellness, gender diversity and equity present opportunities to embed and foreground our culture.

## Organisational culture

Our corporate culture is crucial in determining our success today and in years to come. We aim to foster a culture that supports adaptability and innovation, leveraging the strength of diversity to enable our success.

Our culture themes demonstrate our commitment to achieving the goals of our decarbonisation strategy, purpose and vision. In 2020, we adopted an integrated approach to culture, adapting our COVID-19 response and embedding culture themes into existing programmes (such as health and safety, sustainability, diversity and inclusion, social impact, Exxaro Leadership Way and various monthly activities) so that required behaviours would resonate among employees. Messages were further aligned to the activities in our corporate communications calendar. This included supporting employees in remote working, mental health and emotional issues, anti-stigmatisation, women empowerment and gender-based violence (GBV), among others.

Lack of social contact posed some challenges in implementing culture initiatives. Nevertheless, we adapted to electronic and hybrid approaches that allowed us to roll out our continuous culture engagements as planned. Our digital communications platforms (SMS/mobile platform and LetsConnect) enhanced our ability to communicate key culture messages and for employees to have better access.

## Union representation

In 2021, 5 180 employees were represented by affiliated unions recognised by Exxaro, being NUM, Solidarity, AMCU, FAWU and NUMSA (2020: 5 119). However, UASA and Solidarity lost bargaining rights in 2021 at Exxaro Coal Mpumalanga Proprietary Limited as they did not meet the threshold requirement.

Our cultural values and themes extend beyond our internal environment to external interactions and stakeholder partnerships.

## Culture and engagement survey

We conducted a baseline culture and engagement survey in 2020 to track the efficacy and progress of organisational culture, and to pinpoint areas in need of improvement. This continuously improves our employment experience as we live our values with leadership support.

In 2021, the business implemented actions to ensure improvements in the identified key focus areas, which included:

- Diversify: Ensuring fairness and equity in the appointments and promotions has been incorporated into the diversity and inclusion strategy
- Rewards: This area is being addressed in line with the new group incentive schemes

We will continue to monitor this process once every two years, with the intervening years used to incorporate learnings. Our next survey for comparative analysis will be conducted in 2022.

## Employee relationship management

Our approach to organised labour relations is defined by collaboration and constructive engagement. Union relationships are based on trust and integrity.

Our employee relations strategy enables us to proactively maintain a healthy workplace through established engagement structures and dispute resolution mechanisms based on fairness. This strategy is being reviewed to ensure it remains applicable in workplaces and engagement mechanisms that have changed due to COVID-19.

Exxaro's policies and procedures comply with best labour relations practices and relevant legislation. We manage individual and collective employee concerns with due respect.

We conduct skills workshops and training for employee relations managers and line managers to ensure that all parties are committed to building solid relationships. We broaden our employee relations capacity building processes to understand recognition agreements and their purpose.

	Number of employees
AMCU	333
FAWU	44
NUMSA	54
NUM	4 367
Solidarity	363
UASA	0
<b>Total</b>	<b>5 180</b>

We maintain good relations with employees in bargaining units by engaging with their representative unions through formal structures. Wage negotiation processes are conducted at employer level, and these engagements determine negotiated conditions of employment. In 2021, Exxaro embarked on wage negotiations processes across five employers and concluded long-term (three-year) wage agreements for bargaining unit employees within these employers. These long-term wage agreements provide a measure of labour stability across the group for the next three years.

We concluded multi-year wage agreements for Exxaro Coal Proprietary Limited, Exxaro Coal Mpumalanga Proprietary Limited, FerroAlloys Proprietary Limited, Ferroland Grondtrust Proprietary Limited and Coastal Coal Proprietary Limited after their wage agreements expired in June 2021.

#### Share ownership

Greenshare, our employee share ownership plan (ESOP), was developed for qualifying employees in 2019 and implemented in 2020. The scheme is evergreen and beneficiaries will benefit from dividend payments only for the duration of employment. This scheme is open to all employees not participating in any management share scheme.

When dividends are declared, participants in service will receive a cash payment equal in value to 560 Exxaro shares minus dividend tax. Participants will remain in the scheme for the duration of employment. Employees will not have capital appreciation rights.

	Number of active beneficiaries	Number of units	Payment amount before tax (R)	Payment amount after tax (R)
<b>March 2021</b>	6 210	3 477 600	62 109 936.00	49 687 948.80
August 2020	6 287	3 520 720	73 125 354.40	58 500 283.52

In 2021 each beneficiary in Greenshare received a cash payment of R17 306.24

#### Diversity and inclusion strategy

The diversity and inclusion strategy is a key conduit for successful delivery of our business strategy, as it enables us to positively grow and harness the diverse talent across our company. The delivery of the diversity and inclusion strategy is managed through a framework which ensures adequate focus and momentum on key transformation milestones.

Our commitment to diversity and inclusion aligns with our values and culture to achieve our purpose. To support this commitment, our diversity and inclusion policy was approved in 2021.

This policy is built on the premise of equity that ensures:

- Diversity is recognised as a business imperative at every level of the organisation
- Change in culture is driven through our commitment to diversity and inclusion
- Every employee should make a conscious effort to shift attitudes, behaviours, ways of working and mindsets to embrace diversity and inclusion within the organisation
- Continue to address systemic barriers that may prevent diversity and inclusion execution
- Create a supportive and conducive workplace environment where all individuals feel a sense of belonging, are respected and heard, to realise their full potential regardless of differences
- Adapting and executing internal processes, procedures and practices to support diversity and inclusion through our cultural journey
- Providing diversity management training, awareness and capability development on the responsibilities and benefits of diversity and inclusion to promote understanding of the diversity and inclusion policy and its execution

The objectives of the policy are that Exxaro:

- Plays a leading role in the industry in terms of diversity and inclusion
- Develops appropriate capabilities and leaders in this regard
- Fosters inclusion
- Complies with the overall spirit and intent of South African legislative requirements

Although ultimate accountability for diversity and inclusion resides with our board, the policy stipulates that the board has delegated authority to the CEO and executive committee to act on its behalf in matters relating to diversity, equity and inclusion. The board will monitor diversity, equity and inclusion activities through the CEO and the executive head: human resources.

It further outlines roles, responsibilities and penalties for non-compliance.

#### Sexual and racial harassment policy

Policy alignment and review positively supports our diversity and inclusion journey. Creating an enabling environment free from any form of harassment and discrimination is the cornerstone of greater organisational inclusivity.

The policy was reviewed in 2021 and provides guidance as well as regulates the management and prevention of sexual and racial harassment in the workplace. The policy also assists in defining and creating awareness on matters pertaining to sexual and racial harassment.

#### Employment equity

Our policies and skills development enable us to meet our transformation objectives in support of the national imperative for a non-racial and transformed society. Appropriate affirmative action measures and human resource development programmes support our transformation processes and cultural engagements.

We have achieved our employment equity targets over the past five years. Our targets for 2019 to 2022 align with the Mining Charter III. Through our diversity and inclusion initiatives, we have been able to make good progress in women representation at senior management level. This occupational level has been a challenge in the past. We aspire to measure our transformation profile against national economically active population statistics.

# People continued

Our annual employment equity actual versus target set by DMRE.

Employment equity in 2021	Black males	All females	Historically disadvantaged people <sup>1</sup>	DMRE targets				
Management category	Number	%	Number	%	Number	%	Historically disadvantaged people target	Women target
Top management	1	33	1	33	2	66.67	50%	20%
Senior management	36	43.37	17	20.48	53	63.86	60%	25%
Middle management	248	39.94	235	37.84	483	77.78	60%	25%
Junior management	1 206	50.61	696	29.21	1 902	79.82	70%	30%
Disabled	Performance of 1.6% for all employees against a target of 1.5% for all employees							

<sup>1</sup> Includes white female employees.

There has been an increase in women representation, especially in senior management. This reflects ongoing work and commitment to ensure appropriate representation aligned with DMRE targets.

In 2019, Cennergi developed a five-year employment equity plan in line with legislation and the DEL's codes of good practice. Cennergi's employment equity committee oversees the plan's implementation, and guides and monitors transformation and skills development. It reviews the recruitment process, follows up on deviations in employment equity performance, and monitors the technical skills required to reach transformation goals.



The IPP office tracks Cennergi's employment opportunities for equity categories under the Renewable Energy IPP Programme. Equity categories with contractual commitments include employment secured for South African citizens and local communities.

Amakhala Emoyeni committed to hiring 97% South African citizens (77% black and 64% from local communities). Tsitsikamma is committed to hiring 80% South African citizens (50% black and 20% from local communities).

The implementation agreement signed between the DMRE and the two SPVs stipulates that IPPs are obliged to report job creation obligations to the DMRE quarterly with proof. There are penalties and rewards, based on quarterly performance, with underperformance drawing termination points, which could accumulate to the point where the DMRE is entitled to terminate the contract. By imposing these penalties, the DMRE ensures that bidders show an ongoing commitment to enterprise development objectives rather than falsifying pledges to win bids.

Cennergi consistently met its job creation targets and incurred no termination points or penalties in 2021.

## BEE

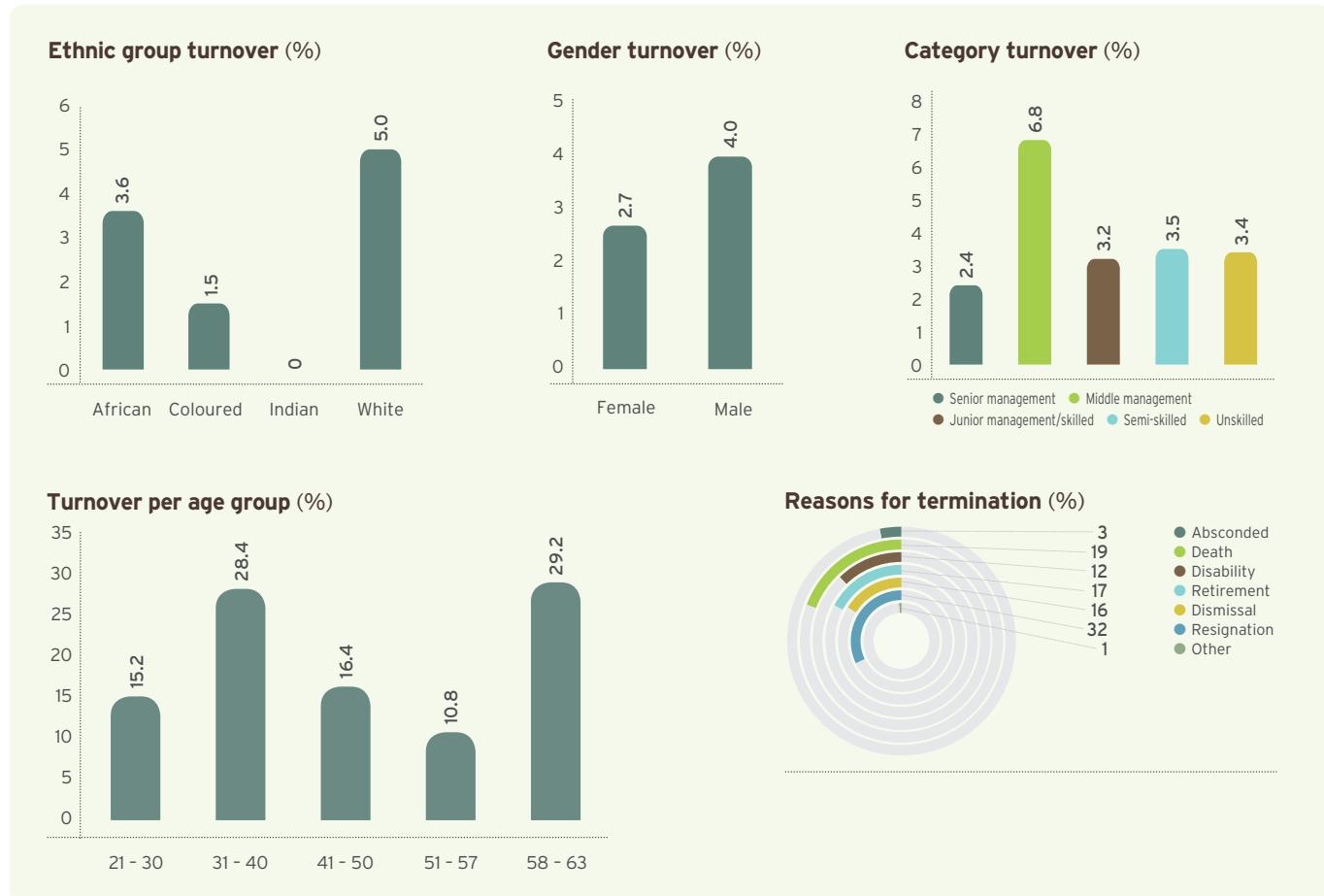
Exxaro was certified as a level 2 BEE contributor in 2021, retaining our empowerment level and status as one of South Africa's largest and foremost black-empowered and diversified mining companies. We will continue to pursue our targeted level 1 contributor status.



Belfast mine management team meeting prior to COVID-19 pandemic

## Employee turnover

In 2021, Exxaro's average employee turnover rate was 3.7% due to death, resignation and dismissal (2020: 3.6%). The turnover rate by employee group is as follows:



We had 6 745 employees in 2021 (2020: 6 739) with 81.93% in bargaining units (2020: 82.92%) and 18.03% in the management and specialist category (2020: 17.08%).

	Bargaining unit				Corporate non-management and specialist				Management and specialist				Total
	Female	% of workforce	Male	% of workforce	Female	% of workforce	Male	% of workforce	Female	% of workforce	Male	% of workforce	
Eastern Cape	0	0.00	0	0.00	1	0.01	1	0.01	2	0.03	4	0.06	8
Foreign	1	0.01	36	0.53	0	0.00	0	0.00	2	0.03	6	13.33	45
Gauteng	12	0.18	58	0.86	63	0.93	27	0.40	148	2.19	168	35.29	476
KwaZulu-Natal	22	0.33	39	0.58	0	0.00	0	0.00	0	0.00	2	3.17	63
Limpopo	770	11.42	2 296	34.04	2	0.03	0	0.00	135	2.00	358	10.05	3 561
Mpumalanga	502	7.44	1 808	26.81	0	0.00	0	0.00	100	1.48	182	7.02	2 592
<b>Total</b>	<b>1 307</b>	<b>19.38</b>	<b>4 237</b>	<b>62.82</b>	<b>66</b>	<b>0.98</b>	<b>28</b>	<b>0.42</b>	<b>387</b>	<b>5.74</b>	<b>720</b>	<b>10.67</b>	<b>6 745</b>

# People continued

## Eliminating discrimination and resolving grievances

We are committed to equal opportunity, irrespective of race, religion, gender, health status, sexual orientation or nationality. We believe that our diversity and differences strengthen our potential. We embrace the diversity of our strengths and individual skills to enable exceptional outcomes and promote a culture of inclusivity.

Our values guide our behaviour that celebrates the power of diversity and inclusion. Discrimination is never acceptable. Exxaro invests in upskilling and training managers and supervisors to appropriately apply necessary disciplinary measures.

In the review period, no cases of alleged discrimination or grievances were filed (2020: none).

## Housing

In line with our Mining Charter III obligations and our business needs, we address home ownership under our long-term housing strategy and encourage home ownership among our employees.

Since 2009, 1 165 permanent employees have received a mortgage repayment subsidy for first-time home buyers. Capital assistance of R125 000 significantly reduces employees' mortgages and improves affordability.

Our converted hostels (single-quarter accommodation or family units) are not fully occupied with 75 employees living in these facilities. By 2025, Exxaro intends to withdraw support for hostel residents.

In addition, bargaining unit employees receive a housing or living-out allowance. In 2021, we paid a housing allowance to 1 436 employees with a registered bond (2020: 1 810) and a living-out allowance to 3 329 employees renting accommodation (2020: 3 450).

## Working hours, minimum wage and labour standards

Exxaro complies with the Basic Conditions of Employment Act which regulates the working hours and all labour legislations of South Africa. We have aligned our policies to laws of the country.

## Child labour and forced labour policy

We subscribe to the precepts and standards of the International Labour Organization.

### Future focus

We will continue to pursue employment equity targets while we compile an anti-bullying policy and finalise our employee relationship management strategy in collaboration with unions. In support of the Sustainable Growth and Impact strategy, we will be implementing related STI targets.

## CASE STUDY

### Vaccine awareness campaigns



Finance Director, Riaan Koppeschaar after his vaccination

From April 2021, Exxaro rolled out a COVID-19 vaccine communications and change management campaign on various internal communications platforms in four phases:

**Phase 1:** The history of vaccines awareness campaign began on 19 April. Content was published on LetsConnect and LCD screens.

**Phase 2:** The 10 truths about the COVID-19 vaccine (debunking myths) ran from 26 April to 7 June on LCD screens, SMS (via LetsConnect), lock screens and the second quarter newsletter.

**Phase 3:** Testimonial videos (including the CEO being vaccinated and some health workers sharing their vaccination experiences) ran from 17 May to the end of July. The content was released via LetsConnect and the intranet.

**Phase 4:** "Ask a COVID-19 vaccine-related question" was implemented via LetsConnect from 19 April to 14 May.

The COVID-19 24-hour call centre was pivotal in sharing vaccine information, responding to employees' queries and concerns, and providing overall support in the understanding and management of the pandemic across the group.

To encourage vaccination, employees also receive recordings of our CEO and other executive team members receiving their vaccines.

## MANAGING OUR TALENT

Our ability to deliver on business objectives and ensure business continuity depends entirely on our ability to attract, develop and retain people with the right skills profile aligned with our strategy.

**We uphold our licence to operate through** our talent management strategy that ensures that our employees are skilled, in the correct positions, and challenged and engaged in taking ownership of their careers.

### Our approach

Talent management encompasses a wide range of activities that impact business performance and continuity. These include strategic workforce planning, leadership and capability development, compliance training and reporting, and managing a sustainable and healthy leadership and talent pipeline. Our talent management strategy ensures that our business has the right skills, at the right time, in the right place. This is done through robust talent acquisition processes and succession planning and talent review processes from BU level through to the functional and executive level. We aim to ensure workforce continuity by identifying and preparing suitable internal candidates for positions while building a leadership pipeline for critical positions.

### Talent management strategy

The talent strategy is evolving to support capability development of our workforce in line with Exxaro's strategic objectives and new ways of work.

Given the challenges presented by the COVID-19 pandemic and lockdown regulations we enhanced our talent offering by digitalising learning and using technology to give better access to learners.

Our succession planning process for management and specialists employees identifies and develops Exxaro's future leaders. We use succession plans to address the inevitable changes that occur when employees are promoted, rotated, exited or retire. Our talent bench is tracked so that we can monitor our talent pipeline to ensure we continue developing employment equity candidates and that we have proactive measures that address talent and critical skills shortages. Our talent bench for employment equity is 26.3% on the D band and 30.8% on the E band.

### Initiatives included:

- A new recruitment platform
- Interactive platforms for engaging the talent pipeline of professionals in training (PIT) and bursars
- The MyNexxt learning platform to enhance learner experience
- Interactive and online wellness programmes including financial wellness to support employee wellness
- New psychometric capability assessment tools aligned with our strategy

These initiatives help enable a continuous learning environment by reducing standard times of compliance learning, while enhancing opportunities for development training and job enrichment. We continue to grow the learning offering through Exxaro's capability learning catalogue. The capabilities form the basis of our competitive advantage and help us focus on what we need to be successful.

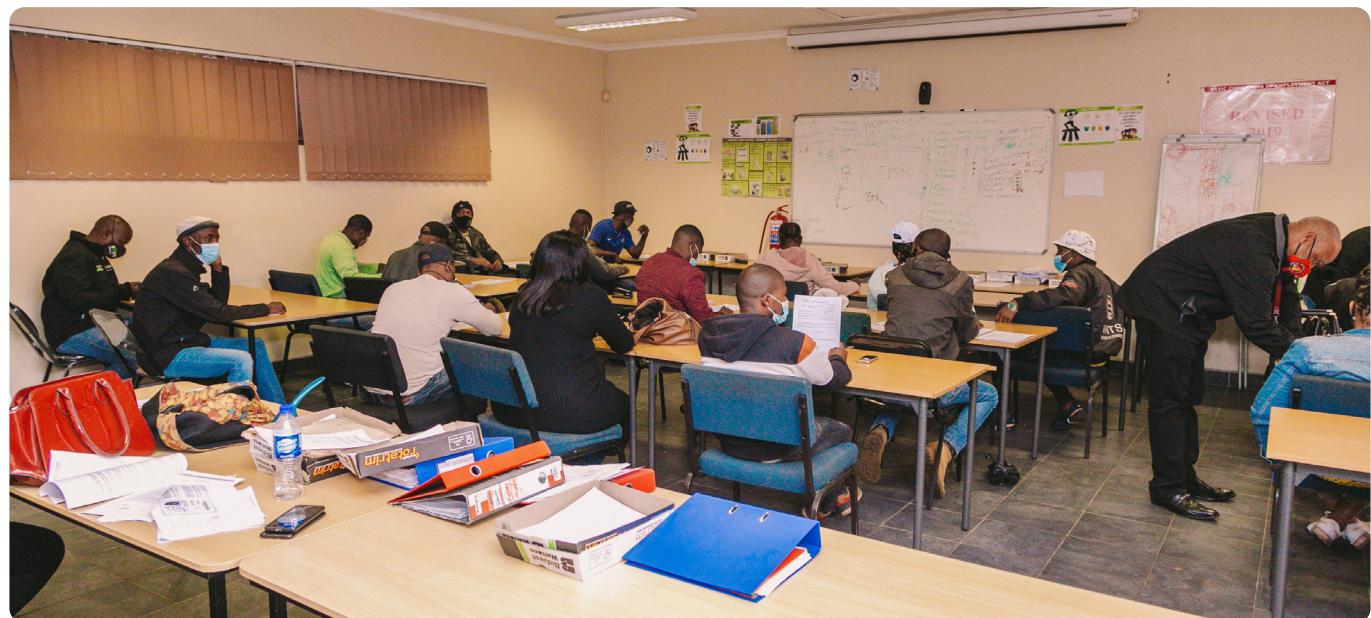
Cennergi prioritises internal recruitment of high-potential people to retain valuable talent and promote the growth of its management service expertise.



STI rewards are offered to employees, based on individual and company performance.

Cennergi spends 1% of its payroll on training and development of its employees. Despite face-to-face restrictions due to COVID-19, many of our employees attended personal development training in 2021.

Our employees meet biannually with their line managers for performance appraisals, and to discuss training and development needs.



Training in progress at Matla mine

# People continued

## How we performed

We invested significantly in our people through learning and development initiatives and on-the-job training. COVID-19 regulations restricted traditional learning, recruitment and selection for learnerships, PIT, bursars and internships and this ultimately affected us meeting the SLP commitments and targets. We were able to mitigate some of the effects by offering virtual learning through MyNexxt. It provides blended learning and e-learning instead of the traditional classroom method. Our assessment and recruitment processes were digitalised to include interview guides, online interviews and online assessments. We continue investigating hybrid training models to provide flexibility while improving the EVP for learning and development opportunities.

Spent R276 million on training	Contracted nine full-time people with disabilities (PWD) students	121 employees attended various leadership programmes	Enrolled 201 employees in management programmes
Invested R1.02 million in adult education and training	Supported 28 full-time bursars	85 PITs in the talent pipeline	54% of bursaries awarded to full-time female students in engineering and mining disciplines

## Investing in our human capital

We spent R276 million or 5.8% of our payroll on training and development this year (2020: R227 million or 5.04%), including:

- R157 million on job-related operational and technical training (operator training and mobile equipment licences) (2020: R114 million)
- R104 million on bursaries, training professionals, internships, learnerships and skills programmes to secure our talent pipeline (2020: R93 million)
- R5 million on developing targeted employees in management programmes, leadership roles, postgraduate studies and support functions (2020: R7.4 million)

### Human resources training expenditure

	2021	2020	2019
Total training (Rm)	276	227	298
Total training (% of total payroll)	5.8	5	7
Training of black people (Rm)	222	177	219
Black people trained (% of total payroll)	4.67	4	5

## Talent acquisition

In 2021, we appointed 25 external Paterson\* D (middle management) band candidates (100% black; 44% black female) and 48 internal candidates (90% black; 33% black female). On the Paterson E (senior management) band, we appointed three black candidates (100% black; 33% black female) and four internal black candidates (100% black candidates; 25% black female). The high internal placement rate shows a well-managed succession planning and development process by leadership.

\* Paterson levels refer to remuneration levels.

## Talent pipeline

Future planning for the minerals and energy businesses pipeline is underway with the creation of new development programmes. Over the past four years, we have aligned our recruitment efforts to our overall employment equity targets, driving us to be more representative of national demographics.

There is a shortage of candidates in certain disciplines at universities for bursary and PIT programmes especially in the mechanical and electrical disciplines, thus stressing the importance of recruiting individuals earlier in their studies period. We are committed to identifying new learners from our host communities. We recruit second and third-year, full-time university students to increase our effectiveness in managing a pipeline. We recruit in core engineering, IT, geology and support service disciplines, among others and have introduced new disciplines for broader coverage of our business functions.

## Strategic workforce planning

The strategic workforce planning division is responsible for workforce planning over the medium to long term. Its key focus is to use workforce planning market data to give input into talent sourcing and development strategies and ensure capability frameworks are created and aligned to the new growth strategy.

Since 2018, the division has worked closely with business leaders in coal operations to create opportunities that will drive early value creation for the minerals business and help map out the roles that will transition in a digitalised environment. The result of this was a new capability catalogue aligned to the Digital@Exxaro strategy and a new learning platform.

We recently started engaging with stakeholders from our minerals and energy businesses about their workforce requirements. Mapping competencies to new learning interventions will allow employees to reskill and upskill according to the business strategy.

## Succession planning

Succession planning ensures workforce continuity by identifying and preparing suitable internal candidates for positions while ensuring a sustainable leadership pipeline for critical positions through talent mapping. The cluster health across D and E Paterson bands is satisfactory with 30.8% of the E Band and 26.3% of the D Band clusters having Black employees that are immediately or medium term ready for the next higher-level position. Our robust annual succession planning cycle runs through talent reviews across BU and functional forums.

## Skills development and training

We strive to create a learning culture for our employees, and ensure compliance with safety, health and environment requirements, using the e-learning platform as well as classroom-based training.

In 2021, employees completed more than 80 303 training interventions on the MyNexxt e-learning platform. In addition, leadership and management, soft skills, occupational programmes, and technical training was provided by either formal academic institutions, service providers and/or our Grootegeluk and Matla training centres (accredited by the Quality Council for Trades and Occupations).

Employee development is an ongoing process and is guided by the internal company processes of performance achievement, career and succession planning, culture and leadership initiatives and Mining Charter III commitments on the SLP targets. Through these processes employees receive an individual development plan and the organisation ensures a healthy talent pipeline of core and critical skills.

Exxaro submits the workplace skills plan and annual training reports to the Mining Qualification Authority as well as reports to the DMRE and dtic as part of the annual compliance reporting cycle. Information on training spend and number and type of training interventions is provided against each race, gender and occupational category group.

### Feeder schemes

Our formal learnerships and feeder schemes allow us to train and develop young people with formal qualifications in skilled jobs such as artisans, miners and operators of trackless mobile machinery, plant and administration. We recruit young people from our communities and provide employment opportunities through formal programmes. This ensures a feeder line of trained and skilled people when we have vacancies.

	In training	Black people	Black women
Engineering learners	485	447 (92%)	206 (42%)
Miner learners	61	61 (100%)	39 (64%)
Operator learners	163	162 (99%)	83 (51%)
Internships	157	156 (99%)	82 (57%)
Business administration learners	16	16 (100%)	16 (100%)

### Internships

Internships provide the opportunity to establish a feeder scheme for C band positions in Exxaro. Interns are young graduates who receive work experience in their field of study within a structured training programme. This also addresses the need for young people to gain work experience and improve their employability.

### Adult education and training

Adult education and training intends to ensure employees reach NQF level 1 qualification (grade 9). This ensures employees are functionally literate, improving safety and health communication as well as opening the door for further development and access to jobs where literacy is required.

	2021	2020
Investment (Rm)	1.02	0.7
Number of employees enrolled	3	9
Number of community members enrolled	89	62
Number of qualified employees since programme inception	1 300	1 300

Interest in adult education and training (2% of our employees) is low due to the age profile of our workforce. As an alternative, we offer portable skills training in welding, plumbing and civils. 108 employees enrolled in portable skills as alternative.

### Capability development and changing world of work

New capability development and preparing employees to perform competently in the changing world is one of our key objectives for talent management.

Capability development initiatives in 2021 included:

- Developing courses on MyNexxt and piloting new capabilities such as strategic foresight, market orientation, business acumen, management innovation and beyond budgeting
- Smart workforce courses such as digitalisation and innovation awareness, design thinking, creating a bias for action, biomimicry, storytelling through data analytics, Power BI and 4IR
- Diversity and inclusion courses such as implicit and unconscious bias, PWD awareness communication, stereotyping and prejudice, GBV and sexual harassment
- Addressing the impact of the 4IR and Internet of Things on artisans through the Artisan 4.0 programme in collaboration with the Colliery Training College
- Decarbonisation impact awareness training
- Office 365 training to support the new hybrid way of work

### Leadership and management development

We rolled out customised leadership programmes and management training, mainly targeting package category employees. In 2021, 121 employees attended various leadership programmes and 201 were enrolled in management programmes. The Leadership in the conneXXion Economy is Exxaro's flagship leadership development programme for middle and senior level leaders. This programme is accredited with the North West University and it pitched at the NQF level 7.

To support the Exxaro Leadership Way initiative, an e-book was made available for employees on MyNexxt.

# People continued

## Mentorship and coaching programmes

To support leadership development, we offer mentorship and coaching to employees aspiring to leadership positions.

In 2021, 32 employees formed part of the 24-month mentoring programme. 78% were black people and 41% black females.

## Fast-tracking programmes

We placed 64 D and E band high-potential employees in the fast-tracking programme (98% black people and 48% black female). Within two years, 26% of employees on this programme were promoted.

Eight high-potential E band employees are being developed in the executive mentoring programme.

## Formal studies

The talent management division continues to work closely with universities and technical colleges, influencing syllabus change and aligning to Industry 4.0 concepts. To date, we have included new modules in engineering graduate programmes (modular and agile lean construction, complexity management and design thinking with focus on digitalisation).

There were no new enrolments for postgraduate studies in 2021. The executive committee approved enrolments in 2022 for functional disciplines as well as programmes aligned with the new business strategy (eg renewable energy, sustainability and digitalisation).

In 2021, we started incorporating short courses in new competencies required for the new way of work from various tertiary institutions.

## Bursary and graduate programme

As part of the diversity and inclusion strategy of creating a more inclusive culture and fulfilling the compliance training targets for PWD, we awarded bursaries to black South African PWD students at tertiary institutions (56% black women).

These graduates will receive formal training and assigned mentors will oversee their development programmes.

In 2021, we supported 28 full-time bursars at South African universities at a cost of R2.4 million.

100% of our bursars were black South Africans and 54% were black women.

## PIT programme

Our three-year PIT programme blends academic theory with hands-on workplace experience. We pair each graduate with a technical coach who supervises exposure to various operations as well as technical, leadership and management training. After three years, we guide trainees who meet the requirements for accreditation to become professional engineers.

In 2021, we had 85 PITs in the talent pipeline at a cost of R45.4 million. 85% of our PITs are black South Africans and 41% are black women.

The PIT symposium held on 7 October 2021 was a hybrid event attended physically by some executive and senior leaders while the rest of the audience joined online. The theme "Ikusasa Lanamuhla - Journey to tomorrow" aligned with Exxaro's purpose to power better lives in Africa and beyond.

## Matriculant support

Edumap College provides a bridging programme for students from disadvantaged communities in South Africa. Matriculants with academic potential and who do not meet university entrance requirements are identified for a 12-month bridging programme to upgrade their mathematics and physical science skills. We sponsored 10 students in the 2021 programme.

## Entry-level employees

The gamified online assessment (Odyssey), which looks at basic readiness for entry into the world of work, was introduced in 2021 for entry-level positions. A dynamic risk assessment assesses tolerance of risk-based behaviours.

## Women in mining

We proudly support active women in mining structures across our operations, in collaboration with transformation structures, that highlight and resolve issues affecting women in the workplace.

We empower female employees who make up 26% of our workforce (2020: 24%). We grow this talent pipeline through our PIT programme, which enrolled 41% female candidates in 2021 (2020: 38%).

In 2021, 54% of bursaries were awarded to full-time female students in engineering and mining disciplines at universities in South Africa (2020: 39%).

Our learnership and internship feeder schemes in 2021 comprised 51% women (2020: 40%).

Exxaro is recognised as a leader in gender empowerment as we understand the barriers women face in the mining industry. Our initiatives include:

- Fast-tracking and executive mentorship programmes
- Gender mainstreaming and sexual harassment awareness at all levels
- Encouraging and mentoring young women and girls in our communities to plan their careers and acquire skills to become independent and empowered
- Our gender equality policy

We focus strongly on employment equity plans to increase the number of African females in our feeder schemes and talent pipeline. We sponsored 23 African females at the TVET college to improve opportunities for access to formal learnerships such as artisan training.

In 2021, we had 56% African females with full-time bursaries, 41% PITs, and 51% learners and interns.

## Grievances

No formal grievances and no dissatisfactions were reported.

## Accolades

- Announced as 2021 Top Employer: The Top Employers Institute programme certifies organisations based on the participation and results of their HR Best Practices Survey. This survey covers six human resource domains under 20 topics, including people strategy, work environment, talent acquisition, learning, well-being, diversity and inclusion, among others
- Included in the Bloomberg 2021 Gender-Equality Index
- Exxaro ranked #21 among engineering students in the 2021 South Africa's Most Attractive Employers index
- Exxaro came second in the BP Students' Choice Awards

 Further details of Exxaro's accolades are outlined on page 18.

## Future focus

In 2021, we established relationships with five online open-source, local and global learning platforms (LinkedIn, Udemy, Coursera, OTT University and Open Sesame). This contributes to Exxaro's EVP and our objective to put learning development back into the hands of the employee. It will be implemented in the first quarter of 2022.

Our continuing talent management focus in line with the people strategy for 2022 will comprise:

- Building the talent pipeline for bursars with disabilities and ensuring that support is in place to facilitate a smooth learning journey
- Reskilling and upskilling in new technology
- Developing the PIT structured development programme for the minerals and energy businesses
- Embedding the e-skilling and upskilling training programmes aligned to the Digital@Exxaro strategy
- Developing the capability catalogue for the minerals and energy businesses
- Aligning the learning interventions and assessment framework to the capability catalogue
- Embedding an open-source learning culture across the organisation
- Implementing the Yes4Youth programmes across the regions
- Integrating the Exxaro Leadership Way, managed by the strategy and business transformation division, into the current leadership programmes
- Developing more talent bench strength through executive mentoring and fast-tracking programmes
- Investigating other forms of virtual and hybrid learning methodologies
- Managing vacancies in accordance with employment equity targets, specifically at senior management level



Exxaro's women in mining

# People continued

## CASE STUDY

### MyNexxt

The MyNexxt platform was developed in 2019 and created an opportunity to increase online learning. More than 200 safety, health and environmental compliance courses are offered through MyNexxt. In 2021, 80 303 courses were completed by employees and contractors online. The platform also made it possible to provide blended and e-learning in new legislation introductions, Exxaro governance and risk themes as well as working remotely. Courses cover the Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPIA), anti-bribery and corruption, cybersecurity, insider trading, implicit and unconscious bias, and using Office 365 functionalities.

## CASE STUDY

### Powering Knowledge

The screenshot shows the homepage of the 'POWERING KNOWLEDGE' professional growth platform. At the top, there's a navigation bar with 'HOME' and 'HELP' buttons. Below the navigation is the platform's logo: 'POWERING KNOWLEDGE PROFESSIONAL GROWTH PLATFORM'. The main content area features a large image of four construction workers in high-visibility vests and hard hats. Overlaid on this image is a 'Log in' modal window. The modal has fields for 'LOG IN NAME \*' and 'PASSWORD \*', a checkbox for 'Keep me logged in', a 'Forgot password?' link, and a green 'LOG IN' button.

The screenshot shows the 'INSTRUCT' section of the Powering Knowledge platform. The top navigation bar includes 'HOME', 'CATALOGUE', 'INSTRUCT', 'REPORTS', and a user profile for 'MARK DESMON...'. Below the navigation, there's a grid of course modules. The first row contains three modules: 'An Orientation Video' (EXPIRED), 'Basic Bookkeeping' (EXPIRED), and 'Entrepreneurship' (EXPIRED). The second row contains three more modules: 'Appreciative Inquiry' (EXPIRED), 'Coaching and Mentoring' (EXPIRED), and 'Creative Problem Solving' (EXPIRED). Each module is represented by a thumbnail image and a title. The bottom of the screen shows a Windows taskbar with various icons and system status information.

Like the employee MyNexxt platform, the Powering Knowledge platform is used for entrepreneurial, financial and project management skills development among community members who run SMMEs. Two pilot programmes were completed at Grootegeuk and Belfast as part of the community and social development initiative.

# Communities

We recognise that South Africa faces many challenges, including unemployment, **poor access to basic services such as electricity, water, health, sanitation and education**, exacerbated by the effects of COVID-19. As a business, we can help our host communities overcome these challenges because **our success** depends on their success.

**We uphold our licence to operate** by honouring our socio-economic development commitments to our communities and the DMRE, and going beyond compliance to power better lives.

**From how we mine to what we mine, we steward our natural assets and social capital to uplift our communities.**

## OUR APPROACH

As we move towards carbon neutrality by 2050, we continue ensuring that our transition contributes to the socio-economic wellbeing of the communities in which we operate. We continue empowering local suppliers and emerging small businesses to grow beyond the life of our operations. We also consider the social impact on employees and communities who depend on the coal economy and respond by preparing affected people through appropriate skills and social support structures.

Our integrated approach to infrastructure development, education, healthcare and ESD aims to advance and strengthen communities. We understand that our success is measured in the short term by delivery of initiatives and, in the long term by the legacy we leave for our communities. Our guiding principles are sustainability, stakeholder inclusiveness and collaboration.

We approach our community and socio-economic development activities through three broad focus areas, underpinned by our objectives, as outlined in our Sustainable Growth and Impact strategy:

- We honour our commitments to our communities and the DMRE through the implementation of our socio-economic development projects. This includes financial and non-financial investment empowering our host communities
- Through our Impact at Scale programme, we partner with a diverse ecosystem of impact funders, collaborating and investing across social, economic and environmental spaces to leverage stakeholders' unique strengths for scalable, sustainable socio-economic impact
- In alignment with the socio-economic development imperatives of a just transition, we engage in ESD activities that aim to support the creation of new, resilient and sustainable industries for high impact in communities

## Alignment with Sustainable Growth and Impact strategy

We have repositioned ourselves as a diversified organisation with renewable energy solutions and mineral resource capabilities, critical and relevant to a low-carbon world. This positioning is encapsulated in our Sustainable Growth and Impact strategy, a strategic and tactical response to threats to our coal business arising from the dangerous effects of climate change.

The impact of the strategy focuses on the just transition principle, which seeks to balance businesses' financial performance and South Africa's economic needs, ecosystem protection and society's adaptive capacity in the face of climate change.

Key to this sustainable impact is empowering our communities to transition to a low-carbon world with us. The transition has significant socio-economic implications for us and them.

The impact pillar of the strategy defines how we will deliver impact to our ecosystem by integrating sustainability and impact initiatives (SLP, ESD, Impact Catalyst and others) before, during and after the life of our operations. This will initiate and build community projects and businesses into investable impact programmes, which can lead to sustainable, scalable economic impact and prosperity, independent of our continued operations.

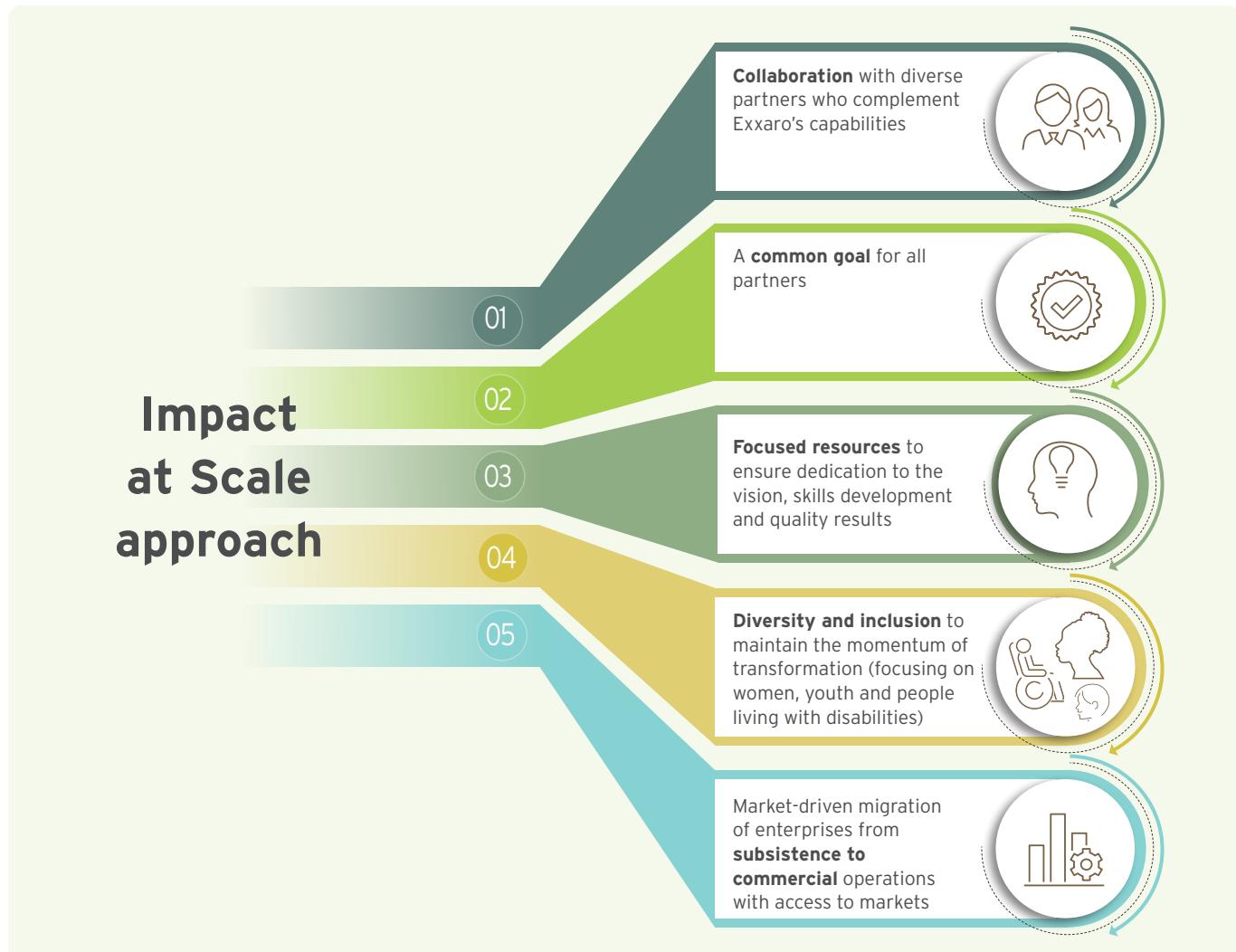
 Refer to the 2021 integrated report for details on our Sustainable Growth and Impact strategy.



Tshikondeni community members celebrate the hand-over of a new crèche

## Impact at Scale

Our Impact at Scale concept has driven our approach to community development since its introduction in 2020. It seeks to establish inclusive, collaborative cross-sectoral platforms, initiatives and partnerships to achieve systemic socio-economic impact through public-private partnerships at regional level. These activities complement our SLP, CSI and ESD initiatives. Our Impact at Scale approach is guided by Exxaro's Sustainable Growth and Impact strategy and focuses on:



### Programmes and partners

- Impact Catalyst platform with Anglo American, World Vision South Africa, the Council for Scientific and Industrial Research, Zutari (formerly Aurecon) and the Limpopo provincial government
- Municipal capacity building programme with NBI and COGTA
- Community benefit scheme with Matla Setshabeng NPC

Aligned with the DMRE's medium-term strategic framework and government's District Development Model

# Communities continued

## Collaboration for shared value

Although Exxaro's approach has always been on collaborative partnerships, we made a concerted effort to entrench these partnerships this year. This was evident in our partnerships with the DoH, COGTA, the Municipal Infrastructure Support Agent (project management unit of the COGTA.), NBI, Minerals Council, the Impact Catalyst and various district municipalities where we operate. These relationships culminated in resource optimisation and capacitation, fostering sustainability and impact.

We also aim to engage with communities to understand their strengths and needs to co-create solutions that lead to shared value.

We fund our socio-economic development initiatives through the Exxaro Chairman's Fund (ECF), the Exxaro Foundation (EF), the Exxaro People Development Initiative NPC (EPDI) and Matla Setshabeng Development NPC, collectively referred to as our social impact investment vehicles.

## Impact Catalyst

Exxaro, Anglo American, World Vision South Africa, the CSIR, Zutari (formerly Aurecon) and the Limpopo government continue collaborating on the Impact Catalyst platform for large-scale socio-economic development initiatives. A three-year funding cycle began in 2020 and Exxaro has committed R10 million over this period.

We continue to support the following initiatives:

- PPE manufacturing
- Community-oriented primary care at Anglo American's Mogalakwena platinum mine and around Lephalale
- Mooihoek integrated game farm
- An agri-processing hub in Limpopo
- Information and communications technology (ICT) connectivity for schools and communities
- Mutale agri-industrial development project

## Municipal capacity building programme

To support government's district development model, Exxaro and NBI have partnered with COGTA to build municipal capacity.

The resulting technical assistant mentorship development programme engages municipality retirees with technical expertise to mentor municipal workers. In 2021, 10 mentors were assigned to 16 mentees across the Waterberg district. The programme addresses technical and leadership skills gaps needed for service delivery and local economic development. It aims to empower local municipalities by building capacity for effective delivery of basic services by the local government. The long-term vision is to attract additional investment and stimulate economic growth.

We committed R3 million to the programme in 2021. This phase will be completed in March 2022, with plans for further investment.

Since December 2020, notable highlights include:

- Relationship built between the public and private sector including NBI, COGTA, Lephalale local municipality and Waterberg district municipality.
- Excellent approach of matching the mentors and mentees successfully
- Identification of projects including infrastructure development initiatives, technical and leadership skills transfer
- Established monitoring and evaluation processes

## Matla Setshabeng Development NPC

In December 2017, Exxaro concluded the replacement BEE transaction, ensuring a broad-based ownership level of 30% in Exxaro, which replaced the previous BEE ownership structure that had expired and vested in November 2016. The community benefit scheme, officially registered as an NPC called Matla Setshabeng Development NPC, and ESOP are part of the overall black shareholding of 30%, each holding 5% of the Exxaro interest.

Given the prior empowerment structure of more than 50% broad-based black shareholding, the replacement structure is exempt from compliance with the requirements of Mining Charter III. Exxaro concluded these transactions as an objective for proactive economic empowerment of employees and communities through benefits from its growth strategy and dividend earnings.

Matla Setshabeng NPC began operating in 2021 and has supported the Chris Hani Baragwanath haematology unit, DoH in Mpumalanga in the vaccination roll-out strategy initiatives and the Centre of Development Enterprise that supports the development of country policies.



Waterberg District Municipality and NBI representatives with mentors supporting Exxaro's municipal capacity building programme

## Focus areas

Exxaro's approach to socio-economic development focuses on sectors aligned to the SDGs and is considered strategic within South Africa's socio-economic development. They include:

- Education
- Skills development and capacity building
- Health and welfare
- Environment
- Infrastructure
- Agriculture
- ESD
- Sports and recreation (cultural)

## Accountability and responsibility

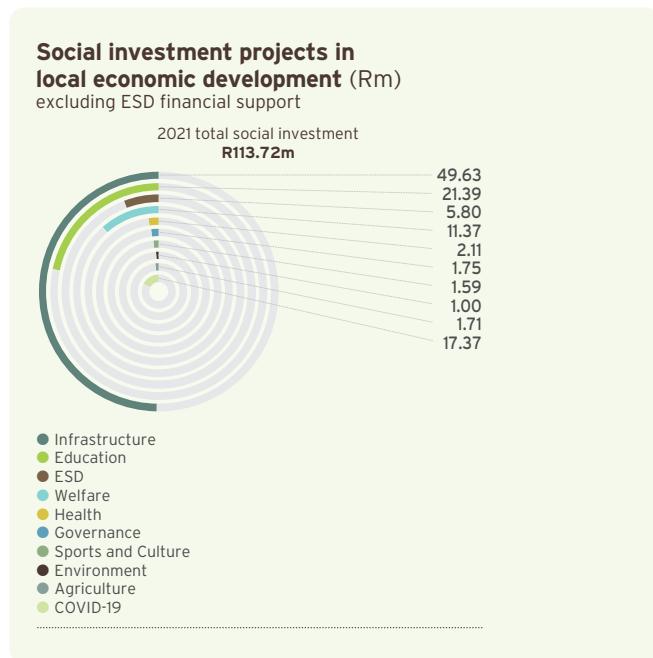
The SERC is ultimately accountable for and oversees community support and development. Our community development department is responsible for developing and implementing the community development strategy across our operations.

## HOW WE PERFORMED

Our social investment activities continued to gather momentum in 2021 after lockdown disruptions in 2020 with primary focus on ESD education and community infrastructure projects. Some projects were stopped by community members who expressed concerns about the preferential procurement process. We also experienced delays in the approval of the Belfast, Matla and Leeuwpan SLPs. The DMRE has since approved the Belfast and Leeuwpan SLPs and has given guidance on the Matla SLP, which will be concluded and submitted for approval in the first half of 2022.

<b>Provided R127.7 million to 15 ESD beneficiaries</b>	<b>Stakeholder engagement day with local government and host community structures</b>	<b>Spent R113.72 million on communities excluding ESD</b>
<b>Spent R21.39 million on educational support</b>	<b>Created 205 jobs on infrastructure projects, which included building an ESD hub, social services, water and schools' infrastructure</b>	<b>Socio-economic development expenditure, including SLPs, ESD, CSI (including COVID-19 relief), totalled R241.42 million (2020: R198.64 million)</b>

Community expenditure	2021	2020
SLPs	R56.44 million	23.38%
CSI including COVID-19 relief	R57.28 million	23.73%
ESD financial contribution	R127.7 million	52.9%
<b>Total</b>	<b>R241.42 million</b>	<b>R198.64 million</b>



# Communities continued

## Enterprise and supplier development

**Our ESD committee is responsible for creating wealth, dignified employment and sustainable enterprises for our host communities.**

Exxaro's ESD initiatives are a key component of our socio-economic development response and critical to achieve our strategic objectives. The initiatives provide financial and non-financial support to small businesses with preference given to businesses in areas where we operate.

We provided R127.7 million in funding to 15 beneficiaries in 2021 (R53.3 million to seven enterprise development and R74.4 million to eight supplier development beneficiaries).

We also prioritised non-financial support through a Contractor Development Programme with the Gordon Institute of Business Science (GIBS) and a Financial Excellence Programme with the South African Institute of Chartered Accountants Enterprise Development (SAICA ED).

**Spend:** R127.7 million

**Beneficiaries:**

- 15 QSEs and EMEs
- Four youth-owned
- Seven women-owned

**Status:** 243 jobs were retained in the short term. Further monitoring and evaluation in 2022 will indicate business growth in terms of employment, revenue, asset growth, etc.

## ESD loan fund management

Tysys Capital Group is a National Credit Regulator licence holder and manages our ESD loan fund to support SMMEs in our communities. Total loans approved since its inception in 2018 amount to R396.4 million with R212.8 million in outstanding or future-dated repayments.

Loan repayments and cash on hand is invested in money market investments by Tysys Fund Managers. R7.1 million has been realised in 2021 in returns and the investments consistently outperform the Stefi Call Benchmark. The returns for December 2021, for example, were 4.45% against a Stefi Call Benchmark of 3.81%.

The fund has recovered R156.8 million in loan repayments since its inception, which is committed to financing additional demands from the surrounding and host communities. The loan fund and Exxaro are committed to going beyond compliance in supporting SMMEs.

## ESD non-financial support

Our non-financial support programmes complement the financing component of the ESD programme. Two programmes were developed and implemented based on a needs assessment study that identified the challenges that entrepreneurs encounter in growing and sustaining their small enterprises. The GIBS contractor development programme, for example, has significantly improved the business management capabilities in the beneficiaries. The beneficiaries have developed and presented business development plans, which highlight short and medium-term interventions needed to scale up their businesses.

Through the SAICA ED finance excellence programme, beneficiaries have benefited from financial coaching and book keeping services. This enables the beneficiaries to have a better view of their business' finance position. More focus is put in the development of similar programmes in 2022.



Participants of an agripreneur Exxaro ESD training programme

### GIBS contractor development programme

The 12-month programme in partnership with GIBS is underway. The programme aims to formalise understanding and knowledge of industry context and operations among suppliers in the Exxaro value chain. It aims to develop management competencies of existing suppliers to meet the needs of Exxaro's current and future businesses, and enhance the capabilities of Exxaro's suppliers to grow their businesses and ensure their long-term sustainability.

The programme targeted 90 contractors in three cohorts with 10 online blocks. Due to the overwhelming demand, the programme has onboarded 97 beneficiaries. The first cohort has completed the 10 online blocks, and is scheduled to graduate from the programme in the first quarter of 2022. The combined revenue of the 97 enterprises amounts to approximately R170 million.

### SAICA ED financial excellence programme

Our financial excellence programme, in partnership with SAICA ED, is a 12-month programme ending in May 2022. This programme consists of financial coaching interventions, accounting and back-office support and currently supports 29 beneficiaries.

These are businesses that were characterised by an absence of financial management systems. These programme beneficiaries are improving in this area, with the goal of them embedding financial management systems by the end of the programme.

### ESD programme performance challenges

The ESD programme performance is based on an organisation's NPAT, with an expectation that 3% of the NPAT should go towards ESD support. One of the challenges experienced by the ESD programme is a result of the fixed perspective by the B-BBEE regulator, ie the dtic on measuring programme performance.

The dtic does not take into account that NPAT estimates fluctuate during a particular year, which has an impact on ESD programme performance. Exxaro's latest forecasted NPAT is significantly higher than the original NPAT, in terms of which the R127.7 million was determined. An organisation therefore has to make a trade off between compliance (spending the money to ensure compliance at all costs) and ethics (appropriately funding deserving businesses on merit).

With less than three months between the period the latest NPAT forecast was finalised and the financial year, it was not possible to spend the additional amount (150% increase) required for full recognition. The dtic was engaged with the aim of finding a way to lessen the impact of the revised NPAT forecast. An option that was proposed was for Exxaro to commit to spend the difference between the original and latest NPAT forecasts in 2022, and rather be evaluated on the original 2021 forecast.

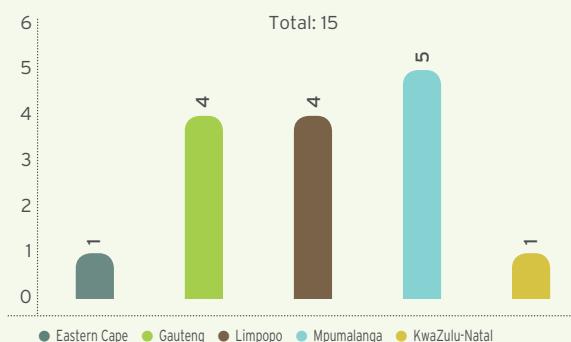
The dtic was not amenable to this proposal, and agreed that funding commitments that are signed off before 31 December 2021 can count towards the spend recognition, although payment will be done in 2022. This perspective of measuring ESD performance poses a risk as the overall B-BBEE performance of the organisation might be affected. Going forward, the NPAT forecast will be closely monitored and early adjustments made on ESD spend, when necessary.

### Incubator hubs

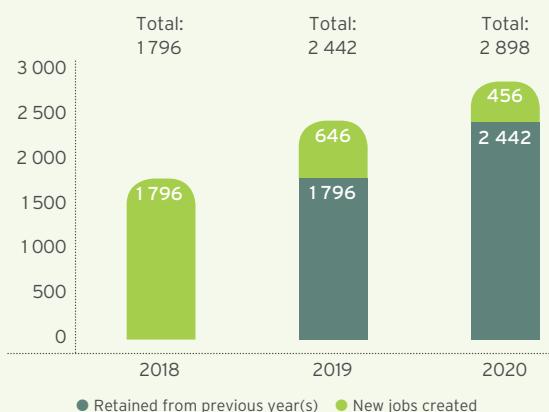
Aligned to our ESD strategy, we have set up ESD incubator hubs in each SLP area as drivers of impact. Each hub facilitates three-year incubator programmes for SMMEs.

In 2021, we finalised incubator programmes in Kriel, Emalahleni (20 beneficiaries), Belfast (20 beneficiaries) and Victor Khanye (11 beneficiaries). The Belfast hub was handed over to the Emakhazeni municipality on 26 May 2021.

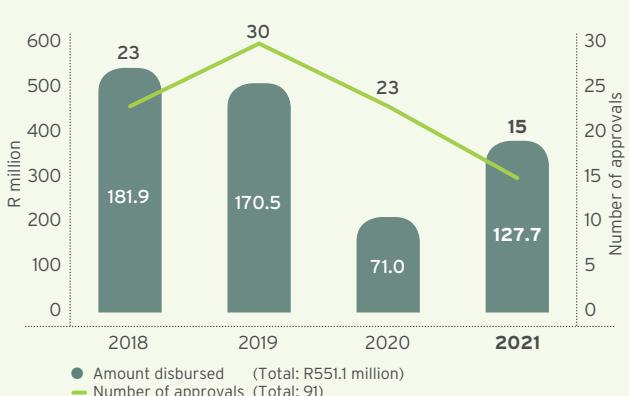
### Provincial spread of supported QSEs and EMEs



### ESD programme beneficiaries



### ESD approvals per year



# Communities continued

## CASE STUDY

Ritluka Resources



# Ritluka

DISCOVERING BEYOND  
THE EARTH'S CRUST

Sector: Mining services

Location: Middelburg, Mpumalanga

Ownership:

- Black - 100%
- Youth - 100%
- Women - 0%

Employment levels: 360

Beneficiary of: Zero interest loan of R11 million.

When Exxaro awarded Ritluka its launchpad contract for underground mining, underground road maintenance and support services in 2019, the company received an interest-free loan of R11 million from the Exxaro ESD programme to acquire equipment and machinery.

The funding has strengthened the company's balance sheet and enabled Ritluka to bid for contracts with other mining houses.

The company has grown from 29 employees in 2019 and now employs more than 360 full-time employees, headed by a management team with over 50 years' combined experience. The company has also been able to grow its annual revenue to exceed the R50 million mark, which graduates it to a generic entity under the B-BBEE codes of good practice.

## CASE STUDY

Ankone Consulting



Sector: Mining rehabilitation and revegetation services

Location: Delmas, Mpumalanga

Ownership:

- Black - 100%
- Youth - 0%
- Women - 100%

Employment levels: 6 employees

Beneficiary of:

- Zero interest loan of R0.6 million and grant of R2.3 million
- SAICA ED finance excellence programme

Ankone Consulting is a women-owned business that was founded in 2016 by Thembile Nzuzi to provide mine rehabilitation, closure and revegetation services. The company has grown from being a small business after securing its first major contract with Exxaro to manage alien invasive species at the Leeuwpan coal mine in Delmas.

Exxaro's ESD department provided the company with development finance of R2.9 million (R2.3 million as a grant and R0.6 million as an interest-free loan) to acquire a hydro seeder, tractor, "bakkie" and safety equipment. The company is also part of the financial excellence programme with SAICA ED.

## CASE STUDY

Thabure Towerco



Maredi Tower and Infrastructure, trading as Thabure Towerco, manufactures cellphone tower infrastructure that is leased to leading mobile network operators. The company was assisted with funding totalling R8.2 million in the form of an interest-free loan. The funding was used to manufacture and install cellphone towers in remote areas in Limpopo.

By expanding network coverage and internet connectivity to remote and underdeveloped areas of the country, the company is helping resolve key infrastructure limitations that prohibit access to education, economic activity and basic services for most South Africans.

Today, the company has 55 full-time employees supported by part-time employees living in local communities, installing its cost-effective internet solution for high-density communities. This enables the roll out of broadband networks in remote locations where the cost of installing underground fibre is prohibitive. The company has been able to pay off its Exxaro ESD loan, and raise a credit facility with a major bank that will enable it to scale up operations.



Ms Welile Nhlabathi of Gigizela Trading Enterprise is a proud recipient of funding from Exxaro's ESD programme

# Communities continued

## CASE STUDY

### Servicios Empresaviales Holdings



Sector: Agriculture

Location: Various sites in Limpopo

Ownership:

- Black - 100%
- Youth - 0%
- Women - 100%

Employment levels: 16 employees

Beneficiary of:

- Zero interest loan of R4.6 million and grant of R1.1 million.

Servicios Empresaviales Holdings (SEH) is an aggregator that assists women-owned SMMEs in the textile and agriculture sectors to assail barriers to market access, funding, expertise, technology and infrastructure through collaborative efforts. The company supports 757 crop and grain farmers on 10 200ha of land in five provinces. The company works with entities such as the Spar Group and Tiger Brands.

In 2021, the Exxaro ESD programme provided SEH with funding of R5.7 million (grant funding of R1.1 million and an interest-free loan of R4.6 million) to acquire machinery and equipment for contract farming services to the farmers in the Tiger Brands programme. The acquisitions included a planter, maize and ground nut harvesters, a crop sprayer, a ground nut digger and other tools.

The initiative is aligned to Exxaro's objective of helping to diversify and sustain rural economies and its host communities. The funding bore immediate fruits, creating 16 new job opportunities for support employees and machine operators at SEH, but the real impact will be in enabling some of the subsistence farmers to commercialise their operations and capacitate them to provide high-quality, reliable supplies to Tiger Brands. It will also enable SEH to further scale-up the programme to support more farmers which will also provide additional opportunities for local entrepreneurs within the agri value chain.

## SLP projects

Our operations have valid mining rights granted by the DMRE, which are at various stages of execution of their five-year SLPs.

In Limpopo, these are Grootegeluk, Thabametsi and Tshikondeni (in closure). In Mpumalanga, these are Matla, Belfast and Leeuwpan.

We delivered our approved SLP projects in 2021, spending R56 million, with improved efficiency compared to 2020

In 2021, we spent R113 million on our social investment projects, which included SLPs and CSI. These projects included school infrastructure and support programmes, delivering the ESD hub and programmes (excluding financial support) and water and sanitation infrastructure projects in Mpumalanga and Waterberg. We estimate that approximately 53 000 community members will benefit from services to be provided from these projects. During the implementation, 205 jobs were created.

Highlights of the five-year SLPs include:

<p><b>GaNala sports field</b> (sports infrastructure)</p> <p><b>Total spend:</b> R2.3 million</p> <p><b>Beneficiaries:</b> Kriel Community</p> <p><b>Jobs created</b> during construction: five contractors and 30 local jobs</p> <p><b>Status:</b> Completed</p>	<p>Exxaro's Matla Coal renovated a local soccer and rugby field to foster social cohesion and create income-generating opportunities during matches. Security was enhanced by the construction of a new concrete palisade fence.</p> <p>Five local contractors were appointed to undertake the renovations, thus maximising local contractor development on the project.</p> <p>This project was completed and handed over to the Emalahleni municipality in December 2020.</p>	
<p><b>Kriel/GaNala ESD incubator hub</b> (non-financial business support)</p> <p><b>Total spend to date:</b> R12.2 million</p> <p><b>Beneficiaries:</b> Incubation programme: 43 (26 enterprise development and 17 supplier development)</p> <p><b>Jobs created:</b> 15 (10 during construction and six operational)</p> <p><b>Status:</b> Infrastructure completed, programme still in progress</p>	<p>To address unemployment and support local development, Matla Coal established an enterprise development centre in Kriel.</p> <p>An unused bakery building was renovated, upgraded and resourced with office automation, furniture and internet access. Two programmes are presented at the centre through an entry level enterprise development programme and a more advanced supplier development programme. Both programmes offer formal business acumen training, personalised mentoring and business support.</p>	
<p><b>Thubelihle sanitation project</b></p> <p><b>Total spend:</b> R5.7 million</p> <p><b>Beneficiaries:</b> 272 households</p> <p><b>Jobs created:</b> 41</p> <p><b>Status:</b> Completed</p>	<p>The Thubelihle Ext. 5 sewer reticulation project was aimed at providing sewer infrastructure for the community.</p> <p>There were 633 stands in the Thubelihle community, and only 30% had access to sewer infrastructure. Exxaro and the municipality identified 272 households in the community that were connected to the current sewer infrastructure system through this project, increasing good health through improved sanitation standards in the community.</p>	
<p><b>Emzinoni water valve project</b></p> <p><b>Total spend:</b> R2.4 million</p> <p><b>Beneficiaries:</b> 7 834</p> <p><b>Jobs created:</b> 20</p> <p><b>Status:</b> Completed</p>	<p>This project is a substitution to the Bethal Water Reservoir project by the Govan Mbeki municipality in 2019.</p> <p>The Emzinoni upliftment and exposure of water valves project was identified and implemented to provide sustained water pressure levels to the community, alleviating the municipal water management infrastructure that had reached the end of its lifecycle.</p>	
<p><b>Arnot/Mafube Primary School</b></p> <p><b>Total spend:</b> R4.9 million</p> <p><b>Beneficiaries:</b> 210 learners, 6 teachers</p> <p><b>Jobs created:</b> 53</p> <p><b>Status:</b> Completed</p>	<p>In the education sector, Exxaro completed six classrooms at Arnot (Mafube) Primary School in Steve Tshwete municipality.</p> <p>To respond to the population increase, following the construction of 83 houses over its previous SLP cycles, the classrooms were completed in December 2020 and handed over to the Department of Education in the first quarter of 2021.</p>	
<p><b>Marapong water reticulation project, phase 1, Lephalele</b></p> <p><b>Total spend:</b> R38.1 million</p> <p><b>Beneficiaries:</b> 42 000</p> <p><b>Job created:</b> 45</p> <p><b>Status:</b> Completed</p>	<p>The refurbishment of the Marapong bulk water pipeline from Zeeland to Matimba has brought reliable water supply to the Marapong community.</p> <p>Through its collaboration with the Lephalele municipality, Exxaro completed the pipeline refurbishment in November 2021, and will be providing project management services for the design of phase 2, which will be rolled out by the municipality.</p>	

# Communities continued

## SLP

**Beneficiaries:** ~53 000

**Spend:** R56 million

The following infrastructure was delivered through the SLPs in 2021:

The associated hub building in Kriel, Mpumalanga, valued at R4.8 million was completed and handed over to the Emalahleni Municipality in early 2021. To foster resilient local entrepreneurs, Exxaro has run an ESD incubation programme in Kriel which is anticipated to conclude in the second quarter of 2022.

To address water security and healthy sanitation, Exxaro completed three projects in 2021. In Mpumalanga, the completion and handover of the Thubelihle sewer pipeline resulted in safe sanitation via the individual connection of 272 households to the main sewer line. In Emzinoni, the completion of the water valves project ensured uninterrupted potable water pressure to the community. These two projects totalled R8.1 million.

The community of Marapong in the Waterberg district of Limpopo was positively impacted by the construction and refurbishment of the main water supply pipeline, completed at the end of 2021 at a cost of R38.6 million. Exxaro continues design and project management support to the second phase of the project being undertaken by the Lephalale local municipality in 2022.

In support of the Department of Education in Mpumalanga, two three-classroom blocks were completed at Arnot primary by two local contractors to the combined value of R4.9 million. The experience created increased skill which resulted in an increase in CIDB registration from level 2 to 5.

To positively impact the lives of the next generation of South Africans, Exxaro identified 11 early childhood development (ECD) centres, supporting them with resources for their operational needs, to the value of R1.4 million and benefiting 1 019 children.

Furthermore, Exxaro continued to support grade 12 academic camps in Lephalale. The camps benefited 300 grade 12 learners at a cost of R1 million. A career expo, held in collaboration with the Lephalale local municipality and the Department of Rural Development, Agriculture and Land Reform, was attended by 4 000 grade 11 learners and more than 70 learners completed psychometric aptitude assessments. Exxaro spent R600 000 on this event.

The grades 10, 11 and 12 mathematics and physical science learner support programme in two Emalahleni local municipality high schools and one high school in Msukaligwa local municipality, proved beneficial in 2021. A total of 407 learners attended the programme, at a cost of R2 615 200. Although there were many challenges encountered during the period, which included learners having lost learning time, due to rotational learning as a result

of COVID-19 regulations and some classes being cancelled due to the riot action and unrest in the country, during July 2021, the learner results in the subjects of mathematics and physical science either remained the same or significantly improved. In one school, there was an improvement in the pass rate of mathematics from 65% in 2020 to 91% in 2021 and 77% to 97% in physical science in the same year. Similarly in another school, there was an improvement from 44% to 60% and 44% to 50% in mathematics and physical science respectively. In the third school, we saw a 1% year-on-year reduction in mathematics, where the school achieved 58% in 2021 and increased its physical science pass rate by 4%, to 71%. These results are encouraging, given the challenges faced by education in the reported year.

In 2020, we received positive feedback from our learner eye testing initiative and this resulted in continued support in 2021. In the reported year, we tested 7 042 learners from 10 primary schools across our areas of operations in 2021, of these 260 learners received prescription glasses.

## CSI

**Beneficiaries:** ~300 000 and an additional 1.5 million in the long term

**Spend:** R57.28 million

In 2021, Exxaro supported university chairs, donating R9.5 million towards their research programmes. We have seen significant benefit in this investment, as the chairs are contributing to our evolving company strategy. This includes integrating climate science in our strategy, developing climate change training courses and employee awareness through master classes. The chairs have also started community outreach programmes, bringing climate awareness at community and municipal level; this programme will be intensified in 2022.

To mitigate the impact of COVID-19, Exxaro donated R1.37 million and R1 million each to Emakhazeni and Lephalale local municipalities, for the acquisition of water bowsers. Furthermore, we contributed R15 million towards the Solidarity Fund. COVID-19 lockdowns triggered a surge in GBV, and as a result Exxaro partnered with the Tears Foundation, which offers assistance to more than 290 000 women and children affected by GBV nationwide. The rest of the CSI funding went to Public Benefit Organisations nationally in areas of health, agriculture, welfare, and supporting organisations that promote governance.

## YD<sup>X</sup> programme

As Exxaro embarked on its organisational digital transition process in 2018/19, we established a programme YD<sup>X</sup> (Youth Exponential Development) within our local communities in Limpopo and Mpumalanga to empower 400 youth with digital skills as part of "taking our community along" the transition. The aim of the programme was to provide youth with digital skills that would enable them, at the least to be employable, but primarily to create their own digital enterprises. The participants were also provided with monthly stipends during the twelve month development programme.

Regrettably, between December 2019 and January 2020, media reports alleged that, whilst training was continuing, the service provider had failed to pay the stipends to the youth, naturally leading to disgruntlement with the programme from the participants. Consequently, the YD<sup>X</sup> programme was suspended and subsequently ceased following an internal audit of the service provider and the matter was reported to law enforcement and remains sub judice.

As an act of goodwill, Exxaro decided to donate to the youth an amount equal to the stipends that remained outstanding and would have otherwise been received if the programme was successfully implemented.

Key lessons learnt from the experience were through consistent and effective oversight of contract relationships, strict adherence to supply chain processes when contracting, and a clear philosophy with regard to relationships with beneficiaries when a third party is involved in delivering a service or benefit.

We are investigating other programmes to replace the YD<sup>X</sup> to empower youth with these digital skills which will be critical for the just transition.

## Cennergi

Cennergi is committed to improving the wellbeing and living conditions of local communities within a 50km radius of its two windfarms.

As part of our economic development obligations, required by the DMRE, Cennergi is committed to investing 2.5% of our revenue in projects that support our host communities. We group our enterprise development and socio-economic development commitments in five categories: education and skills development, social welfare, healthcare, general administration, and enterprise development.

To ensure transparency and community participation, Cennergi founded the Amakhala Emoyeni Community Fund Trust (AECFT) and Tsitsikamma Community Windfarm Trust (TWFT) to disburse and manage its socio-economic and enterprise development programmes. Community projects outside a 50km radius of those operations are funded through Cennergi's corporate social investment (CSI) budget.

To ensure sustainable development and impactful investment in our communities, the AECFT and TWFT appointed Forethought Africa to review the current socio-economic and enterprise development strategy and economic development plans and develop a theory of change. Through the theory of change process, both trusts have committed to a community development approach with strong focus on high-impact strategic projects aligned with our communities' socio-economic development needs and long-term aspirations. Accordingly, 70% of the trusts' economic development budgets will be allocated to long-term strategic investments, 20% to quick-impact projects and 10% to a discretionary fund focusing on community welfare and social cohesion.

Stakeholder and community engagement is a critical pillar of Cennergi's social impact investment decision-making criteria. Our dedicated internal community liaison officers and local community trustees oversee formal and informal community engagement with local communities, mayors, government departments and community special groups such as local business forums and youth, among others.

Stakeholder engagement meetings were restricted in 2021 due to COVID-19. Nonetheless, we held several virtual meetings with local municipalities and provincial government representatives.

Cennergi aims to maintain CSI spending of approximately 1.5% of NPAT on socio-economic development and 2% of NPAT on supplier development while assisting local SMMEs in our preferential procurement programme.

The 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 have committed to 60% total procurement from B-BBEE suppliers, 10% from QSEs and EMEs, and 5% and 2.5% respectively from women-owned vendors.

Cennergi met our preferential procurement targets for 2021 and did not incur any termination points or penalties.

In 2021, we assisted Khaman Security, a local 100% black-owned security company providing security services at Amakhala Emoyeni, with establishment of a security control room, accreditation, regulatory registration and business mentorship in partnership with SAICA ED.

We also appointed a local supplier, Mandsons Proprietary Limited, for collection and disposal of waste from the guard house at Tsitsikamma community windfarm from 1 October 2021. Cennergi purchased a 2 500L mobile trailer for Mandsons to remove sewage from the site and, eventually, other surrounding windfarms and communities.

# Communities continued



## TWFT

In 2021, the TWFT spent R10.6 million on socio-economic and enterprise development projects in our host communities.

### Education

#### Bursary programme and ECD

The TWFT partnered with Early Inspiration to provide a skills training and capacitation programme, parent-support programme and suitably qualified ECD practitioners for six crèches in the area at a cost of R1.06 million.



2021 Tsitsikamma windfarm trust bursary recipients

### Schools

In 2021, the TWFT partnered with Paul Sauer High School to accommodate 67 grade 12 learners at Qhayiyalethu High School, and provide after-school learning services, at a cost of R659 685. The school did not have grade 12 mathematics and Afrikaans teachers so the trust paid monthly stipends for two teachers.

The TWFT also supported the Koukamama local municipality and the local Department of Education with prefabricated classrooms to establish a new high school at a cost of R1.1 million.

### Skills development

The Wittekleibosch and Snyklip development trusts, which own four dairy farms in partnership with local dairy farmers, received funding from the TWFT for two young women, Nolwabo Sharon Songongo and Odwa Budaza, to attend livestock training at Rothman Livestock Training Academy at a cost of R448 000. Both women are now employed in experiential work-based training at the dairies.

Another local community member, Mzoxolo Mboyiya, employed at Oyster Bay windfarm, completed a basic technical training course, which led to a one-year employment contract in Japan.

## CASE STUDY

### AmaMfengu leadership development programme

The TWFT partnered with Nomfundzo Mogapi, founder and CEO of the Centre for Mental Wellness and Leadership, in 2021 to provide leadership development training to AmaMfengu leaders who are key stakeholders of the Tsitsikamma Community Windfarm. He uses expertise in trauma to help people function effectively in wounded contexts.

The Tsitsikamma Development Trust is currently custodian of the AmaMfengu community's land. The leadership development programme will enable them to take charge of their business development.

## Enterprise development

Guided by the outcomes of the impact measurement in the revised SED/ED strategy, the TWFT continued to support NNP Women Poultry, and the Lihlumile and Guava vegetable farming projects, in 2021 with mentorship, machinery, tools and equipment at a cost of R2.8 million.

TWFT's ESD programmes support SMMEs by promoting entrepreneurship, creating employment, increasing economic activity in local communities, and empowering previously disadvantaged people.

## SOCIAL WELFARE

### Infrastructure development

- In 2021 the TWFT renovated and furnished the Snyklip community hall, including a new crèche, for people on nearby farms at a cost of R3.4 million
- Renovation of the Wittekleibos community hall, including an office and media centre, kitchen, new ablution facilities, outdoor gym and library, is underway and will be completed in August 2022
- The TWFT partnered with East Cape College to train 20 Wittekleibos youth in bricklaying and general construction, providing skills to the youth in an area of low literacy

## CASE STUDY

### Lihlumile vegetable farm

Since the TWFT provided skills training, machinery, tools, equipment, land clearance, fencing, tunnels and solar-powered water-supply systems to the Lihlumile Project in 2019, the farm has grown to supply vegetables to crèches in Wittekleibos today.

The business harvested its first sweetcorn and soya beans in 2020, and planted 800 cabbages with a 75% yield, after the TWFT appointed an implementation agent, Jeffreys Bay-based Oliver Tree, to mentor the enterprise.



## AECFT

In 2021, the AECFT spent R13.7 million on socio-economic and enterprise development projects in our host communities.

### Education and skills development

- AECFT's bursary programme helped 15 young people in Cookhouse, Bedford, Adelaide and Somerset East further their studies at universities and TVET colleges across South Africa where they are learning scarce skills (from electrical, mechanical and civil engineering to computer science and accounting)
- When the school governing body of Nojoli Senior Primary School could no longer afford to pay its temporary administration clerk, the AECFT paid the stipend for 12 months
- During a period of severe drought, the AECFT supported Middlewater School with the installation of water tanks and gutters to ensure learners and teachers had clean water and sanitation

### Social welfare

#### Housing

The AECFT built six new houses for Klipfontein farmworkers, each equipped with a solar geyser, shower and stove, and renovated four farmworkers' houses at Alstonfield farm and one at Varkenskuil farm in 2021.

#### Water infrastructure development

The AECFT provided funding for the drought-stricken Bedford Town and Country Residents Association to develop a water conservation and water demand management plan for the Adelaide and Bedford communities at a cost of R310 000.

In partnership with the municipality, the AECFT and the Bedford Community Fund Trust have also committed R5 million to resolving water challenges in the area. Planned projects include water abstraction redesign, repair and service of existing pump stations, refurbishment of the Bedford and Adelaide water treatment plants, storage and pressure management, a centrifugal solids separator, leak management and groundwater augmentation.

# Communities continued

## CASE STUDY

### Community infrastructure development

#### Lighting the community of Cookhouse

The AECFT spent R900 000 on the installation of 30 solar-powered streetlights with battery packs in the Cookhouse community to improve safety and security. The installation contractor appointed 14 local community members to help with the installation.



#### Enterprise development

The AECFT supported Bedford Launder-Ighayiya neBhongolwetu, Lahome agriculture project, Rise and Shine Bakery, Mitsi Trading, Zimamele Mutua, Sophila Cookhouse Sewing Cooperative, Bedford waste recycling project, Malanskraal vegetable tunnel project and Mtika General Trading in 2021.

We partnered with SAICA ED to run monthly workshops, as part of an incubation programme for these SMMEs, including coaching, mentoring, accounting and compliance support.

## CASE STUDY

### Mtika General Trading

The AECFT donated a 2 500L mobile septic tank trailer to Mtika General Trading, a Cookhouse-based sewage removal company, owned by Bhongolwethu Memba, in 2021 to expand the company's services.

Assisted by the AECFT since 2019, with the initial donation of a 1 000L septic tank, the company has secured contracts with several businesses in Cookhouse and has increased its workforce from six employees to 13.

## CASE STUDY

### Rise and Shine Bakery

In 2021, the AECFT appointed SAICA ED to provide accounting, mentorship and compliance support to Adelaide-based Rise and Shine Bakery, owned by Xolani Reuben Dyesha.

Since 2019, the AECFT helped grow the business with an initial donation of equipment, a generator and 2 000 crates. It has grown from four employees to 10, in 2021 supplying bread to 84 spaza shops in Bedford, Adelaide and Cookhouse.

The SAICA ED mentorship programme helps the business comply with basic business regulations.



# Communities continued

## Environmental responsibility to communities

Exxaro's goal to be carbon neutral by 2050 encompasses an approach to decarbonisation that goes further than our operations. Community projects need to incorporate elements of decarbonisation where appropriate and consider the possible impact of climate change over the long term.

This can be seen in our inactive sites where we have implemented rehabilitation activities. We have also developed a mineral succession programme for each site in collaboration with communities in the area where Exxaro is a catalyst in community development and environmental stewardship.

Further, rehabilitated land is leased to communities for farming production with coordinated assistance in soil and water management, and general landholding skills.

Our advocacy programmes at schools aim to entrench the sustainable use of resources and inculcate interest in sustainability initiatives among youth.

Biodiversity loss has also been identified as a significant risk of climate change. We have therefore started implementing several projects to ensure that our mines coexist in harmony with the environment and communities. In collaboration with community cooperatives, these projects include alien invader eradication projects, wetland rehabilitation projects and biodiversity relocation programmes. Our involvement in the Mokolo Crocodile River water augmentation scheme ensures water security in Lephalale.

We work with local municipalities in water security and waste management projects. We donated land to Lephalale to start a landfill site, which could be an energy-generating facility in the near future. We will also aim to provide access to market for waste distributors, ensuring that sustainable environmental practices contribute to sustainable livelihoods.

Over the past decade, we have sponsored three chairs at Wits, the University of Pretoria and Unisa to support environmental and climate change research. We also proudly support municipalities through a municipal capacity building programme. The university chairs provide training in climate change, management of energy, water and land, and access to postgraduate researchers for previously disadvantaged students.

 Refer to our environment section on page 38 for more information.

## Grievances

Our host communities require more procurement, employment and training opportunities to overcome unemployment, poverty and inequalities. Exxaro provides relief through collaborations, public-private partnerships and other continuously improving interventions to address these complex issues. Our social compact approach endeavours to engender equitable participation by communities, promoting shared value.

Other challenges presented to Exxaro, such as respect for graves and family relocation, are addressed on a case-by-case basis.



Mr Mshoza Malaza is the owner of UMI Plant Hire based in Belfast, Mpumalanga, which benefited from an interest-free loan in 2020 from Exxaro's ESD programme

## Supply chain sustainability

We manage our procurement and supply chain processes in terms of our supply chain sustainability strategy and policy to satisfy the diverse expectations of customers, regulators and investors.

Our strategic objectives include:

- Exceeding legislated requirements of the B-BBEE Act and customers
- Exceeding Mining Charter III and SLP commitments to secure and maintain our licence to operate
- Promoting local economic development in host communities with policies that enable participation of historically disadvantaged suppliers such as black youth and women
- Fostering accessible, equitable, transparent and responsive supply chain process based on leading governance standards

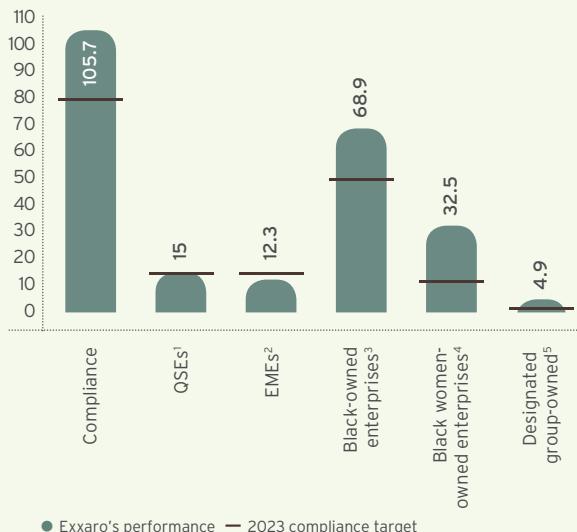
To uphold our licence to operate, we track our performance against Mining Charter III targets. We also ensure our policies align with the regulations and enforce compliance.

## Preferential procurement performance

Exxaro is fully compliant with the requirements of the B-BBEE codes for preferential procurement in the 2021 reporting period (as outlined in the graph below).

We achieved an overall performance of 28.3 against a target of 24.2 on the B-BBEE scorecard element for preferential procurement.

### Preferential procurement in 2021 (%)



● Exxaro's performance — 2023 compliance target

<sup>1</sup> Procurement from entities with R10 million to R50 million annual turnover.

<sup>2</sup> Procurement from entities with less than R10 million annual turnover.

<sup>3</sup> Procurement from suppliers who are at least 51% black-owned.

<sup>4</sup> Procurement from suppliers who are at least 30% black women-owned.

<sup>5</sup> Procurement from suppliers who are at least 51% designated group owned (entities owned by black youth, black military veterans, black disabled people and black people living in rural areas).



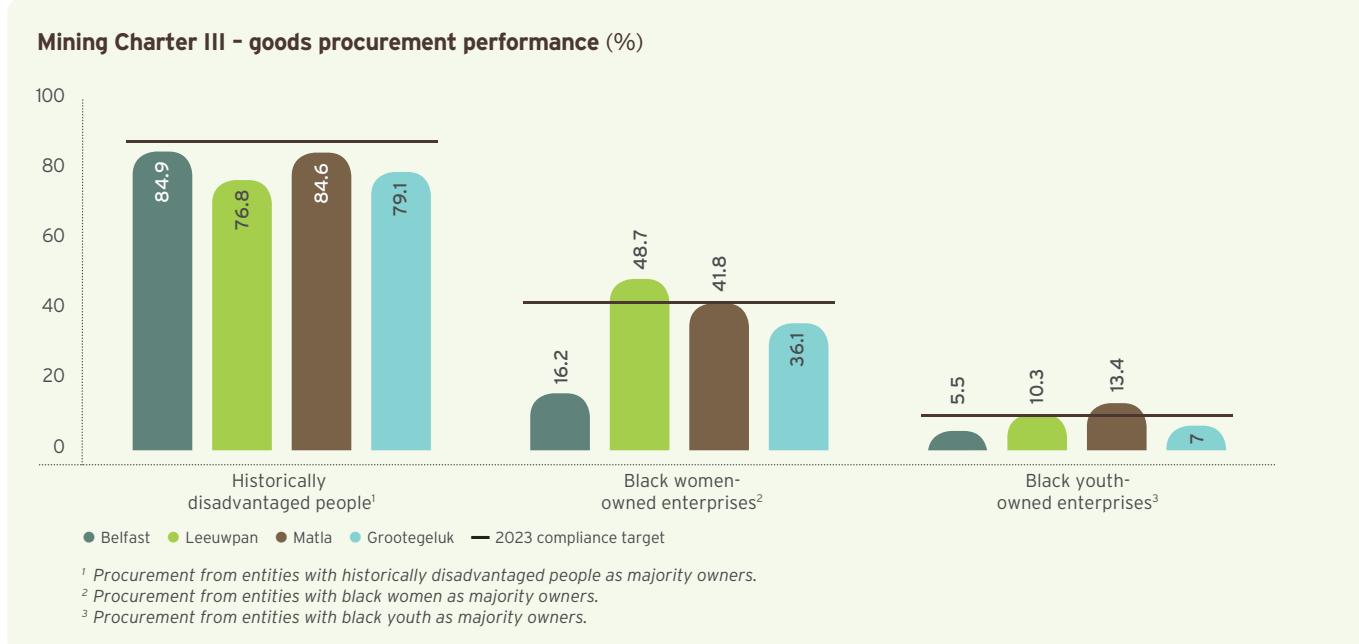
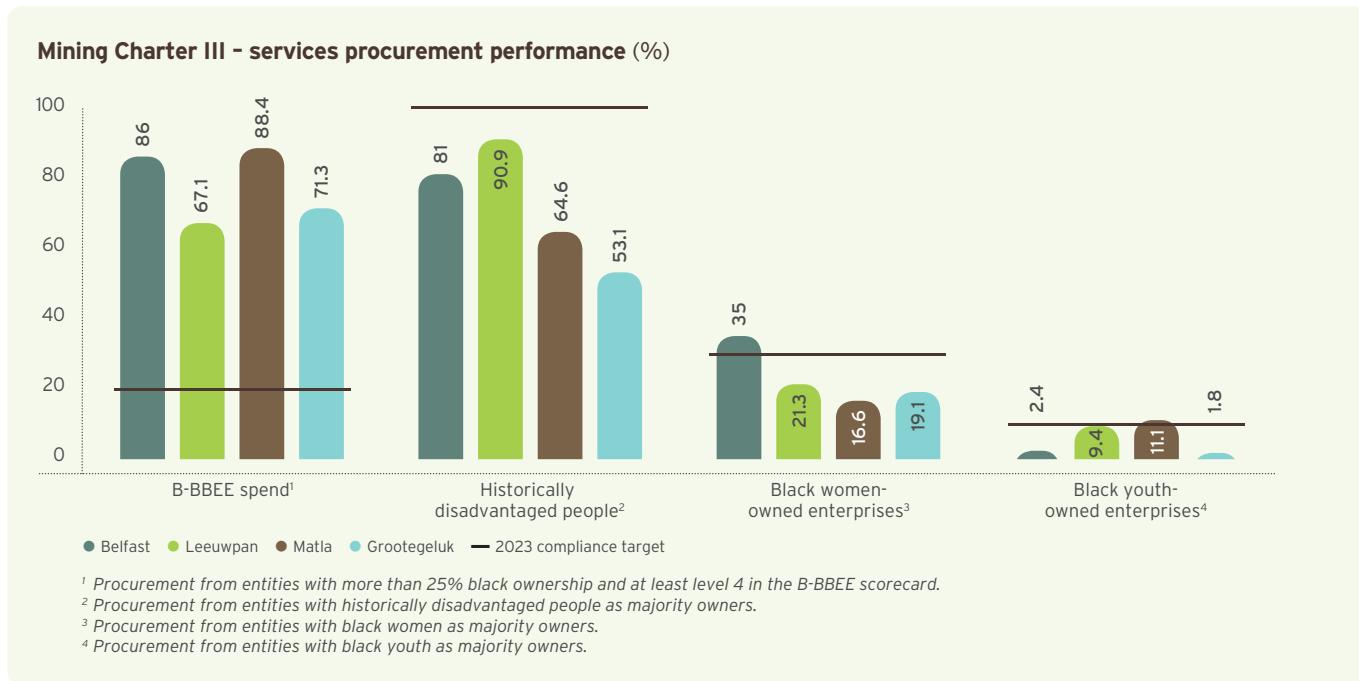
Mequuse Trading employees celebrate Exxaro's ESD support

# Communities continued

## Mining Charter III

As mining rights holders, we must meet prescribed targets by 2023 when we source mining goods and services from targeted groups. Our inclusive procurement programme focuses on sourcing mining services from black youth and black women-owned companies.

We exceeded the 2021 Exxaro target of 31.5 points and scored 40 points on the Mining Charter III scorecard.



## Local procurement and localisation

Exxaro is committed to increasing beneficial participation of black youth-owned SMMEs. This is increasingly critical given the negative social impact of youth unemployment in our host communities. Our supply chain sustainability policy is being reviewed to ensure this.

Over R1 billion of our procurement spend is directed at local black-owned SMMEs. We spent over R1.05 billion with over 241 local black-owned SMMEs in 2021.

We also reached the following milestones in our host communities:

- We awarded local contracts worth R664 million to 71 suppliers
- We spent R1.2 billion with 378 local suppliers

We are committed to improving our QSE and EME preferential procurement performance going forward.

## Ethical and sustainable procurement

Following the adoption of the source-to-pay policy adopted in 2020, in 2021 we completed the implementation of our new digital source-to-pay platform. The policy and platform ensure that we source goods and services from companies that uphold our supplier code of conduct, and guides our employees and contractors in maintaining ethical behaviour.

In 2021, we adopted new generation e-procurement software (Coupa and Innoxico) to reduce the risk of fraud and to maintain cost efficiency.

We continue to drive ethical and sustainable procurement through the following programmes:

- Supplier excellence programme: acknowledge suppliers who demonstrate commitment to our standards
- Anti-corruption and anti-bribery programme: best practice and associated risks, particularly fraud, corruption, human rights, bribery and conflicts of interest to employees
- Green procurement programme: ensures sourcing, use and disposal of goods and services in terms of globally accepted material stewardship standards.

Our future focus areas include supporting rand per tonne cost reduction, integrating ESG into our source-to-pay process, supporting our board in managing conflicts of interest, socialising our supply chain management policies and reskilling our BU. We aim to improve our QSE and EME preferential procurement.

## FUTURE FOCUS

While we have always aimed to power better lives, we intend to do this on a larger and more integrated scale, leveraging partnerships to become a catalyst for economic growth and environmental stewardship, and thus achieve our strategic objectives.

As a catalyst, Exxaro intends to be an agent in starting or accelerating the creation of impact projects rather than controlling the entire process as we do in many other areas of our business.

We will do this by:

- Integrating our existing social and environmental projects to create Impact at Scale (benefits for many stakeholders in a single project by maximising resources) and thus improve business resilience and broader impact
- Securing impact investment funding for sustainable impact projects to transition at scale by supporting the planning and baselining of projects before handing control and management to partners and impact investors

# Human rights

Human rights are the basic rights and freedoms that protect us all. They are based on dignity, fairness, equality, and respect. These rights empower and enable employees to speak up and challenge unfairness within the workplace, and other stakeholders to hold Exxaro accountable for the impact of its operations should they infringe on these rights.

**We uphold our licence to operate through** our commitment to the South African Constitution, the 10 UNGC principles and other guiding frameworks, ensuring we respect the human rights of our employees, communities and other stakeholders.

## Respecting the human rights of our workforce and those who may be affected by our operations

### OUR APPROACH

We recognise that our operations could negatively impact human rights. As such, we are implementing a human rights framework. We will be reviewing and updating policies to align with the UNGC guiding principles on business and human rights, and the Organisation for Economic Co-operation and Development policies, among others. We are also developing a monitoring and evaluation tool to continuously track our progress on compliance.

We are committed to:

- Aligning our business practices and strategy with the 10 UNGC principles
- Protecting the human rights of our people and communities
- Complying with legal and regulatory requirements
- Training our employees in human rights
- Preventing discrimination, harassment and racism
- Regularly reviewing our human rights processes and policies
- Providing a flow of information that promotes business sustainability through the ethics hotline
- Encouraging open and honest communication between employees and supervisors



Cennergi has human resources policies that ensure human rights considerations are adequately managed and addressed. Our approach to promoting and protecting human rights is guided by our code of conduct and grievance procedure, aligned with South African human rights legislation.

We also commit to the IFC's PS2: Labour and Working Conditions, which requires companies to treat their workers fairly, provide safe and healthy working conditions, avoid the use of child or forced labour, and identify related risks in their primary supply chain.

Should our employees feel that their human rights have been violated, they can report this to supervisors or line managers, the human resources department or anonymously through the Exxaro fraud and ethics hotline.

### Accountability and responsibility

Our board is ultimately accountable for guaranteeing human rights. The executive head: human resources is responsible for implementing and overseeing human rights throughout the organisation.

### HOW WE PERFORMED

We made significant progress in reviewing our human rights policies and processes during the year. We featured in the July 2021 Vigeo Eiris ranking of the 100 best emerging market performers for our approach and ongoing dedication to social responsibility. We ranked third in the Transparency and Corporate Reporting: South Africa 2020 report among 100 South African companies under scrutiny for transparency and implementation of anti-corruption programmes. Of the 26 cases of corruption reported against employees in 2021 (2020: 69), these resulted in further action such as disciplinary inquiries, registering cases with the SAPS and arrests. All disciplinary enquiries completed have returned a guilty verdict and resulted in nine cases of dismissal. One case of dismissal has been taken to the CCMA and the Commissioner ruled in Exxaro's favour.

We also fulfilled our annual obligations as a signatory to UNGC since 2007. Our annual UNGC communication on progress is available on our website and provides further detail on topics discussed below.

### Labour and human rights

Exxaro has a labour and human rights policy that documents the company's position and intent regarding the protection of the human rights of employees and people within the company's sphere of influence in the communities in which it operates.

We reviewed human rights policies to ensure alignment with the South African Constitution and compliance with labour laws

We continue observing employees' rights to freedom of association - 5 180 (76.9%) of our 6 745 employees are unionised

We comply with all International Labour Organization codes

### Child and forced labour

We do not tolerate or condone child labour and forced or compulsory labour, and are aligned with the Basic Conditions of Employment Act and the South African Constitution in this regard.

### Training

Our induction programmes educate employees about human rights and our position against discrimination. We train our security personnel in human rights aspects relevant to each operation. We also conduct refresher courses that include human rights issues.

## Diversity and inclusion

Our policies and structures that prevent discrimination, harassment and racism protect employees' human rights. Our diversity and inclusion strategy aligns Exxaro with the South African Constitution and other legislation, the National Gender Policy Framework and the UN Convention on the Elimination of all Forms of Discrimination against Women.

## Guiding body engagement

To align and strengthen our human rights protection mechanisms, we engage with the Minerals Council, which has a guiding framework for the mining industry, and the UNGC.

## Human rights framework and due diligence review

We are developing a framework to guide our approach to human rights issues, guided by the Minerals Council's proposed industry framework, drawing mainly from the UNGC guiding principles on human rights. The Minerals Council has identified seven human rights priority areas for the South African mining industry:

- Environmental management and conservation, including climate change
- Health and safety
- Governance and ethics
- Security and human rights
- Transformation
- Human rights in the workplace
- Land use and resettlements

## Due diligence review

To inform the framework and obtain insights on effective human rights practices, we conducted a due diligence review of our human rights performance in 2021.

The review included:

- Consulting with the Minerals Council, UNGC and industry peers
- Extracting indicators from the Corporate Human Rights Benchmark tool to perform an internal gap analysis
- Engaging with internal Exxaro functional champions to assess existing policies and procedures to identify areas of opportunity and improvement

The Corporate Human Rights Benchmark assesses and ranks companies on their human rights performance in line with the UNGC's guiding principles on business and human rights. Based on Corporate Human Rights Benchmark indicators, the internal gap analysis presented an opportunity to highlight emerging good practices that could be used to address gaps in current practice.

The gap analysis involved engagements with our stakeholder affairs, sustainability, human resources, company secretary, governance and ethics, risk, supply chain, finance and tax departments. The project team extracted and allocated indicators to the different functions. Engagements with functional representatives involved deliberations on the function's level of compliance, based on the selected indicators.

We will use an independent consultant to assess the internal gap analysis. Further, rigorous community interviews will assess actual and potential human rights impacts to inform the framework design. Once the framework is complete, it will allow us to specify formal remedies to address human rights complaints and grievances.

## Ethics hotline

The Exxaro ethics hotline aims to enhance an honest work ethic, and provide employees and third parties with a mechanism to bring any unethical business practices to management's attention. It is an essential line of defence, providing a flow of information that promotes business sustainability by helping to identify and rectify problems before they become more prominent, more costly or damage our reputation. The hotline operates 24 hours a day, 365 days a year. Our independent forensic department receives a regular analysis of the calls and launches objective investigations, which are tabled at regular management ethics committee meetings.

## Grievances

We encourage open and honest communication between employees and supervisors. Exxaro's employment contracts advise employees of their rights to lodge a grievance if they are dissatisfied, and we have a grievance procedure. Anyone who feels that their rights have been infringed has a right to lodge a grievance without fear of victimisation.

No human rights-related grievances were lodged against Exxaro in 2021.

## FUTURE FOCUS

In 2022, we aim to further define what human rights means to Exxaro in relation to our Sustainable Growth and Impact strategy, and align all company policies to be human rights-sensitive. We will also progress the design and implementation of our human rights framework.

# GOVERNANCE

SDG 16 (peace, justice and strong institutions) seeks to promote peaceful and inclusive societies for sustainable development, to provide access for all, and build effective, accountable and inclusive institutions – from small companies to multinationals and governments. The Exxaro board is committed to contributing positively to achieving this goal, especially through good governance.

The board drives the Exxaro strategy and budget, sets performance and culture expectations as well as the governance framework for its subsidiary and controlled companies, trusts and joint ventures. The board therefore continues to be the focal point and custodian of corporate governance for the group.

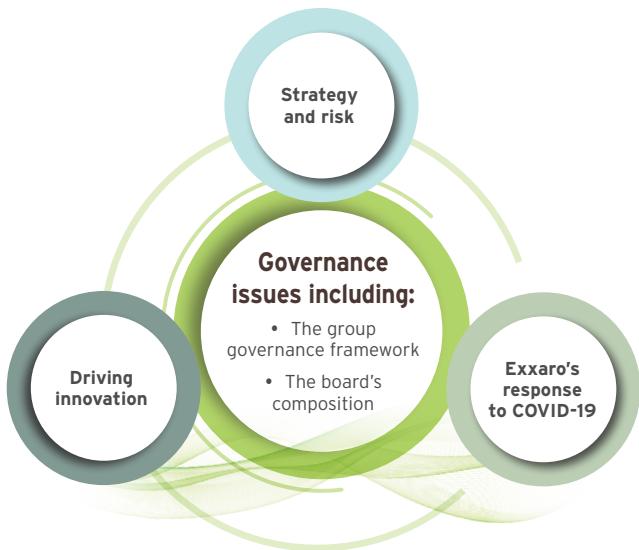
At the core of Exxaro's corporate governance are principles that guide the board in meeting its responsibilities to the company and its stakeholders, to enable the company to achieve the King IV governance outcomes and fulfil its purpose to power better lives in Africa and beyond. The board therefore regards good corporate governance as fundamentally important to create value and achieve the following governance outcomes in its own ethical and effective leadership:



Our board assumes ultimate accountability and responsibility for the company's performance and affairs. In so doing, it effectively represents and promotes its legitimate interests. As a responsible corporate citizen, it also considers its material stakeholders' legitimate interests and expectations to make a positive contribution to society at large.

## FOCUS AREAS IN 2021

The board annually identifies key focus areas, which may continue to receive attention in subsequent years, such as the following in the reporting period:



### Response to COVID-19

Our COVID-19 mitigation measures were informed by the group's health and wellness strategy, based on three pillars: diagnosis, management and prevention. Following our 2020 interventions, additional measures were put in place to deal with the pandemic, including communication with employees through the LetsConnect application on matters such as daily screening, partnering with provincial departments of health in Limpopo and Mpumalanga to launch the roll out of vaccination programmes, hosting vaccination days at operations and head office for employees and family members in qualifying age groups, limiting interbusiness travel and conducting ongoing COVID-19 testing. A vaccine communication and change management process included testimonial videos (including the CEO being vaccinated) via LetsConnect and the Exxaro intranet to encourage employees to vaccinate. In December 2021, 70% of the total workforce was vaccinated.

The importance of health, safety and wellness is a focused item on the agendas of board, board committee and executive committee meetings to enable feedback on the organisation's endeavours in this regard, including COVID-19 responses.

The board was comfortable with the governance processes applied across the group and various measures put in place during the pandemic to ensure the business is more resilient and responsible to withstand challenges into the future.

For details on Exxaro's COVID-19 responses, refer to page 90.

### 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 a goal to be carbon neutral by 2050 through consistently reducing our direct emissions. The board is committed, beyond compliance, to mitigating the impact of climate change.

Specific actions in 2021 to honour this commitment included:

- As announced to the market with the disposal of 21 975 million shares in Tronox on 24 February 2021, the funds from the disposal of Tronox Holdings plc ordinary shares will be used to invest in renewable energy projects as well as repay debt and make distributions to shareholders in accordance with Exxaro's capital allocation framework
- The board and executive leadership were presented with the latest climate change assessment report released by the Intergovernmental Panel on Climate Change and the role of the board in responding to climate change
- Due to the direct impact of climate change on the coal business, in 2020, the board identified the need for an experienced non-executive director with environmental, sustainability and climate change knowledge. Following a rigorous process, this appointment was finalised on 7 February 2022
- The board's governance structure was revisited, giving the RBR committee oversight of the strategic, financial and operational business resilience of Exxaro with specific consideration of its response to the low-carbon transition, building a resilient and future-facing portfolio, and increasing customer diversification and revenue streams
- A group-wide internal employee communication plan has been developed for Exxaro's Climate Change Response strategy, which is being rolled out throughout the organisation into 2022

For details on our Climate Change Response strategy, refer to page 46.

## MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

<b>Quarter 1</b>	<ul style="list-style-type: none"> <li>• Approved the group's annual financial statements and final dividend declaration</li> <li>• Considered the going concern assessment and approved that the group would remain liquid and solvent in the context of the distribution to shareholders</li> <li>• Approved the share buyback programme</li> <li>• Approved the disposal of its shareholding in Tronox</li> </ul>
<b>Quarter 2</b>	<ul style="list-style-type: none"> <li>• Considered the group's Sustainable Growth and Impact strategy with various matters to receive additional ongoing attention</li> <li>• Accepted the offer for the divestment of ECC* as part of the group's growth strategy to dispose of non-core assets</li> <li>• Approved the appointment of a new group company secretary</li> <li>• Held the group's second hybrid AGM</li> </ul>
<b>Quarter 3</b>	<ul style="list-style-type: none"> <li>• Approved group interim financial results and interim dividend declaration</li> <li>• Considered the going concern assessment and approved that the group would remain liquid and solvent in the context of the distribution to shareholders as well as the trading statement</li> <li>• Approved the Sustainable Growth and Impact strategy with further work to be done on the impact strategy</li> <li>• Noted the implementation of the climate change strategy</li> </ul>
<b>Quarter 4</b>	<ul style="list-style-type: none"> <li>• Mandated management with respect to COP26 participation</li> <li>• Deliberated and considered the group's impact strategy</li> <li>• Participated in the health and safety campaign within the group</li> <li>• Approved the consolidated group annual budget</li> </ul>

\* Divestment concluded in September 2021.

# GOVERNANCE continued

## Governance

### Group governance framework

The reporting period was particularly important from a governance perspective with the board focusing on reviewing governance structures in the group, board committees' terms of reference as well as delegations of authority to create and preserve value for agile decision making in the minerals and energy businesses while maintaining decentralised decision making in the more mature coal business. King IV recommended practices for group governance require the board to assume responsibility for governance across the group. The board exercises this responsibility by adopting a group governance framework that provides direction on how the relationship between the holding company and subsidiaries should be structured and managed.

 For details, refer to page 139.

### Board composition

The following outcomes were achieved in 2021 flowing from the board's key focus areas:

- The succession of the chairperson of the board was addressed with the appointment of Geoffrey Qhena in April as chairperson designate with the retirement of Jeff van Rooyen at the 2021 AGM
- Identification of new directors to take over as chairpersons of committees in future as part of succession planning
- The board adopted a diversity and inclusion policy with new targets in March 2021
- The succession of the CEO, Mxolisi Mgojo, who will retire on 31 July 2022, was addressed through the appointment of Nombasa Tsengwa as CEO designate and executive board member on 16 March 2021 (her appointment as CEO will become effective 1 August 2022)
- The board filled four non-executive director vacancies, including the role of the chairperson, in terms of the required skills and experience identified by the board as well as its diversity and inclusion policy:

<b>1</b>	Chanda Nxumalo	Independent non-executive director	Appointed 1 February 2021
<b>2</b>	Mandlesilo Msimang	Non-executive director	Appointed 15 March 2021
<b>3</b>	Geoffrey Qhena	Independent non-executive director	Appointed 19 April 2021
<b>4</b>	Isaac Malevu	Non-executive director	Appointed 22 June 2021

- The board continued to search in 2022 for independent non-executive directors to address independence, gender diversity as well as specific skills and experience requirements (which included **energy, ESG, remuneration and hard rock mining**) in line with the Exxaro strategy and succession planning. The following appointments have been made:

<b>1</b>	Karin Ireton	Independent non-executive director	Appointed 7 February 2022
<b>2</b>	Bennetor Magara	Independent non-executive director	Appointed 7 February 2022
<b>3</b>	Billy Mawasha	Independent non-executive director	Appointed 7 February 2022
<b>4</b>	Phumla Mnganga	Independent non-executive director	Appointed 7 February 2022

 For more information on the board's composition, diversity and experience, refer to page 154.

### Strategy and risk

King IV prescribes that the board should appreciate that an organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process. The review of corporate responses, social justice movements and other material economic and business impacts, analyst reports on megatrends with a view to identifying material business environment developments and data points is a continuous process.

An updated strategy process was adopted by the board to provide for a continuous cycle in ensuring an integrated strategy across Exxaro businesses, supporting Exxaro's purpose. As risk management is inherently linked to achievement of strategic objectives, an integrated risk management approach is applied in the strategy review process, including the identification of emerging risks.

## MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

### Quarter 1

- Appointed three new non-executive directors, including the chairperson designate
- Appointed the CEO designate
- Approved the amended board charter, annual work plans and board committees' terms of reference as well as the recommended name changes of the social and ethics and sustainability, risk and compliance committees

### Quarter 2

- Approved POPIA policy amendments and received confirmation of implementation of POPIA measures
- Approved funding request for R25 million from the Solidarity Fund as a top-up contribution for the COVID-19 vaccine roll-out
- Policies approved:
  - Non-audited services framework and policy
  - Sexual and racial harassment policy
  - Insider dealing policy
  - Information policy

### Quarter 3

- Approved content to be shared at the Capital Markets Day on 20 September 2021
- Considered the group governance framework and energy delegation of authority as well as key focus areas for board committees
- Received update on COVID-19 interventions and vaccination programme roll-out

### Quarter 4

- Approved the group governance framework and energy delegation of authority
- Considered and approved changes to the strategic performance dashboard and board KPIs
- Reviewed corporate model and total shareholder return peer group

The **top five risks** at the end of 2021 were:

- 1** Unavailability of current rail capacity
- 2** Eskom systemic risk
- 3** COVID-19 concerns
- 4** Inability to achieve financial targets
- 5** Community unrest

 For more information on the strategy and risk management, refer to the integrated report.

### Disposal of non-core assets and investments

In line with our strategy, the derecognition of Exxaro's investment in Tronox SA and Tronox Holdings plc and the strategy to monetise this investment were achieved. In addition, the disposal of ECC was concluded and became effective in September 2021.

### Driving innovation

Within our overarching values, we have five cultural themes: responsibility, adaptability, openness and connectivity, diversity and ownership. We aim to foster a culture of adaptability to the ever-changing world around us, encouraging employees to learn and improve in everything they do. As change is inevitable, based on current social, economic and technological realities, the company aims to be agile and create new opportunities to move the group forward as a collective.

For Exxaro, innovation is key to a successful, thriving business. Without actively driving innovation practices, businesses stagnate and ultimately fail. The board recognises that it is imperative for Exxaro to continue innovating and striving for radical and disruptive solutions, not only to address challenges but to drive and support our strategic goals of carbon neutrality. Exxaro has adopted **Open Innovation** as an innovation strategy through which to identify and access radical and disruptive solutions. In a world of distributed

knowledge, Exxaro cannot afford to rely solely on internal idea generation and research and development functionalities. Instead, we have perforated the knowledge boundaries of the organisation to source solutions and collaborate with outside innovators like startups, experts and the wider public. Exxaro has processes in place to access radical innovation by forming strategic partnerships with participants within the open innovation ecosystem. According to the PwC Innovation Benchmark report 2021, 54% of innovating companies struggle to bridge the gap between innovation strategy and business strategy. At Exxaro, innovation and business strategy are integrally linked with innovation practices being driven by key functional areas and innovation initiatives streamlined to support key strategic and operational objectives.

In addition to initiatives within the group and to promote board effectiveness, the following has been put in place to support our board:

- The board, board committees, executive committee and material subsidiaries use a secure platform for collation of board packs for virtual board meetings, which has greatly contributed to effective and secure meetings for several years. The system allows for secure collaboration, information sharing as well as electronic voting on written resolutions
- Exxaro held its second hybrid AGM in 2021 with shareholders or their proxies participating via electronic communication or in person, subject to COVID-19 protocols
- Participants could vote during the AGM through an electronic participation platform. If participants wanted their votes counted, they could submit information captured in the AGM notice to the platform service provider. Each shareholder who provided requested information was given a unique link to participate in the virtual meeting
- The insider dealing environment has greatly improved with an electronic insider register sending automated notices to any person whose name is captured in the register and, when it is removed, providing a clear auditable trail as well as ensuring regulatory and policy adherence
- In addition, compulsory insider dealing awareness training has been made available to the board and prescribed officers, as well as employees generally, on MyNexxt to allow completion at own leisure. MyNexxt is a learning management system that takes digital learning and staying connected to a new level by enabling wider accessibility to the platform

### KING IV

 In line with King IV's recommendation to apply and explain how good governance is practiced within Exxaro, our detailed King IV application register is included on page 186. This sets out each principle with an explanation of steps taken as well as policies and processes used by Exxaro. In addition, our governance reporting is also structured under the four desired outcomes of King IV, namely:
 

- Ethical culture (see page 134)
- Performance and value creation (see page 137)
- Adequate and effective control (see page 139)
- Trust, good reputation and legitimacy (see page 145)

### MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

#### Quarter 1

- Monitored interventions as COVID-19 concerns remained a top risk
- Considered and provided input on the suite of annual reports
- Adopted the board diversity and inclusion policy with amended targets

#### Quarter 2

- Noted COVID-19 measures, specifically the vaccination programme and registration of Exxaro facilities as vaccination centres
- Appointed one new non-executive director
- Approved the annual reporting suite for the year ended 31 December 2021
- Attended the first board governance session

#### Quarter 3

- Monitored the implementation of POPIA measures, which was noted as satisfactory
- Considered the performance achievement and STI scheme implementation
- Noted the need for additional skills composition of the board, which was driven by the remuneration and nomination committee
- Engaged with community stakeholders through virtual stakeholder day events where we operate

#### Quarter 4

- Approved the update of board and board committee annual work plans
- Approved the update of the group delegation of authority
- Considered the line-of-sight incentive scheme, performance achievement policy and alignment of international outbound policy
- Attended the second board governance session

# Ethical culture

**King IV refers to organisational ethics as ethical values applied to decision making, conduct and the relationship between the organisation, its stakeholders and broader society. The board has taken active steps to address the King IV principle of progressing from merely ethics management to establishing an ethical culture within the organisation, which will receive particular focus in 2022 as an ethics strategy and management plan are being developed.**

## CODE OF ETHICS

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

Our values provide general guidelines for our interactions with each other and our stakeholders, and reflect what is important to us and how we conduct ourselves. The following fundamental values are expressed in the code of ethics:

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

Recognising that our public reputation is one of our most important assets, the organisation is committed to achieving the highest ethical standards in our business operations. We recognise our obligations to our stakeholders, particularly shareholders, clients, employees, business partners, competitors, the authorities, the environment and the wider community. Maintaining the trust and confidence of our stakeholders is the responsibility of every employee. In our actions, the values and associated behaviours must guide and direct our conduct.

Our group company policies and procedures, relating to specific issues, processes and situations, support the code of ethics. The following policies support the establishment of an ethical culture (but should not be seen as an exhaustive list) in addition to the 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 and inclusion

## MONITORING ETHICAL CULTURE

The board monitors the ethical culture of the group through its reporting structures, which include two board committees (the SERC and audit committee) and the ethics committee (a management committee).

Following the 2020 group-wide integrity survey conducted by internal audit, a group-wide ethical risk assessment was conducted by The Ethics Institute in 2021. The assessment sought to measure ethical culture, behaviour and perceptions of how ethics are managed in the group, and to produce an ethics profile of the group, which included a level of ethical culture maturity.

Flowing from this, the ethics committee began formulating a statement of strategic ethical intent, and developing an ethics strategy and management plan to address specific identified development areas. These areas include ethics awareness, ethics accountability and responsibility in an open and transparent manner, increasing ethics talk at every level of the business and commitment to ethics by all levels of the organisation. This strategy and management plan will be considered by the SERC in 2022 for approval by the board.

## **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 and individual directors, including the composition and relevant procedures.

The board charter requires board members to be individuals of calibre and credibility with the necessary skills and experience. In this regard, the remuneration and 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. Exxaro also engages with shareholders about the required skills, competencies, and gender and diversity targets for the board's effective functioning.

In terms of the board charter, all directors are required to undergo continuing professional development, as approved by the board from time to time, on recommendation by the remuneration and nomination committee, and to attend regular briefings arranged by the company on changes in legislation, governance and the business environment.

## **AVOIDING CONFLICTS OF INTEREST**

In terms of the Companies Act and King IV, directors and prescribed officers have specific duties regarding the 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 is reviewed regularly. In line with the JSE Debt Listings Requirements, the company's conflicts of interest policy and register, reflecting material disclosures, are on the company's website.

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

Annual general declarations are required from directors and prescribed officers of outside interests 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 executive committee, board, board committee and management committee agenda. All 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. This is recorded in meeting minutes. Similarly, 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.

The implementation of an electronic platform to facilitate reporting, workflow approvals and an auditable communication trail for disclosures in 2020 were reviewed. The company has identified an alternative platform to address shortcomings that would allow for managing other governance-related matters. These include the gift and benefits register, director trade clearances and policy management. The new platform would also enable employees without access to computers to make disclosures. It is anticipated that the new platform will be implemented in 2022.

## **FOCUSED GOVERNANCE SESSIONS**

The group company secretary hosts two annual, fixed, governance-related intervention sessions for the board.

The themes of the two governance sessions in 2021 were:

- Ethical and effective leadership
- The role of governing bodies in responding to climate change

Both sessions included training by the sponsors on the JSE Listings Requirements as well as the JSE Debt Listings Requirements.

As the regulatory environment within which Exxaro operates is continually changing, and to systematically develop directors' fields of knowledge and skills, a structured, themed programme has been recommended by the group company secretary for 2022.

# Ethical culture continued

## FRAUD AND ETHICS HOTLINE

As part of our ethical culture, Exxaro encourages employees and stakeholders to report suspected fraud or corruption to its fraud and ethics hotline, independently managed and reported to the board's SERC as well as management's ethics committee.

Based on the importance of retaining the integrity of the Exxaro hotline, it is deemed necessary that Exxaro should, 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 an application for the disclosure of an anonymous complaint, which could have undermined the system's confidentiality.

## SUPPLIER CODE OF CONDUCT

The Exxaro supplier code of conduct drives the company's commitment to ethical conduct with its suppliers and service providers. The code communicates the company's mandatory standards and suppliers must live up to this code. The company also conducts rigorous audits to ensure compliance. The code is available to current and prospective suppliers on our website. 

## RESPONSIBLE CORPORATE CITIZENSHIP

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

As the organisation is an integral part of society, the board sets the 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 standards, and its own codes of conduct and policies.

Therefore, the board exercises independent judgement in overseeing management and safeguarding the interests of all stakeholders, including 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, thus ensuring that the company provides sustainable value to society as a whole.

### Governance

In addition to the role of the board and its committees, the SERC's role has been 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 include overseeing how the consequences of the group's activities and outputs affect its status as a responsible corporate citizen in the following areas:

- 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

Effective from 1 March 2008, our **labour and human rights policy** outlines the company's position and intent with regard to protecting the human rights of our employees and people in the company's sphere of influence within our host communities. In 2021, Exxaro initiated a process to develop a framework for the organisation that will further guide management of human rights issues. Herein, Exxaro is guided by the industry framework proposed by the Minerals Council, drawn mainly from the UN guiding principles on business and human rights. For more on our human rights commitment please consider page 128 of this report. 

Exxaro remains, since 2007, committed to supporting the 10 principles of the UNGC on human rights, labour, environment and anti-corruption. 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. For more information on the UNGC commitment, please visit our website.

### Focus areas

In summary, some areas of focus in 2021, with some activities rolling over into 2022, were:

- approving the SERC's new terms of reference to include oversight of this responsibility
- conducted a group-wide ethical risk assessment
- initiating a review and development of a human rights framework
- roll out of the POPIA project implementation plan, including group-wide training
- compulsory group-wide anti-bribery and corruption training on MyNextt
- compulsory training by directors, prescribed officers, group company secretary and directors of major subsidiaries, in respect of insider dealing and training made available to all employees on MyNextt

# Performance and value creation

## 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 board's RBR committee oversaw the process of updating the following business continuity governance documents:

- Emergency response plan
- Crisis management policy
- Business continuity plan
- IM 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.

Flowing from a review of the roles and responsibilities of the board committees in 2021, the board approved the change of the role and responsibility of its sustainability, risk and compliance committee to focus on risk management, business resilience and compliance. The committee was renamed the RBR committee. 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. The committee therefore, importantly, also oversees the appropriateness of the company's crisis response plans and frameworks.

## PIVOTING STRATEGY

The board considers and approves the short, medium and long-term strategy for the group, as formulated and developed by management.

During assessment and formulation of the revised strategy, the board engaged with executive and senior management during its annual strategy session. The board acknowledges and appreciates that the company's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process. The insight that conditions are changing and there is a need to become future-fit continues to drive decisions and measure transition going forward.

The board also ensures that it approves policies, budgets and operational plans that give effect to the strategic direction, and delegates to management the responsibility for implementing and executing the approved strategy within the approved governance framework.

 Our Sustainable Growth and Impact strategy is illustrated in our 2021 integrated report.



Grootegeluk mine's open cast pit operations

# Performance and value creation continued

## 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, from time to time.

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 committee 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.

## 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.

## PERFORMANCE EVALUATION

KPIs are identified that track the execution of the Exxaro strategy. KPIs have been determined for the board and group executive committee, and the process of reviewing and aligning the board committees' KPIs will be finalised in 2022.

Exxaro uses a strategic performance dashboard that supports reporting on the achievement of KPIs that track execution of our strategy. The dashboard was reviewed in 2021 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 track performance towards the achievement of the strategy and desired portfolio.

The board KPIs have been approved by the board to be tracked and reported on in 2022 through the dashboard with the objective of achieving the company strategy:

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

Through a cascade principle, the group executive committee drives and reports on the selected board KPIs. Similarly, KPIs will be submitted based on the cascade principle for refinement by the energy executive committee.

The status of the strategic performance dashboard is reported at each board and board committee meeting throughout the year. Please consider our integrated report for more detail on the strategic performance dashboard.



Monitoring operational performance at our BU

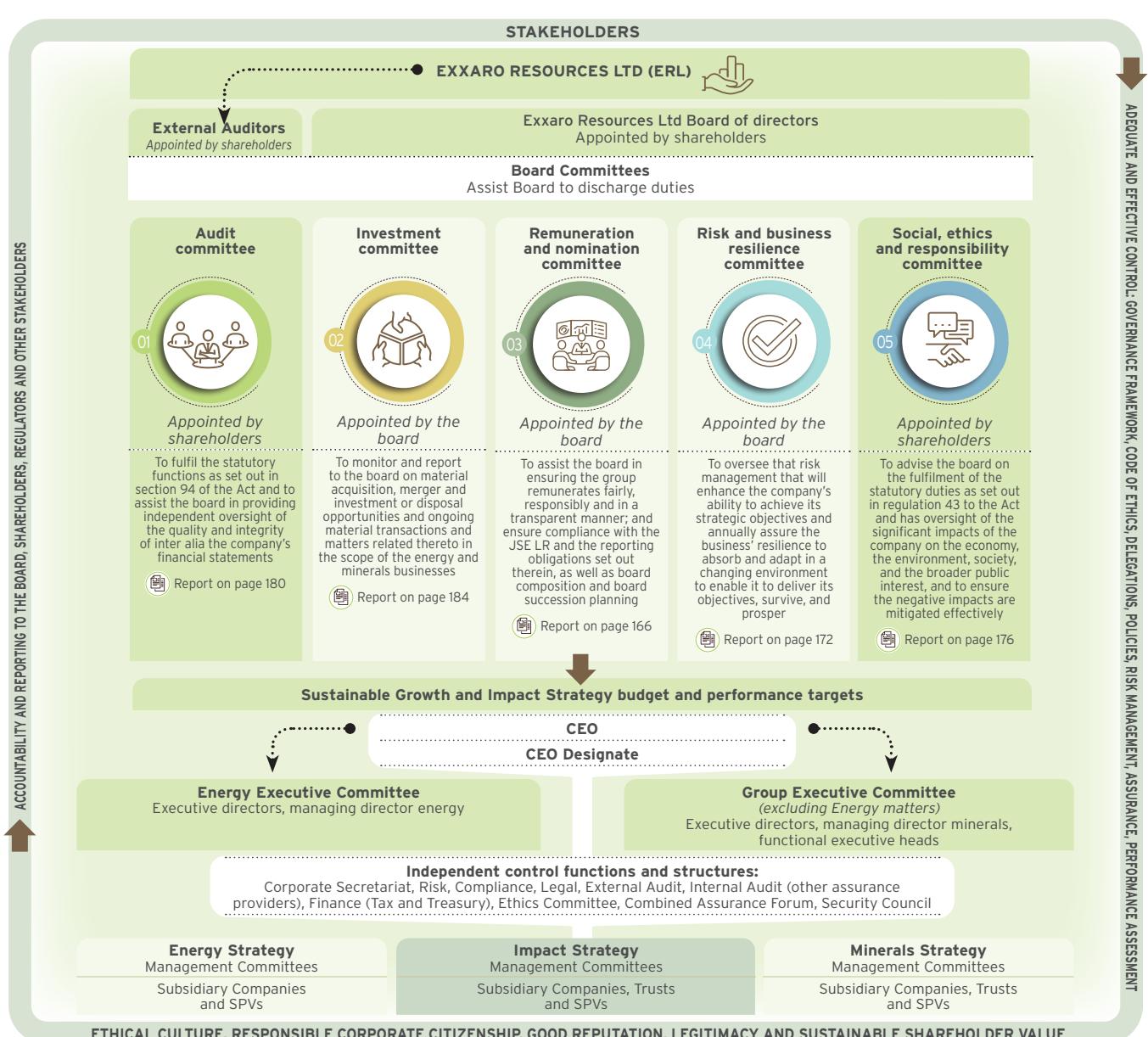
# Adequate and effective control

## GROUP GOVERNANCE FRAMEWORK

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

The legally sound framework guides monitoring and oversight of business affairs with a view to achieving accountability, authority and sound decision making as well as policies to support the group in achieving the Sustainable Growth and Impact strategy. The framework sets out the following:

- Statutory and regulatory framework of corporate governance
- Various 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 role of shareholders and stakeholders as well as shareholder reserved matters
- The role of the company's board, board committees and reserved matters
- The role of executive management and the executive committee
- The role of the independent control functions and structures within the group
- The role of the holding company, subsidiaries and other entities



# Adequate and effective control continued

## 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, and builds and protects the organisation's reputation and legitimacy. We consider good corporate governance the responsibility of our board, executive 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 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, which in line with King IV 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 updated in 2021 with key focus areas, annual work plans and objectives being revisited. The mandates of three committees were materially revised:

- The RBR committee (formerly the sustainability, risk and compliance committee)
- The SERC (formerly the social and ethics committee)
- The investment committee

The following board committees support the board:

- **Audit committee:** to fulfil the statutory functions set out in section 94 of the Companies Act and generally the JSE Listings Requirements and to provide independent oversight of the quality and integrity of the group's financial statements
- **Remuneration and nomination committee:** the joined committee terms of reference leverage the benefit of cross-membership for the fulfilment of remuneration matters as well as board governance and nomination matters. It assists the board in ensuring the group remunerates fairly, responsibly and in a transparent manner, and to ensure compliance with the JSE Listings Requirements and its reporting obligations
- **RBR committee:** to oversee the company's implementation of an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives and assure business resilience to absorb and adapt in a changing environment
- **SERC:** to fulfil the statutory functions set out in Regulation 43 to the Companies Act and to have oversight of the significant impacts of the company on the economy, the environment, society and the broader public interest, and to ensure the negative impacts are mitigated effectively
- **Investment committee:** to monitor and report to the board on material acquisition, merger and investment or disposal opportunities, ongoing material transactions and related matters in the scope of the minerals and energy businesses

The board confirms that it is satisfied that the board committees executed on their roles and responsibilities and 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.

## BOARD COMMITTEE REPORTS

 Detailed board committee reports are on pages 166 to 185.



The Leeuwpan mine coal beneficiation plant

## 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 board
  - 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 MoI and the delegation of authority policy and framework (such as amendment of the MoI 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 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, however, 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. However, the chief audit officer reports administratively to the finance director (FD). The board is ultimately responsible for overseeing the effectiveness of the oversight functions and ensuring an effective internal control environment within the group.

## Delegation of authority framework

The company's 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.

Exxaro's delegation of authority policy and framework are regularly reviewed to ensure aligned decision making. 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. A deep dive into the group delegation of authority policy and framework has been scheduled for 2022. In 2021, the energy business-specific delegation of authority was subjected to a rigorous process of review 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 has been 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 business objectives.

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

# Adequate and effective control continued

## TECHNOLOGY AND INFORMATION MANAGEMENT

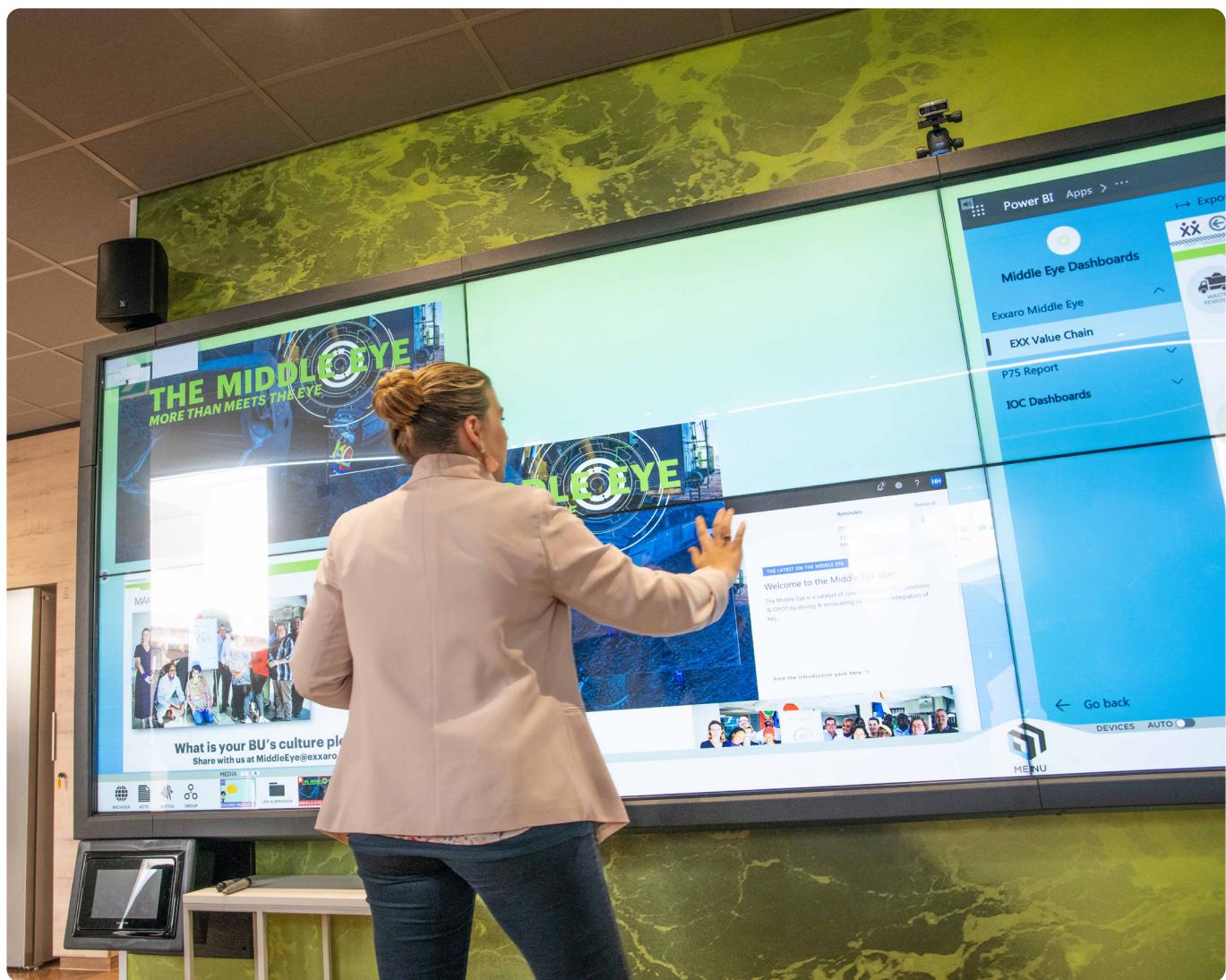
The board governs technology and information management (IM) in a way that supports the organisation setting and achieving its strategic objectives.

The risk of data theft ranks as the most pertinent risk that IM is addressing due to previous lack of adequate controls. At present, there are several treatment efforts underway to help mitigate the risk. Data discovery and classification, roll out of Intune solution for mobile devices and data encryption have been completed. A data loss prevention tool has been deployed and policies applied, which will be ongoing. The company's security posture is continually monitored and reported to the RBR committee.

A review of the IM governance space has been conducted with the following outcomes:

- The IM value realisation framework has been completed and is being applied to new projects and retrofitted to projects in delivery and completed. Benefits are being reported at the IM investment review committee (a management committee) meetings
- A new IM delegation of authority, covering aspects such as a new demand management process, will be implemented using ServiceNow
- IM policy documents were reviewed and updated
- The architectural review and approval process has been updated to be more dynamic

The information management programme, including document information management and implementation of the data privacy programme in compliance with the POPIA is in full force and effect.



Digital dashboard at the conneXXion, Exxaro's head office in Centurion

## **ERM**

Our ERM approach provides a framework and process for all types of risk management, regardless of risk or impact type at all levels of the organisation. The same terminology and assessment mechanisms are used for finance, projects, safety and operational risk management. We have a set of risk names, one impact and one likelihood scale used across different disciplines to ensure management concentrates efforts and resources on material activities.

The company linked all 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 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 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 was reviewed to update changes in reporting structures and role designations, and to align 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 governance framework, risk management is an independent control function across the group and our chief risk officer is a standing invitee to the RBR committee and group executive committee.

 Please refer to the integrated report for further details on our risks.

## **COMPLIANCE**

The group is committed to maintaining high standards of integrity, professionalism and ethical behaviour in its relationships. While Exxaro complies with relevant legal requirements in its jurisdictions, the law serves as a minimum standard of conduct. Beyond complying with the law, it is important that every director and employee is sensitive to the appearance of improper conduct, and establishes whether or not our actions are honest and responsible.

The group's compliance philosophy is captured in a compliance policy. It 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 to assess its robustness. It is refocused to ensure regulatory instruments are prioritised from a licence to operate perspective.

Electronic control self-assessments (CSAs) prioritise legislation included in the regulatory universe. These CSAs are high-level questionnaires providing a view of compliance at functional and BU levels. The results provide a base for the company's compliance assurance plan and intervention efforts that assist the functions and BUs in improving compliance.

Exxaro conducted an audit of its compliance function in 2020 to ensure effective compliance management was applied and key areas were addressed in 2021.

A specific focus area for 2021 was the roll out of the POPIA project implementation plan across the organisation to ensure compliance by the group, which included review of policies and adopting new policies, review of systems and processes as well as training throughout the organisation.

# Adequate and effective control continued

## COMBINED ASSURANCE

King III introduced combined assurance as a recommended governance practice, understanding that more can be done to improve assurance coverage and quality, through better coordination of assurance providers. We apply 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 assessed the effectiveness of controls for the year ended 31 December 2021 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.

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 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 report

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

 See our combined assurance report for effective governance in our integrated report.

## INDEPENDENCE OF AUDIT AND ASSURANCE FUNCTIONS

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

- **Change in independent external auditor:** Exxaro and its subsidiaries completed a tender process in 2020 for the appointment of a new independent external auditor, effective for the financial year ending 31 December 2022, and approved the appointment of KPMG and its delivery partner, AM PhakaMalele. PwC was Exxaro's independent external auditor for the financial year ended 31 December 2021. A plan has been agreed for a smooth transition
- **Change in internal audit service provider:** We have completed a tender for the appointment of new internal audit support services, and appointed PwC and its service delivery partner, Ngubane & Co, commencing on 1 July 2022. Similarly, a transition plan has been agreed with the outgoing EY internal audit team
- **A framework for engagement of auditors to supply non-audit services** has been adopted with the following objectives:
  - Ensure that neither the nature of the service nor the level of reliance placed on it by the board could, or could be seen to, impair the objectivity, independence and impartiality of the auditors
  - Establish a straightforward and transparent process and reporting to enable the audit committee to monitor policy compliance
  - Avoid unnecessary restrictions on the purchase of services from the auditors where they are able to demonstrate provision of a higher-quality and more cost-effective service than other providers
- In addition to the above, our group governance framework confirms that the internal audit function is an **independent control function across the group**. The chief audit officer therefore provides reasonable, independent and objective assurance services throughout the group, including the appointment of any internal audit service provider
- An **Internal Audit Charter** guides the organisation on the role and scope of work of the internal audit function. In addition, the internal audit function reports directly to our audit committee and is administratively overseen by the FD

# Trust, good reputation and legitimacy

## STAKEHOLDER INCLUSIVITY

The Exxaro board has adopted a stakeholder-inclusive approach that, supported by its KAM 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.

The board approved a stakeholder management policy in 2020. As recommended by King IV, Exxaro's disclosure regarding stakeholder relationship management reflects our management approach, key focus areas and stakeholder management activities. See page 27 of our ESG report and page 32 of our integrated report.  

### Internal communication

#### Employees

As the Exxaro Sustainable Growth and Impact strategy evolves, it is supported by embedding organisational culture by, among others, communicating through our LetsConnect application. Throughout the pandemic, the application has been a valuable tool, which has been used for daily COVID-19 screening of employees, return-to-office procedures and general communication about the vaccination programmes.

### External communication

#### Stakeholder days

The purpose of the stakeholder day virtual events was twofold:

- To communicate Exxaro's performance to stakeholders
- For the 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:

- Day 1: ESD stakeholders
- Day 2: Socio-economic development stakeholders in Limpopo
- Day 3: 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 2021:

- Publication of the annual reporting suite (integrated report, ESG report and climate change statement) available on the company's website 
- AGM (presentation of annual financial statements, report of the SERC and various other resolutions for voting by shareholders)
- SENS announcements available on our website 
- 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
- Capital Markets Day outlining Exxaro's strategy in response to climate change, risks and opportunities, including details on the company's Sustainable Growth and Impact strategy



ECC beneficiation plant

# Trust, good reputation and legitimacy continued

## REPUTATION

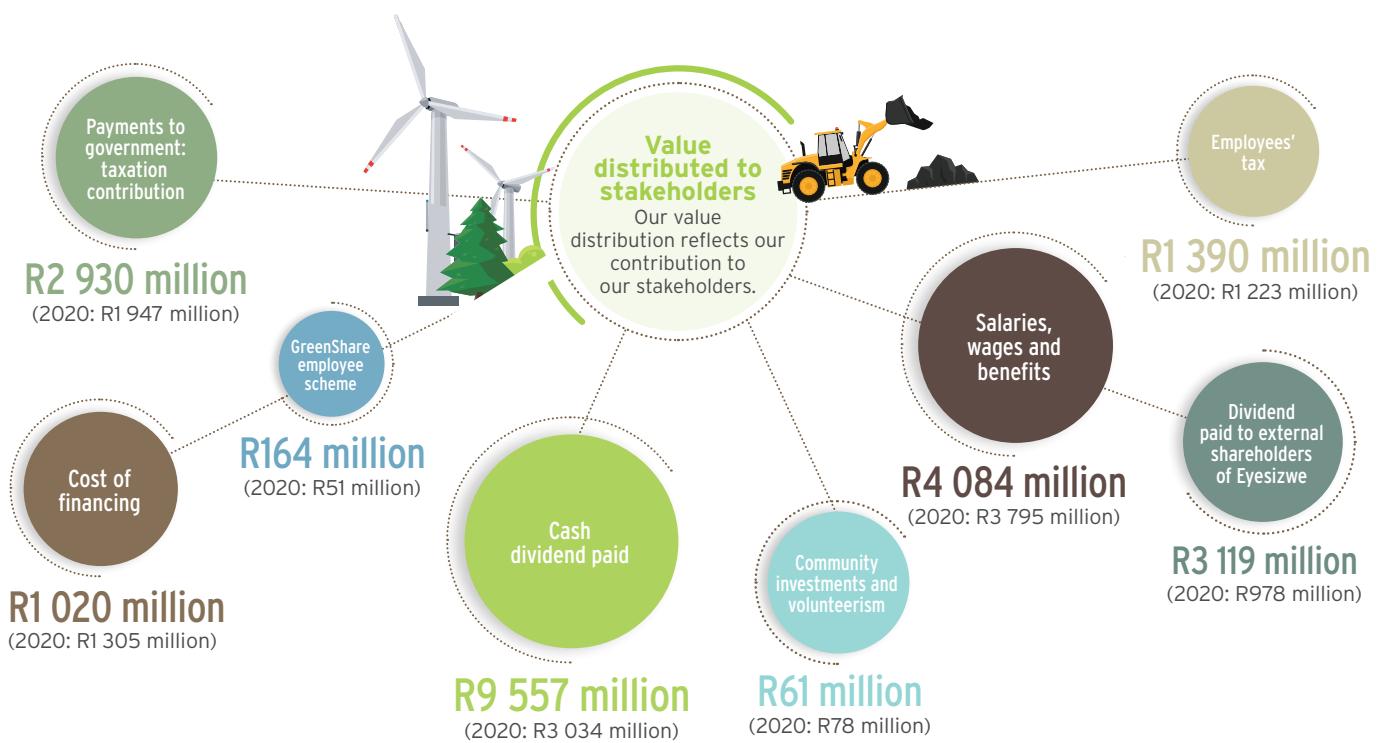
Exxaro ranked fifth in the annual Sunday Times Top 100 Companies Awards in 2021. This achievement represents admirable progress over the past 24 months (from 37th place in 2019 to 13th in 2020). The awards celebrate contributions by the private sector to securing investments, creating jobs and keeping our economy robust. The awards also acknowledge listed companies that have earned the highest returns for shareholders over the past five years.

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 second time Exxaro has received this honour since 2014.

Our continued support of the 10 principles of the UNGC and progress report of 4 August 2021 also highlight our commitment to human rights, labour, the environment and anti-corruption.

 For more information on awards achieved by the company, please turn to page 18.

## VALUE DISTRIBUTED TO OUR STAKEHOLDERS IN 2021





Exxaro's reputation has been built on our performance in the coal sector

# Board of directors

The board is responsible for deciding and supervising the activities (strategic and operational) 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:

## CHAIRPERSON

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



**Geoffrey Qhena** (56)  
Board chairperson and independent  
non-executive director  
Appointed 19 April 2021



**Geraldine Fraser-Moleketi** (61)  
Lead independent non-executive director

## MEMBER

- (A) Audit committee
- (I) Investment committee
- (REM/NOM) Remuneration and nomination committee
- (SER) SERC
- (RBR) RBR committee



**Mxolisi Mgojo** (61)  
CEO



**Riaan Koppeschaar** (51)  
FD



**Nombasa Tsengwa** (57)  
CEO designate  
Appointed 16 March 2021



**Isaac Malevu** (47)  
Non-executive director  
Appointed 22 June 2021



**Isaac Mophatlane** (48)  
Independent non-executive director



**Jeffrey van Rooyen** (71)  
Former board chairperson and independent non-executive director  
Retired 27 May 2021



**Likhapha Mbatha** (67)  
Non-executive director



**Mandlesilo Msimang** (45)  
Non-executive director  
Appointed 15 March 2021



**Peet Snyders** (61)  
Independent non-executive director



**Zwelibanzi Mntambo** (64)  
Non-executive director



**Ras Myburgh** (63)  
Independent non-executive director



**Karin Ireton** (66)  
Independent non-executive director  
Appointed 7 February 2022



**Mark Moffett** (62)  
Former independent non-executive director  
Resigned 11 May 2021



**Vuyisa Nkonyeni** (52)  
Independent non-executive director



**Bennetor Magara** (54)  
Independent non-executive director  
Appointed 7 February 2022



**Phumla Mganga** (53)  
Independent non-executive director  
Appointed 7 February 2022



**Chanda Nxumalo** (38)  
Independent non-executive director  
Appointed 1 February 2021



**Billy Mawasha** (43)  
Independent non-executive director  
Appointed 7 February 2022

# Board of directors continued

## Geoffrey Qhena (56)

Board chairperson and independent non-executive director  
Director and chairperson designate since 19 April 2021 and board chairperson from 27 May 2021  
Nomination committee chairperson and remuneration committee member  
*Senior executive programme (jointly offered by Harvard Business School and Wits Business School), advanced taxation certificate (Unisa), CA(SA), BAccSc (Hons) BCompt (Unisa), BAccSc BCompt (Hons)(Unisa)*

### Skills and experience

Geoffrey's early career started at KPMG, where he completed his articles, and thereafter joined Eskom for a brief period in its treasury function. He moved to Vista University (now known as University of Johannesburg) to lecture accounting and auditing. During this time Geoffrey also passed his CA board exams. He briefly joined the IDC and thereafter moved to Transnet. Subsequently, he rejoined the IDC at a time when the organisational culture had improved and was more inclusive and conducive for the growth of black professionals. Geoffrey enjoyed a meteoric rise at the IDC and later became the chief financial officer of the organisation. It was not long after this period that Geoffrey ascended to the highest role in the IDC as its CEO. He especially enjoyed oversight of the development of the renewable energy sector at a time when it was not profitable to fund the sector. Geoffrey was involved in the establishment of numerous sector-changing initiatives, funding black empowerment companies, transformation of the corporate leadership landscape and the development of new sectors in reshaping the South African economy. His appreciation of climate change issues and the value of coal in the South African and African economic landscape is telling of his depth of business acumen. Geoffrey gained extensive board leadership on the IDC investee boards, including as a non-executive director of a Spanish-listed stainless steel company, Acerinox. He is presently a non-executive independent board member of Investec Bank Limited. With the IDC being a significant shareholder of Exxaro over a number of years, Geoffrey brings with him a clear understanding of the company and the sector in which it operates.

## Geraldine Fraser-Moleketi (61)

Lead independent non-executive director  
SERC chairperson and remuneration and nomination committee member  
Director since 18 May 2018  
*DPhil honoris causa (North West University), DPhil honoris causa (Nelson Mandela University), MPA (University of Pretoria)\* cum laude, Leadership Programme (Wharton), Digital Savvy Board Member Certificate (MIT Sloan School of Management), Fellow of the Institute of Politics (Harvard)*

### Skills and experience

Geraldine was appointed special envoy on gender at the African Development Bank from 2013 to 2016. She served as director of the UN Development Programme Democratic Governance Group from 2009 to 2013. She also served as a member of the South African Parliament for three consecutive parliaments (1994 to 2008) and served in the Executive and Cabinet during this period. Geraldine served as a member of the Constituent Assembly from 1994 to 1996. She was Minister of Public Service and Administration for two consecutive terms (1999 to 2008). Geraldine served as Minister of Welfare and Population Development (1996 to 1999) after her term as Deputy Minister of Welfare and Population Development. During her tenure as Minister of Public Service, she was chairperson of the Pan African Ministers of Public Service for three consecutive terms. Geraldine serves on various boards across academia: she is the chancellor of Nelson Mandela University, chair of the Thabo Mbeki Foundation, outgoing chairperson of the Advisory Council of the Mapungubwe Institute for Strategic Reflection, chairperson of the Committee of Experts on Public Administration (an expert body of the UN Economic and Social Council) and former member of the Advisory Board of the Institute for the Study of International Development at McGill University in Canada. She served on the Africa Advisory Committee of Women's World Banking until 2018. She is also a non-executive board member of the Standard Bank group and Standard Bank South Africa. She was appointed chairperson of the Tiger Brands group as from January 2021.

## Mxolisi Mgojo (61)

CEO  
CEO since April 2016  
*BSc (computer science), BSc (Hons) (energy studies), MBA, advanced management programme (Wharton)*

### Skills and experience

At Eyesizwe Coal, Mxolisi was responsible for marketing and logistics. After Exxaro's formation, he managed the base metals and industrial minerals commodity business before he was appointed head of coal operations from August 2008. Mxolisi was appointed CEO designate on 1 May 2015 and CEO on 1 April 2016. He is a director of Talent10 Holdings, Eyesizwe Holdings, Eyesizwe RF, Dynamo Investment Holdings and Business Leadership South Africa. He was elected president of the Minerals Council on 24 May 2017 and stepped down on 21 May 2021.

## Riaan Koppeschaar (51)

FD  
Director since July 2016  
*CA(SA), advanced and associate programmes in treasury management, advanced diploma in taxation, advanced management programme (INSEAD), certificate in theory of accounting*

### Skills and experience

Riaan started his career with Coopers and Lybrand. After completing his articles, he branched into the fields of treasury, investment management and corporate finance. He held various senior management positions at Iscor, Kumba and Exxaro until his appointment as Exxaro's FD in 2016. He is a director of several Exxaro subsidiary companies and joint ventures. He is a trustee and investment committee member of the Exxaro pension and provident funds. Riaan is also a member of the Association of Corporate Treasurers of Southern Africa.

## Nombasa Tsengwa (57)

Executive director  
**CEO designate (appointed 16 March 2021)**  
*PhD (agronomy), executive development programme (INSEAD)*

### Skills and experience

Nombasa has more than 18 years' executive management and board experience in the public and private sectors. In 2003, she joined Kumba as general manager: safety, health and environment. In 2007, she was appointed executive general manager: safety and sustainable development. In 2010, she became directly involved with the management of coal operations as general manager of captive mines and general manager of Mpumalanga operations. In 2015, she was appointed acting executive head of coal operations and executive head of coal operations in 2016. She is the 2017 winner of the Standard Bank Business Woman of the Year Award and the 2018 winner of the Pan African Awards Africa's most influential woman in business and government mining industry category. An avid long-distance runner, Nombasa has completed nine Comrades marathons.

## Isaac Malevu (47)

Non-executive director  
Investment committee member  
Director since 22 June 2021  
*BCom (Wits), postgraduate diploma in accounting (University of KwaZulu-Natal), member of SAICA*

### Skills and experience

Isaac is a registered chartered accountant with SAICA and is the current chief financial officer of the IDC. Before joining the IDC, he was an audit partner at EY and then joined Standard Bank Corporate Investment Banking as finance executive.

## **Isaac Mophatlane (48)**

Independent non-executive director  
Investment committee chairperson, audit committee and SERC member  
Director since 22 May 2018  
*Technology entrepreneur*

### **Skills and experience**

Starting his career, Isaac was the youngest board member of the previously JSE-listed Connection Group (Incredible Connection). In 1996, Isaac, with his brother Benjamin, co-founded the former Business Connection, a computer reseller focused on government and parastatals. In 2004, the company merged with Comparex Africa to form Business Connection and Isaac was appointed as group executive: client engagement – public sector. Isaac then took responsibility for the Innovation Division, which housed the group's software and packaged intellectual property and later the Canoa Division, which drove the group's managed print solutions offering.

Isaac is currently co-founder, shareholder and director of the Randvest group. Randvest's core focus is leveraged acquisitions and strategic investments in mainly technology companies. Isaac also serves as a board member of various companies and previously served on the Natal Sharks Board, was chairperson of CBCOB Cricket Club and he was involved in the transformation of Northernns Cricket Union. He has also worked extensively with various stakeholders at Cricket South Africa. Isaac is also chairperson of Bothomed, which is currently a shareholder with the PIC in the listed Dis-Chem Pharmacies Limited. Isaac is also a member of the Black Management Forum, Electronics Industries Federation of South Africa, Black Information Technology Forum and deputy non-executive chairperson of the Catholic Education Investment Company.

## **Jeff van Rooyen (71)**

Former board chairperson, former nomination committee chairperson and independent director  
Director since 13 August 2008 and chairperson since June 2018  
Retired 27 May 2021  
*BCompt (Hons), CA(SA)*

### **Skills and experience**

Jeffrey is a director of various companies in the Uranus group and non-executive director of Pick n Pay Stores. He is a former chairperson of the Financial Reporting Standards Council, a former trustee of the International Accounting Standards Foundation and member of the UP's faculty of economic and management sciences' oversight board. He was a partner at Deloitte, chairperson of the Public Accountants and Auditors Board, CEO of the Financial Services Board and adviser to the former Minister of Public Enterprises during the Mandela administration. Jeffrey is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa and a member of the Unisa Foundation.

## **Likhapha Mbatha (67)**

Non-executive director  
SERC member  
Director since 6 March 2018  
*BA, LLB, LLM*

### **Skills and experience**

Likhapha currently coaches National Movement of Rural Women coordinators in development methods and systems, project preparation, finance and management. She also supervises, monitors and evaluates small and medium development projects. She understands that poverty, inadequate education, nutrition, poor health, government policies and the exploitative nature of humans are uncontrollable variables that can lead to poverty. She focuses on development as an opportunity for affected individuals to lead equal and satisfactory lives within their communities despite their circumstances.

## **Mandlesilo Msimang (45)**

Non-executive director  
Investment committee and RBR committee member  
Director since 15 March 2021  
*MSc (regulation), London School of Economics (with merit), BA (African studies and politics) (Cornell University) (with distinction)*

### **Skills and experience**

Mandlesilo is the CEO of Nozala Investments, a woman-owned private equity firm with a diversified portfolio in the minerals and energy sector as well as industrial and consumer services. Nozala's assets include blue chip South African companies such as Sasol Oil, Exxaro and Woodlands Dairy. Prior to joining Nozala, Mandlesilo established and ran Pygma Consulting, a pan-African ICT policy and regulatory advisory firm with clients including mobile operators, regulators and governments across Africa and the Middle East. Mandlesilo is a seasoned executive who has operated at C-suite level, as an entrepreneur and an ICT regulations and policy expert who is a results-driven professional with repeated success in various industries.

## **Peet Snyders (61)**

Independent non-executive director  
RBR committee chairperson, SERC and investment committee member  
Director since 1 July 2016  
*BEng (mining), diploma in marketing management, MCom (business management), mine manager's certificate of competency (coal and metalliferous)*

### **Skills and experience**

Peet has 40 years' increasing responsibility experience in the mining industry, including employment at major and junior mining companies.

Concentrating in business management, business development, business re-engineering and high-technology mining with vast experience in managing mining businesses for world-class mining majors and junior mining-focused companies. He has been exposed to coal, platinum, gold, diamond, chrome and asbestos mining. He also has over 15 years of board experience within the industry.

## **Zwelibanzi Mtambo (64)**

Non-executive director  
Remuneration and nomination committee member  
Director since 28 November 2006  
*BJuris, LLB, LLM*

### **Skills and experience**

Zwelibanzi is executive chairperson of Moabi Capital. He was a senior lecturer at the University of KwaZulu-Natal, executive director of Independent Mediation Services of South Africa, director-general of the Gauteng government and chairperson of the Commission for Conciliation, Mediation and Arbitration. He is chairperson of Main Street 333, a director of Eyesizwe Holdings and Eyesizwe Mining, and a trustee of the Paleontological Scientific Trust.

# Board of directors continued

## Ras Myburgh (63)

Independent non-executive director  
Remuneration committee chairperson, nomination committee member, audit committee member, RBR committee member and investment committee member (retired from the investment committee on 4 October 2021)  
Director since 1 September 2016  
*BEng (electrical), BSc (Hons) (energy studies), MBL executive programme (Darden)*

### Skills and experience

From 1982 to 1996, Ras held various operational and executive positions in operating, maintenance, engineering and power station management at Eskom. In 1997, he joined Iscor Mining where he led company-wide cost improvement, business re-engineering, transformation and empowerment projects. He was appointed managing director of Kumba's coal business in 2000 and headed the transformation unit in 2003 (project management of the empowerment transaction and unbundling of the company into Exxaro and Kumba Iron Ore). He was appointed as the first CEO of Kumba in 2006. Following the 2008 electricity crisis, Ras was seconded to Eskom to develop and implement a long-term coal supply strategy. In 2011, he co-founded Hindsight Financial and Commercial Solutions, a boutique corporate professional advisory firm, providing business development, specialist commercial solutions, and strategy and business improvement advisory services to the resources, energy and industrial sectors. He is a member of the Institute of Directors in South Africa.

## Karin Ireton (66)

Independent non-executive director  
Social, ethics and responsibility committee member  
Director since 7 February 2022  
*MA (international political economy) (University of Leeds), international programme for the management of sustainability (Netherlands), environmental impact assessment and management (University of Aberdeen)*

### Skills and experience

Karin has over 30 years' experience in sustainability matters in coal power generation, mining and banking sectors. She is an international specialist in sustainability issues. She is currently an independent consultant focused on strategies for growth, risk identification and management, transparency and disclosure. A significant focus of her current work is the impact of climate change on business, and the need to reduce emissions and adapt business strategies. Prior to this, she was the group head of sustainability for Standard Bank Group and head of sustainable development for Anglo American, among others. Previous board experience includes Aureus Mining Incorporated, NBI and member representative for Standard Bank, Institute of Directors South Africa Chairman Sustainable Development Forum, JSE SRI advisory committee and UNEP Finance Initiative chairperson: climate change action group global steering committee member.

## Mark Moffett (62)

Former independent non-executive director  
Former member of the audit committee, RBR committee and investment committee  
Director from 23 May 2018 and resigned 11 May 2021  
*BComm (CTA), CA(SA)*

### Skills and experience

Mark has more than five years of public company board exposure and over 25 years of financial and commercial experience in the mining industry with leading global companies. He has worked in diamond, thermal coal, ferrochrome and platinum group metals mining. He understands the South African mining landscape and its strategic imperatives going forward. He has held senior financial positions (operational and corporate) in various countries with Anglo American, De Beers, Xstrata Alloys (as chief financial officer) and Xstrata (as group controller). He served as chairperson of Fraser Alexander until March 2018. Mark currently serves as a lead independent non-executive director and audit and risk committee member on the board of Royal Bafokeng Platinum.

## Vuyisa Nkonyeni (52)

Independent non-executive director  
Audit committee chairperson and investment committee member  
Director since 3 June 2014  
*BSc (Hons), postgraduate diploma in accounting, CA(SA)*

### Skills and experience

Vuyisa has over 20 years' experience in investment banking and private equity. He served his training contract as a chartered accountant with PwC and joined Deutsche Bank in 1997 where he gained investment banking experience, primarily in corporate and project finance advisory work over four years. He serves on the boards of Emira Property Fund and Momentum Metropolitan Holdings. He served as FD of Worldwide African Investment Holdings and a director of Actis in its BEE funding unit. He was appointed CEO of Kagiso Tiso Holdings in 2012 and resigned in December 2017.

## Bennetor Magara (54)

Independent non-executive director  
Risk and business resilience committee member  
Director since 7 February 2022  
*BSc (Hons) (mining engineering), advanced management programme (GIBS), accelerated management development programme (London Business School)*

### Skills and experience

Ben has a strong technical foundation in coal and platinum mining coupled with business leadership and operational management in underground and surface mining as well as soft and hard rock mining. Some of his past roles include executive head: engineering and projects for Anglo American Platinum and CEO of Anglo Coal South Africa. Ben's most recent role was CEO of Lonmin. His previous board memberships include Anglo American South Africa, Foskor, Rustenburg Platinum Mines and chairperson of RBCT. He is the founder and chairperson of Africa Mining & Metals Group and is a current non-executive director on the boards of the Weir Group and Grindrod.

### **Phumla Mganga (53)**

Independent non-executive director  
Remuneration and nomination committee member  
Director since 7 February 2022  
*PhD (entrepreneurship/entrepreneurial studies) (Wits Business School), MBL (business management) (Unisa), BEd (University of KwaZulu-Natal), BA (University of KwaZulu-Natal)*

#### **Skills and experience**

Phumla is the founder and managing director of Lehumo Women's Investment Holdings, a woman-owned and managed investment holding company. Prior to this, she was employed as group head of human resources for the Tongaat Hulett Group with oversight of investor relations, and as a change management senior consultant at Deloitte. She has chaired the board of the University of KwaZulu-Natal, the board of Gold Circle and the Siyazisa Trust, a large rural community. She currently serves as an independent non-executive director on four JSE-listed companies (Altron Group, Adcorp, Spar Group and Novus Holdings).

### **Chanda Nxumalo (38)**

Independent non-executive director  
Audit committee member since 27 May 2021, RBR committee member from 1 February 2021 and investment committee member from 4 October 2021  
Appointed 1 February 2021  
*University of Oxford, MEng (economics and management)*

#### **Skills and experience**

Chanda has 15 years' experience working in the renewable energy and power sectors. Having worked across North America and Europe, she has experience delivering technical, commercial and environmental advisory services in the renewables sector. As a director of Harmattan Renewables, she has been responsible for providing technical consultancy and asset management services for renewable energy projects across sub-Saharan Africa. For the past decade, Chanda has been instrumental in driving the renewable energy roll-out in South Africa, acting as spokesperson for the South African PV Association as well as consulting on some of the first renewable projects to be delivered as part of South Africa's Renewable Energy IPP Procurement Programme. With her richness of skills and experience in the energy field, nationally and internationally, including the African continent, and strong leadership capability, Chanda will support Exxaro's growth strategy in energy.

### **Billy Mawasha (43)**

Independent non-executive director  
Investment committee member and audit committee member  
Director since 7 February 2022  
*BSc (electrical engineering), government certificate of competency for engineers, factories (electrical), government certificate of competency for engineers, mines and works (electrical), global leadership and public policy for the 21st century (Harvard Kennedy School), advanced management programme (Kellogg School of Management), accelerated development programme (London Business School), programme for management development (GIBS)*

#### **Skills and experience**

He is a certified director with the Institute of Directors South Africa and the South African Institute of Electrical Engineers. Billy offers strong operational and technical leadership experience in the mining sector as former Kumba Iron Ore head of operations and integration and former country head of Rio Tinto in South Africa. He is the founder of an investment company, and also provides strategic and technical leadership to his investee companies. Previous board memberships include Foskor technical committee and SIOC. He is currently a non-executive director of Murray & Roberts and Metair Investments.

# Board of directors continued

## BOARD COMPOSITION

2021 saw a number of changes to the Exxaro board with a resignation and retirement as well as the appointment of five new directors. Achieving suitable board composition and appropriate balance of power between individual directors and/or groups of directors, to enable the board to operate effectively and in the interests of the company, requires deliberate policy parameters. The board adopted a policy giving expression to the broader definition of board diversity and inclusion, together with revised targets, as well as a nomination and appointment policy.

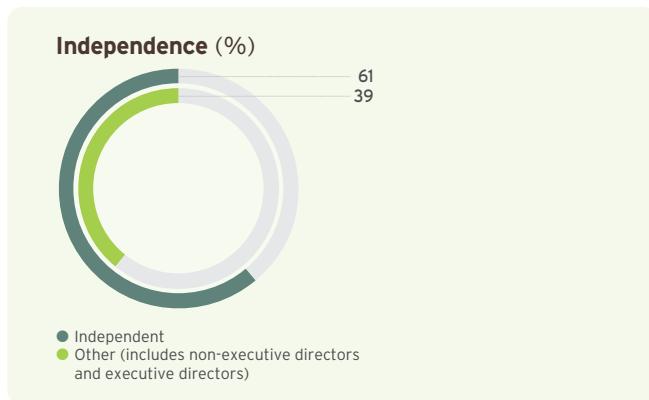
The board committed to striving towards the appropriate size, balance of power, independence, diversity, skills, knowledge, experience for it to discharge its governance role and responsibilities objectively and effectively without compromising common purpose, involvement, participation and a sense of responsibility among the directors necessary to meet the company's strategic objectives.

The objective is that all new directors shall be individuals of calibre, integrity and credibility with the necessary skills and experience. In this regard, the nomination committee shall ensure continuity of directorship within the board and undertake succession planning on behalf of the board, which includes the identification, mentorship, and development of future candidates for directorship of Exxaro.

### Independence

The principles of good governance, King IV and the JSE Listings Requirements recommend holistic independence assessments with a substance-over-form approach in accordance with certain criteria. Therefore, annual assessments are based on King IV independence requirements and section 94(4) of the Companies Act.

In line with King IV, assessments are conducted annually to confirm that members exercise objective judgement. The assessments also confirm that there is no interest, position, association or relationship, judged from the perspective of a reasonable and informed third party, likely to unduly influence or cause bias in decision making. The nomination committee considered the independence assessments and recommended for board approval the directors that may be recognised by the board as independent.



The board consisted of the following independent, non-executive and executive directors as at 31 December 2021:

**Seven independent non-executive directors\***

**Four non-executive directors**

**Three executive directors**

\* It should be noted that the four new directors appointed on 7 February 2022 are all independent non-executive directors, increasing the number of independent directors to 11.

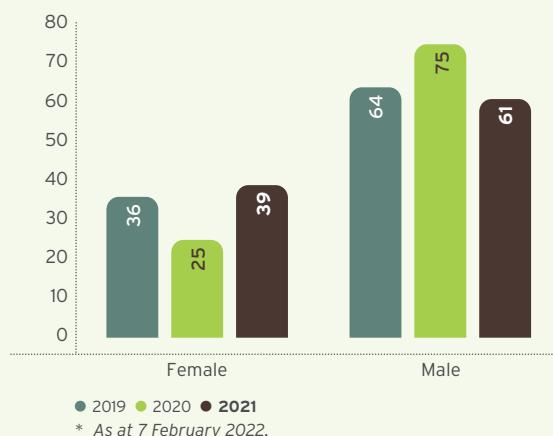
### Broader diversity

In keeping with good corporate governance, the board embraces the constitutionally entrenched principles of equality, freedom and inclusion. To support its expression of broader diversity, the board adopted a policy to guide the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes in knowledge, skills and experience among others such as age, culture, race, gender, ethnicity, nationality, geographic location, language/accent, religious beliefs, ideologies, recreational habits, socio-economic background, income, disability, physical attributes, appearance, generation, perspectives, education, experience, family responsibilities and sexual orientation. This is in line with King IV recommendations as well as the JSE Listings Requirements.

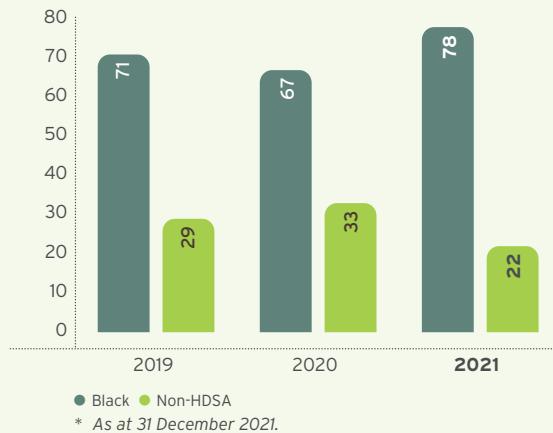
The remuneration and nomination committee embarked on a formal search for appropriate candidates to fill positions left vacant and five appointments were made in 2021. As part of its succession planning, the remuneration and nomination committee continued in 2022 to search for appropriate directors with the required knowledge, skills and experience to support the business strategy while satisfying the board's broader diversity objective. Flowing from this process, four appointments were made on 7 February 2022.

The progress of our board's diversity for the last three years, ending 31 December 2021, is shown below:

Gender diversity year-on-year (%)\*



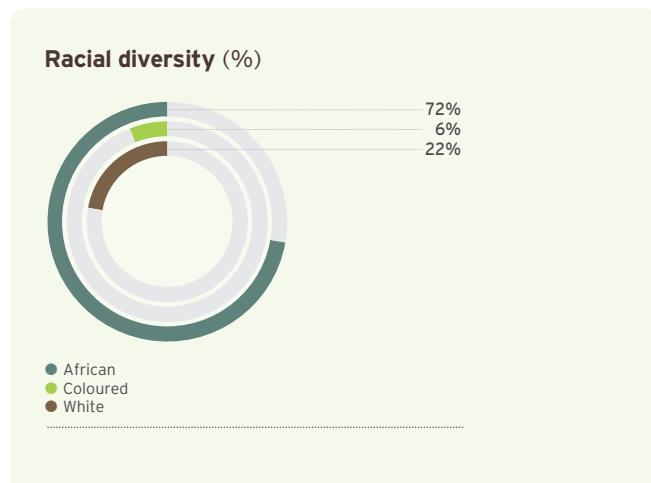
Racial diversity year-on-year (%)\*



## Racial diversity

For racial diversity, the board consistently achieved its 50% target (illustrated above) and increased its racial target to 60% black representation as defined in the B-BBEE Act, 2003 (Act 53 of 2003), in 2021. As at 7 February 2022, the board achieved 78% black representation (illustrated below).

As at 7 February 2022:



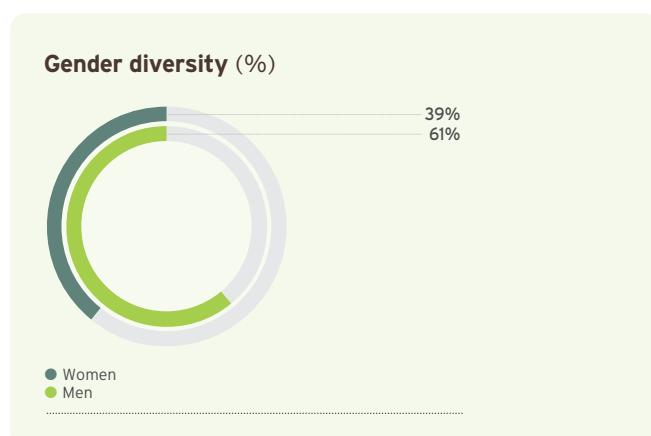
## Gender diversity

In 2017, the board voluntarily set a gender diversity target of 30% black female directors by 2022. The board in 2021 exceeded this target with 3% and increased the female representation to 39%.

To promote female representation, the board appointed Chanda Nxumalo as an independent non-executive director, Mandlesilo Msimang as a non-executive director and Nombasa Tsengwa as an executive director and CEO designate in 2021.

In addition to the 2021 appointments, the board appointed two independent non-executive, female directors on 7 February 2022: Karin Ireton and Phumla Mnganga. This further advanced the broader gender diversity and the historically disadvantaged South African female representation of our board.

Our board gender diversity following our recent appointments on 7 February 2022:

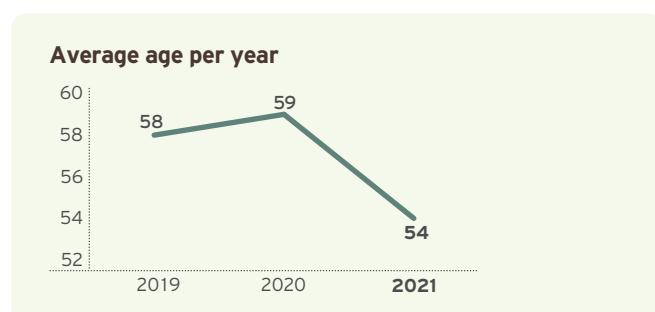


## Age diversity

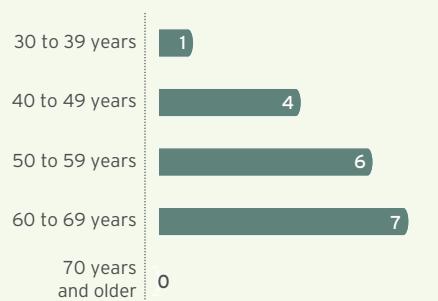
The retirement age for an executive director is 63 years and 70 years for a non-executive director. A non-executive director who passes the age of 70 may be re-elected, provided the board and the remuneration and nomination committee recommend to shareholders that the person is suitable. The same re-election process will occur every year.

The former board chairperson reached the age of 71 in 2021 and retired at the 2021 AGM.

Our board age diversity as at 7 February 2022 has reduced from 59 to 54, and we have therefore exceeded our target average age of 55 years. Our progress is reflected below:



## Age diversity (%): Number of directors (18)



# Board of directors continued

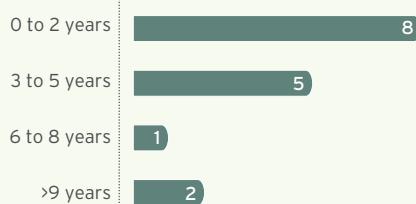
## Director tenure and succession

Succession planning for non-executive directors is typically iterative, and part of an ongoing planning and discussion programme conducted by the remuneration and nomination committee. Succession planning is based on our broader diversity policy. The approach to diversity is holistic with a view to inclusion and supporting the group's strategic focus areas. The remuneration and nomination committee addressed identified skill gaps after rigorous board effectiveness evaluation. To ensure continuity of experience and knowledge, the company has a staggered approach to re-election of directors in terms of the MoI. Directors are selected for retirement by rotation in terms of the MoI and, following assessment by the remuneration and nomination committee, may be presented to shareholders for re-election at the AGM.

 Details about rotation, retirement and election of directors can be found in the notice of the AGM available on our website.

Our non-executive director tenure as at 7 February 2022 is as follows:

### Director tenure



## Board nominees for the upcoming 21st AGM

The remuneration and nomination committee has reviewed the composition, gender and racial balance of the board and evaluated the independence (where applicable), performance and contribution of the directors listed below, as well as their individual knowledge, skills and experience and the board will propose the following to shareholders for election at the upcoming AGM:

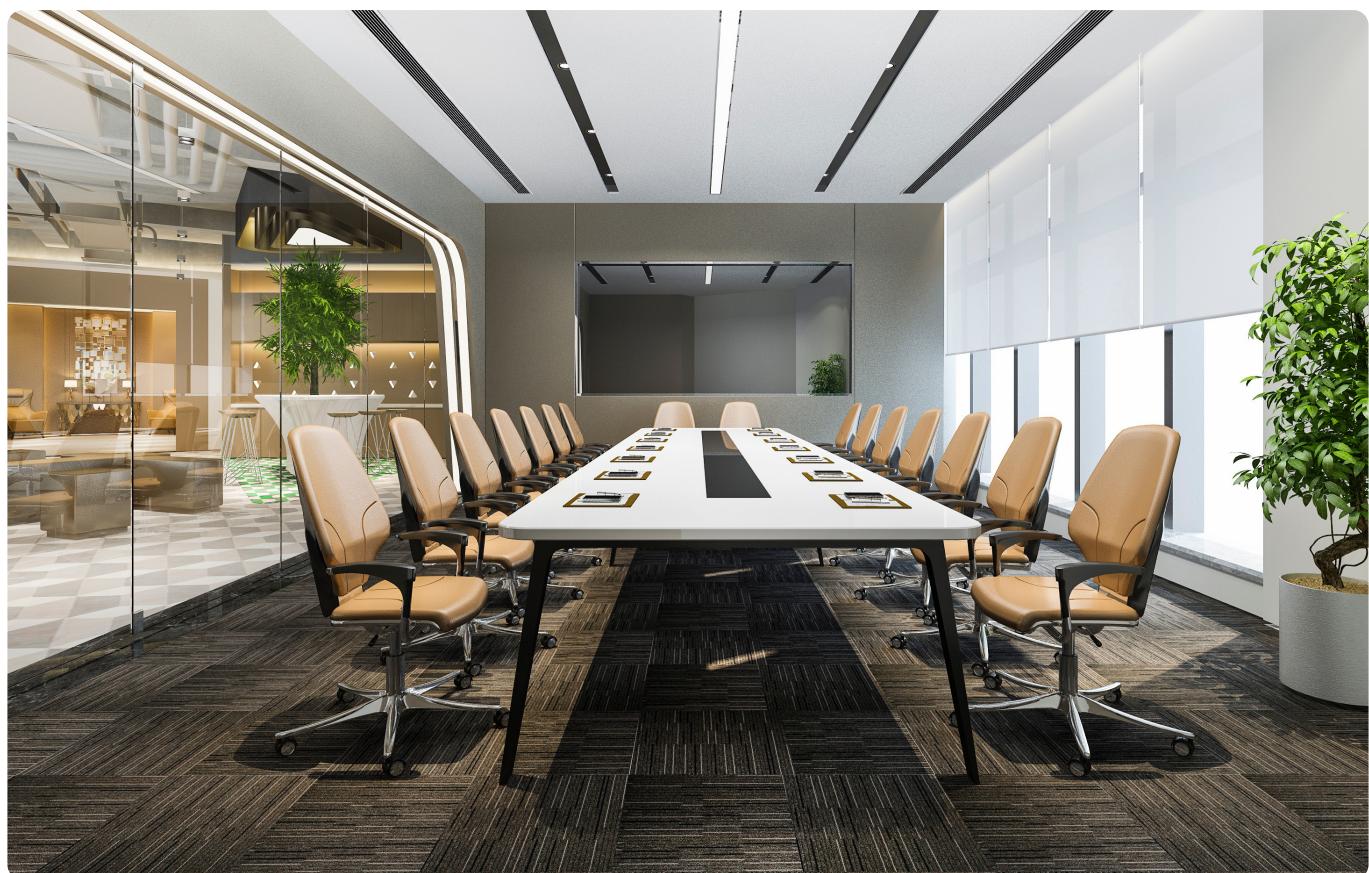
### Re-election

- Geraldine Fraser-Moleketi
- Peet Snyders

### Election

- Isaac Malevu
- Karin Iretton
- Bennetor Magara
- Billy Mawasha
- Phumla Mnganga

Ras Myburgh has indicated that he will not be available for re-election and will retire at the upcoming AGM as independent non-executive director, chairman of the remuneration committee and member of the nomination and audit committees.



## Director competence and diversity in skills and experience

Our directors are carefully selected to ensure a balanced amalgamation of expertise and experience for effective decision making on behalf of Exxaro. In accordance with King IV, directors should be knowledgeable, skilled, experienced, diverse and independent to effectively discharge their governance responsibilities.

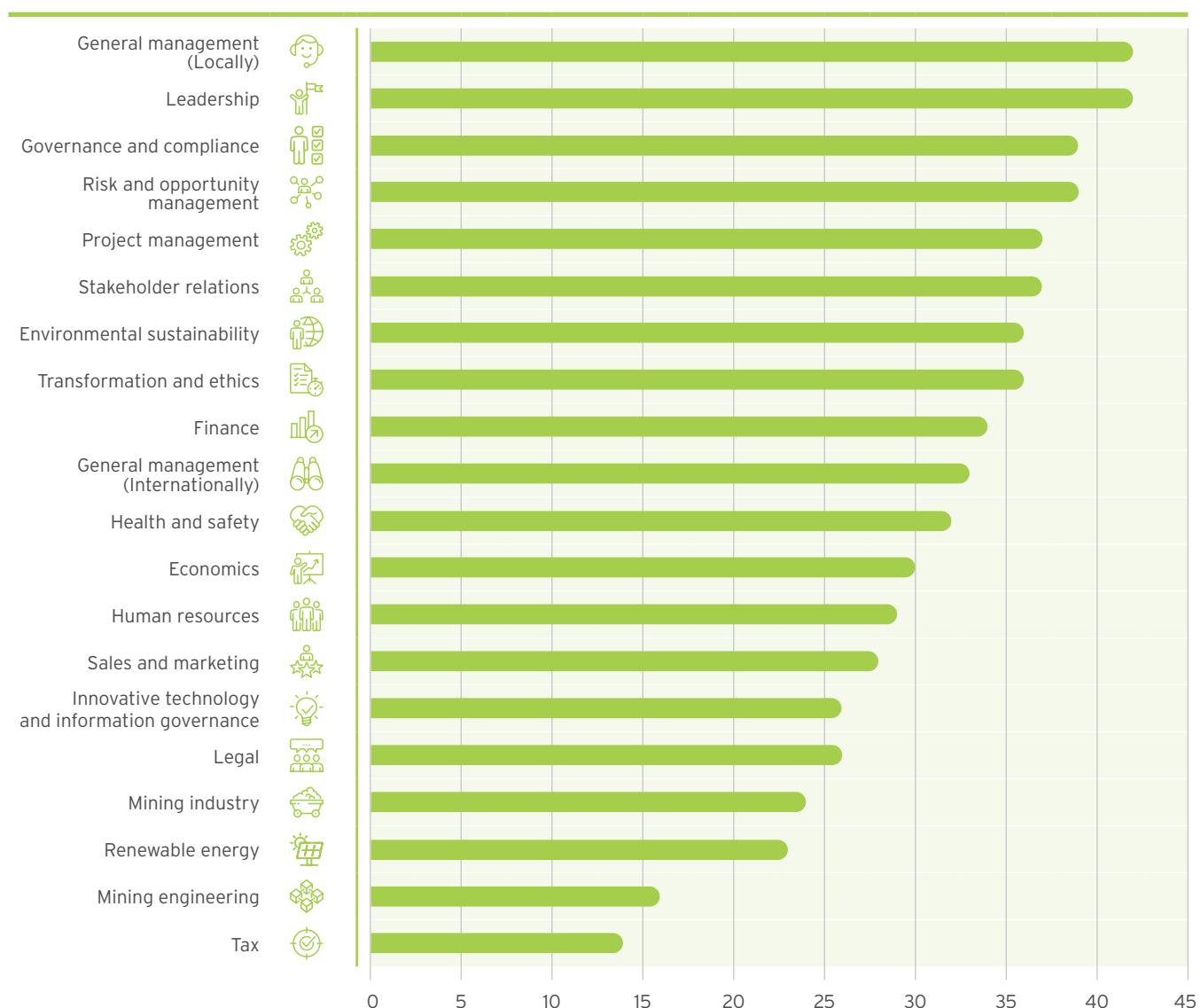
Exxaro considers, over and above management experience, the following technical expertise when appointing directors:

- Mining industry
- Mining engineering
- Energy
- Sustainability and environment
- Technology and innovation

The skills and experience on Exxaro's board are illustrated in the matrix below.

## Diversity of skills and experience

Post-financial year end as at 7 February 2022



# Board of directors continued

## Board leadership

Our board is led by an independent non-executive chairperson, Geoffrey Qhena, in compliance with paragraph 3.84 of the JSE Listings Requirements and the recommended practices of King IV.

Geraldine Fraser-Moleketi continues to serve the board as lead independent non-executive director.

The role of the chairperson is separate and distinct from that of our CEO. The separation of powers and responsibilities, as set out in the board charter, ensures that no single person has unfettered decision-making powers and that there is an appropriate balance of power at board level.

The chairperson, CEO and lead independent non-executive director's roles and responsibilities are outlined below.

### Roles and responsibilities of the chairperson, CEO and lead independent non-executive director

Functions	Responsibilities
<b>Chairperson</b>	<ul style="list-style-type: none"><li>An independent non-executive director responsible for setting the tone for an ethical culture at board level, and ensuring adherence to the rules of conduct and etiquette set out in the board charter</li><li>Represents the board to shareholders and other stakeholders relating to performance of the company</li><li>Ensures the integrity and effectiveness of the governance processes of the board</li><li>Manages conflicts of interest at board meetings in accordance with applicable legal requirements and best practice</li><li>Maintains a collegial yet arm's length relationship with board members and management</li><li>Ensures board decisions are executed</li><li>In collaboration with the group company secretary, ensures the contents and order of the agenda are correct</li><li>Maintains regular dialogue with the CEO on operational matters and promptly consults with the board on any matter that presents cause for major concern</li><li>Acts as facilitator at board meetings to ensure no executive or non-executive director dominates discussions, appropriate discussions take place, relevant opinion among directors is forthcoming and discussions result in logical and understandable outcomes</li><li>Plays a crucial role in ensuring the board has effective leadership and its composition is appropriate and adequate to enable it to effectively fulfil its functions</li><li>Provides necessary direction for an ethical and effective board, and forms the link between the board, the CEO and management</li></ul>
<b>CEO</b>	<ul style="list-style-type: none"><li>Formulates and develops the company's short, medium and long-term strategic vision to realise its core purpose and values, considering relevant risks and opportunities that will generate satisfactory levels of value creation, as defined by King IV</li><li>Leads the implementation and execution of approved strategy, policy and operational planning as the chief link between management and the board while monitoring and managing the company's day-to-day operational requirements and administration</li><li>Develops and recommends business plans, policies and objectives for board consideration, accounting for business, economic and political trends that may affect the operations of the company</li><li>Manages and ensures the submission of timeous and accurate reports, financial statements and consolidated budgets for board consideration</li><li>Oversees the company's financial management, including financial planning, cash flow and management reporting</li><li>Is involved in group affairs as executive committee chairperson</li><li>Does not cause or permit practices, activities or decisions by or in the group that are contrary to commonly accepted good business practice, good corporate governance or professional ethics</li><li>Ensures key management functions are headed by individuals with the necessary competence and authority, and that they are adequately resourced and performance managed</li><li>Sets the tone at management level in providing ethical leadership and creating an ethical environment and culture and maintaining a positive ethical work climate conducive to attracting, retaining and motivating a diverse group of employees</li><li>Ensures implementation and execution of the company's codes of conduct and ethics policies</li></ul>
<b>Lead independent non-executive director</b>	<ul style="list-style-type: none"><li>Leads in the absence of the chair</li><li>Serves as a sounding board for the chair</li><li>Acts as intermediary between the chairperson and other directors, if necessary</li><li>Deals with shareholders' concerns where contact through normal channels has failed to resolve concerns or where such contact is inappropriate</li><li>Strengthens independence on the board if the chair is not an independent non-executive director</li><li>Chairs discussions and decision making by the board on matters where the chairperson has a conflict of interest</li><li>Ensures the chairperson adheres to the rules of conduct and etiquette set out in the board charter</li><li>Leads the chairperson's performance appraisal when an independent service provider is not used to facilitate the process</li></ul>

## PERFORMANCE OF OUR BOARD

### Board meeting attendance

The board held four quarterly meetings, nine special board meetings, seven special board sub-committee meetings, a dedicated strategy session and two governance sessions during the year. Attendance is calculated against the number of meetings the director was required to attend.

Members	Designation	Attendance
Geoffrey Qhena	Independent non-executive director and board chairperson	100%
Geraldine Fraser-Moleketi	Lead independent non-executive director	100%
Isaac Malevu	Non-executive director	100%
Likhapha Mbatha	Non-executive director	100%
Zwelibanzi Mntambo	Non-executive director	100%
Mark Moffett*	Independent non-executive director	100%
Isaac Mophatlane	Independent non-executive director	100%
Mandlesilo Msimang	Non-executive director	100%
Ras Myburgh	Independent non-executive director	92%
Vuyisa Nkonyeni	Independent non-executive director	92%
Chanda Nxumalo	Independent non-executive director	100%
Jeff van Rooyen**	Former independent non-executive director and chairperson	100%
Peet Snyders	Independent non-executive director	100%

\* Mark resigned on 11 May 2021.

\*\* Jeff retired by rotation on 27 May 2021.

### KEY FOCUS AREAS

The below table shows the key focus areas for the committee:

2021 AND 2022 KEY FOCUS AREAS	STATUS
Review the 2021 corporate responses to the pandemic, social justice movements and other material economic and business impacts	Ongoing
Monitor any gaps with regard to King IV compliance - group governance framework	Ongoing
Receive and review analyst reports on megatrends with a view to identifying material business environment developments and data points to continuously improve oversight of strategy and risk	Ongoing
Review board matters including board effectiveness and composition	Ongoing

### EVALUATION

An independent third party conducted a high-level evaluation of the board, committees and individual directors, including the chairperson and committee chairpersons, the FD and the group company secretary at the end of 2020. Board members participated in the evaluation process and received comprehensive feedback on the performance and effectiveness of the board.

The purpose of the board evaluation was to ascertain:

- If the board addressed and improved items identified as part of the previous board evaluation process
- How effectively the board dealt with the COVID-19 crisis
- Whether the board made progress in key focus areas highlighted in the previous board evaluation

The evaluation showed that, in the board's opinion, its overall performance was satisfactory although definite areas warranted consideration and attention to further strengthen its performance and effectiveness. Specific observations and recommendations, based on ratings and comments, were made to the board, which included focus on the board composition, strategy, stakeholder engagement and governance matters. These have, to a great extent, been addressed with some matters rolling over into 2022, such as the board composition to strengthen the board's role and function.

### CONCLUSION

The board is satisfied that it complied with the provisions of the Companies Act and relevant laws of establishment relating to its incorporation, and that the company is operating in conformity with its MoI and other relevant constitutional documents. The board is also satisfied that it fulfilled its responsibilities in accordance with its charter and King IV during the reporting period.

# Our executive team



**Mxolisi  
Mgojo** (61)  
CEO



**Riaan  
Koppeschaar** (51)  
Financial director



**Nombasa  
Tsengwa** (57)  
CEO designate



**Vanisha  
Balgobind** (48)  
Executive head:  
Human resources



**Alex  
De Angelis** (41)  
Executive head:  
strategy and business  
transformation



**Mongezi  
Veti** (58)  
Executive head:  
Sustainability



**Johan  
Meyer** (53)  
Executive head:  
Projects and  
technology



**Mzila  
Mthenjane** (51)  
Executive head:  
Stakeholder affairs



**Roland  
Tatnall** (47)  
Managing director  
energy and Cennergi



**Andiswa  
Ndoni** (54)  
Group company  
secretary

## **Mxolisi Mgojo (61)**

### **CEO**

*BSc (computer science), BSc (Hons) (energy studies), MBA, advanced management programme (Wharton)*

Refer to page 152 for his skills and experience.

## **Riaan Koppeschaar (51)**

### **FD**

*CA(SA), advanced and associate programmes in treasury management, advanced diploma in taxation, advanced management programme (INSEAD), certificate in theory of accounting*

### **Skills and experience**

Refer to page 152 for his skills and experience.

## **Nombasa Tsengwa (57)**

### **CEO designate (appointed 16 March 2021)**

*PhD (agronomy), executive development programme (INSEAD)*

### **Skills and experience**

Refer to page 150 for her skills and experience.

## **Vanisha Balgobind (48)**

### **Executive head: human resources**

*BA (Hons) (industrial psychology), Masters in industrial psychology, management development programme (GIBS), Masters in business leadership (SBL)*

### **Skills and experience**

Vanisha is a registered industrial psychologist with more than 24 years' experience in the mining industry. She joined the (then) Iscor Mining in 1997 as a human resources graduate trainee. She was further employed at Kumba Resources as a human resources business partner and within talent management from 1998 to 2006. Since then she was appointed by Exxaro as manager of the talent management and centre of expertise, manager of corporate projects and human resources optimisation, and group manager of talent and learning. She is chairperson of Exxaro's women in mining committee and serves on various other Exxaro subsidiary companies. She is also leading the women agenda on behalf of Exxaro through the Minerals Council. She serves as a member of the remuneration committee of the FSCA in an independent capacity. Her passion lies in education and women empowerment as well as finding integration between work and spending quality family time.

## **Alex de Angelis (41)**

### **Executive head: strategy and business transformation**

*BSc (mechanical engineering)*

### **Skills and experience**

Alex has a mechanical engineering background with mining experience across a range of commodities. In his early career, he worked at several platinum and gold mines in South Africa and Australia. He moved into strategy consulting for 13 years, working on large-scale strategy, transformation and innovation projects in a range of companies. Alex leads strategy and business transformation at Exxaro, focusing on where the organisation is going and what capabilities will be required to thrive now and in the future. He is passionate about innovation and continuous learning to drive impact with Exxaro, our communities and broader society. Alex spends his spare time following new technologies and trends, keeping fit and time with his family.

## **Mongezi Veti (58)**

### **Executive head: sustainability**

*National higher diploma in metalliferous mining and coal mining (University of Johannesburg), MBL (Unisa), advanced management programme (Wharton), mine overseer's certificate, mine manager's certificate of competency (fiery mines)*

### **Skills and experience**

Mongezi has been executive head: sustainability at Exxaro since 2010. In his career since the 1980s, he has earned extensive mining experience in the gold, platinum and coal sectors. He is a certificated professional engineer registered with the Engineering Council of South Africa.

## **Johan Meyer (53)**

### **Executive head: projects and technology**

*BEng (metallurgy), MBA, advanced management programme, certified director (IoDSA)*

### **Skills and experience**

Johan started his career in production management at Iscor's Pretoria steel works. He worked at KZN Sands, headed research and development at Kumba Resources, as part of the leadership team at Mineral Sands (Tronox), BU manager of Zincor and Exxaro corporate office. His current role focuses on delivering coal growth projects of approximately R20 billion and developing integrated resource and reserve LoM plans and supporting the implementation of the minerals strategy. He is passionate about leading people and powering better lives.

## **Mzila Mthenjane (51)**

### **Executive head: stakeholder affairs**

*BSc (mining engineering), senior management development programme (Graduate Institute of Management and Technology), executive development programme (INSEAD)*

### **Skills and experience**

Mzila is a mining engineer with combined experience in mining and investment banking of 20 years. This includes seven years in deep-level gold mining at AngloGoldAshanti and Gold Fields in senior mine management and corporate development roles as well as six years in investment banking at Rand Merchant Bank and Deutsche Bank. His knowledge of business sustainability was honed over six years as executive: business sustainability at Royal Bafokeng Holdings and Royal Bafokeng Platinum. He assumed his current role in May 2013.

## **Roland Tatnall (47)**

*Appointed 10 March 2021*

### **Managing director energy and Cennergi**

*MBA, INSEAD; BSc (Hons) (physics) (University of Leeds)*

### **Skills and experience**

Roland is the managing director of Exxaro Energy and has worked in the energy sector since 1998. He has invested in, built, structured, and advised power companies, teams and projects in Africa, the Middle East and Asia. Roland previously worked in the oil exploration industry, mainly in emerging and frontier markets, and he was an original investment team member of the first private equity fund to focus on sub-Saharan African power and infrastructure. He also served as a senior executive at one of the world's largest sovereign wealth power and infrastructure funds, and raised and invested in a proprietary power fund.

## **Andiswa Ndoni (54)**

*Appointed 1 November 2021*

### **Group company secretary**

*BProc, LLB, global executive development programme, certificate in corporate governance*

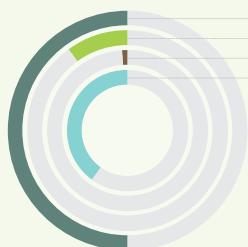
### **Skills and experience**

Andiswa is an admitted attorney of the High Court of South Africa. She has over 27 years' experience as an attorney and 14 years as a company secretary. Andiswa is a former company secretary and legal counsel for Basil Read Limited and a former group company secretary and group executive for governance, compliance and sustainability for Barloworld Limited. She also sits on the Competition Tribunal as a part-time member.

# Our executive team

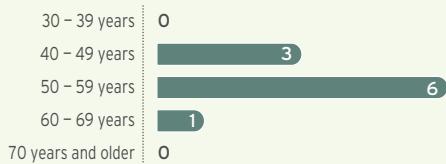
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Executive race diversity (%)

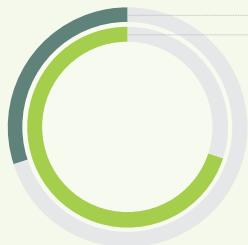


● African  
● Indian  
● Coloured  
● White

Age diversity: number of executives (10)



Executive gender diversity (%)



● Female  
● Male

\* including Andiswa Ndoni and Roland Tatnall (Energy Managing Director)

## ROLES AND RESPONSIBILITIES OF THE EXXARO EXECUTIVE COMMITTEES

The executive committees assist the CEO in managing the group's business and lead the implementation and execution of the strategy, policies and operational planning, subject to statutory limitations but enabled by the board's delegation of authority to the CEO and the executive committees. The executive committees, in carrying out their duties, have due regard of the governance principles in King IV, the company's MoI, their terms of reference and group governance framework.

The board reserves overall responsibility for establishing the business objectives and targets of the group, and for the strategic direction and control of the group's business activities. Between board meetings, the executive committee is authorised, subject to its delegated powers and reporting its significant decisions to the next available board meeting, to take management action it considers necessary to safeguard the group's interests, and to enhance and drive the strategy, business objectives and targets established by the board.

### Group executive committee

Our group executive committee, in the authorities delegated to it by the board, is responsible for, among others:

- Overseeing the group's financial, operational and sustainable performance
- Guiding the company in its relations with shareholders and other key stakeholders, including employees, regulators, government, customers, suppliers and the media
- Developing and recommending group strategy to the board for approval
- Reviewing strategic KPIs approved by the board
- Overseeing implementation of board strategy within the board's risk appetite approved by the board
- Reviewing the adequacy of reporting arrangements and the effectiveness of internal control and risk management
- Approving expenditure and other financial commitments specified in the delegation of authority framework
- Making recommendations to the board, where expenditure and other financial commitments are above the authorities delegated to the executive, seeking necessary approvals
- Recommending memoranda that require formal recommendation in terms of the delegation of authority framework to board committees and/or the board
- Loading memoranda to be noted by board committees and/or the board into the diligent reading room at least seven working days before the board committee or board meeting to ensure members and standing invitees are familiar with the contents and that the documents are of the required standard
- Performing other functions determined by the board from time to time
- Reviewing and approving terms of reference of the coal executive and investment review committees

The group executive committee excludes matters relating to the group's energy business, which is dealt with by the energy executive committee.

## Energy executive committee

As part of the group governance review in 2021, the energy executive committee was constituted on 4 October 2021 to assist the CEO to manage Exxaro's energy business. The energy executive committee, in the authorities delegated to it by the board, is responsible for, among others:

- Developing and recommending energy business strategy to the board for approval
- Developing and recommending the energy investment guidelines for approval by the board, and considering and approving the energy investment process
- Reviewing the strategic KPIs as approved by the board and recommending any changes to the board
- Overseeing the financial, operational and sustainable performance of the energy business, including technical oversight
- Guiding the group in its relations with shareholders and other key stakeholders, including employees, regulators, politicians, environmental interests and the media
- Overseeing the adoption and implementation of documentation of the group-wide governance principles and policies as prescribed by the board in the group governance framework
- Overseeing the distinction between corporate functions and group functions relating to oversight, policies, practices, controls and services
- Overseeing the implementation of board strategy within the risk appetite approach by the board
- Keeping under review the adequacy of reporting arrangements and the effectiveness of internal control and risk management
- Approving expenditure and other financial commitments as specified in the energy delegations of authority framework
- Approving or recommending such human resource appointments as specified in the energy delegations of authority framework

- Approving or recommending for approval such transactions, projects, agreements, etc as specified in the energy delegations of authority framework
- Where expenditure and other financial commitments are above the authorities delegated to the committee, making recommendations to the board seeking the necessary approvals
- Recommending memoranda, which require formal recommendation in terms of the delegation of authority framework, to the board committee and/or board, as the case may be, for approval
- Memoranda to be noted by any board committee and/or the board shall be loaded to the Diligent reading room, as far as reasonably practical, at least seven working days before the board committee or board meeting to allow members and standing invitees to be au fait with the contents and that the documents are of the required standard
- Considering and recommending the energy budget to the board for approval
- Recommending periodic (at least twice a year) portfolio reporting to the board's investment committee
- Performing such other functions as shall be determined by the board from time to time

The energy executive committee engages with a panel of independent professionals with specific experience in the renewable energy sector and markets to receive recommendations and guidance on material acquisition, merger/investment or disposal opportunities, and ongoing material transactions and matters related thereto in the scope of the approved energy strategy, including ongoing portfolio management of the energy business, existing and post-investment reviews and management.

## EXECUTIVE COMMITTEE PERFORMANCE

### Group executive committee meeting attendance

The executive team held four meetings and six special meetings in 2021. The high level of attendance is testament to their commitment in managing the business. Attendance is outlined in the table below.

Members	Designation	Attendance
Mxolisi Mgojo	CEO and chairperson	80%
Vanisha Balgobind	Executive head: human resources	100%
Riaan Koppeschaar	FD	100%
Alex de Angelis	Executive head: strategy and business transformation	90%
Johan Meyer	Executive head: projects and technology	90%
Mzila Mthenjane	Executive head: stakeholder affairs	90%
Roland Tatnall*	Managing director: energy	100%
Nombasa Tsengwa	CEO designate and managing director: minerals	90%
Mongezi Veti	Executive head: sustainability	100%
Andiswa Ndoni**	Company secretary (ex officio)	100%

\* Roland was appointed as managing director: energy on 10 March 2021 and served on the group executive committee until formation of the energy executive committee on 4 October 2021.

\*\* Andiswa was appointed group company secretary from 1 November 2021.

### Energy executive committee meeting attendance

The executive team held three meetings and two special meetings since its formation on 4 October 2021. The high level of attendance is testament to their commitment in managing the business and is reflected in the table below.

Members	Designation	Attendance
Mxolisi Mgojo	CEO and chairperson	80%
Riaan Koppeschaar	FD	100%
Roland Tatnall	Managing director: energy	100%
Nombasa Tsengwa	CEO designate and managing director: minerals	80%
Andiswa Ndoni	Company secretary (ex officio)	100%

# Our executive team continued

## EXECUTIVE COMMITTEE PERFORMANCE

As stated above, the strategic performance dashboard is an analytics tool that manages board, board committee, executive committee, functional and operational KPIs that are of strategic importance to the organisation. Agreed KPIs, and their targets, are informed by the tactical plans that deliver on our strategy. The strategic performance dashboard promotes management discussion and analysis, and is aligned with the requirements of King IV. The strategic performance dashboard was reviewed in 2021 with a revised philosophy based on the Sustainable Growth and Impact strategy with new focused KPIs for the board cascading down to management. The group executive committee KPIs that drive performance of selected board KPIs have been adopted to track progress towards our desired portfolio. The energy executive committee KPIs will be addressed early in 2022.

## GROUP COMPANY SECRETARY

Saret van Loggerenberg was appointed group company secretary and legal from 1 October 2017. Following her resignation on 18 February 2021, Inlexso Proprietary Limited was appointed interim group company secretary until the permanent appointment of Andiswa Ndoni from 1 November 2021. The board recognises the pivotal role that the company secretary plays in the establishment of effective processes and systems to ensure that good corporate governance forms part of the fibre of the organisation and is entrenched in the organisation's culture.

The role and responsibilities of the group company secretary are described below.



### Company secretary

- Guide the directors collectively and individually in their duties, responsibilities and powers.
- Make directors aware of any law relevant to the company.
- Report any failure on the part of the company or a director to comply with the MoI or the Companies Act.
- Ensure board procedures are followed and reviewed regularly.
- Ensure applicable rules and regulations for conducting the affairs of the board are complied with.
- Facilitate a programme for the induction and ongoing development of directors.
- Maintain statutory records in accordance with legal requirements.
- Guide the board on how its responsibilities should be properly discharged in the best interests of the company.
- Provide professional and independent guidance on corporate governance matters to assist the board in exercising ethical and effective leadership.
- Keep abreast, and inform the board, of current and new developments regarding corporate governance thinking and practice.
- Fulfil all other functions assigned to the position by the Companies Act and by any other legislation.
- Ensure the proper compilation and timely circulation of board papers.
- Obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in board deliberations.
- Ensure that the proceedings of the board, board committees and shareholder meetings are properly recorded and that minutes of meetings are circulated to the directors in a timely manner.
- Assist the nomination committee with the evaluation of the performance of the board, its committees and individual directors.

With her appointment and in compliance with paragraph 3.84(h) of the JSE Listings Requirements, an evaluation of the incumbent group company secretary was conducted in 2021 to consider and satisfy the board of Andiswa's competence, qualifications and experience.

The board was comfortable that she maintained an arm's length relationship with individual directors and that she was neither a director nor a public officer of the company or any of its subsidiaries.



## The executive committee

Working tirelessly to deliver on Exxaro's strategy

# Remuneration and nomination committee report

**Dear shareholders,**

We are pleased to present the combined remuneration and nomination committee reports for the year ended 31 December 2021.

In another extraordinary year and extraordinary workload, leadership was required of this combined committee. This committee enables the board to effectively discharge its duties in relation to the group's delegated remuneration and nomination functions and powers in accordance with clear terms of reference. The committee's activities supported changing strategic objectives, underpinning the establishment of the energy business, and an appropriate response to unprecedented health, safety and economic challenges. Also, in pursuit of the appropriate governance and oversight, the committee undertook a number of group governance and policy reviews, leadership succession decisions and overall strengthening of governance. The committee is satisfied that it has fulfilled the requirements of its terms of reference and that the objectives of the remuneration policy are applied without material deviation.

## ROLE AND PURPOSE

The joint committee 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 as set out below:

Duties and responsibilities of the remuneration committee	Duties and responsibilities of the nomination committee
<ul style="list-style-type: none"><li>• Remuneration governance</li><li>• Oversee the development and regular review of the remuneration policy that articulates and gives effect to the board's direction on fair, responsible and transparent remuneration</li><li>• Oversee the implementation and execution of the remuneration policy</li><li>• Exercise any power or discretion vested in the board under any remuneration scheme established for the benefit of employees of the group</li><li>• Review executive and senior management remuneration and performance measurement</li><li>• Oversee fees for non-executive members for services as directors, as approved by shareholders</li><li>• Provide mandates for non-bargaining and bargaining unit employees' salary negotiations</li><li>• Governance of performance management</li></ul>	<ul style="list-style-type: none"><li>• Board and board committee structure, size and composition</li><li>• Monitoring the performance of the board against its targets for race and gender representation in its membership</li><li>• Nomination and appointment of directors</li><li>• Induction and ongoing development of directors</li><li>• Board and board committee succession planning for key positions on the board, including the chairperson and chairpersons of committees</li><li>• Review succession planning for executive directors, key executives for the group and any subsidiaries, and ensure availability of the succession plan for the CEO and FD</li><li>• Board and board committee performance evaluation</li></ul>

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 the application of mechanisms to achieve and exceed employment equity.

## COMPOSITION

The board ensures committee members have a suitably balanced blend of skills and experience to enable the committee to discharge its functions.

During the review period, the committee comprised a majority of independent non-executive directors. The board chairperson is an ex officio member and presides as chairperson when the committee fulfils its responsibilities on nomination matters. Standing attendees, by invitation, include the CEO, the CEO designate, FD, executive head: human resources and other individuals with specific skills and expertise to assist members in their deliberations.

## MEETINGS

The committee held 19 meetings during the year. Four of these were quarterly meetings. Non-executive director succession and filling vacancies, CEO succession, recruiting the managing director for the minerals business, implementation of a revised remuneration philosophy and performance schemes as well as matters arising out of the COVID-19 pandemic resulted in extraordinary workload for the committee. Only bereavement or unforeseen personal circumstances prevented full attendance.

<b>Members</b>	<b>Designation</b>	<b>Attendance at quarterly meetings</b>	<b>Attendance of (15) special meetings</b>
Ras Myburgh	Independent non-executive director and remuneration committee chairperson	100%	93%
Geoffrey Qhena*	Independent non-executive director and nomination committee chairperson	50%	100%
Geraldine Fraser-Moleketi	Lead independent non-executive director	100%	100%
Zwelibanzi Mntambo	Non-executive director	75%	100%
Jeff van Rooyen**	Former independent non-executive director and nomination committee chairperson	100%	90%

\* Geoffrey Qhena, current board chairperson, ex officio member of the remuneration and chairperson of the nomination committee from shareholder appointment (27 May 2021) and board election - attended six of seven meetings for the year in review.

\*\* Jeff van Rooyen, former board chairperson, former ex officio member of the remuneration committee and former chairperson of the nomination committee until retirement on 27 May 2021 - attended 11 of 12 meetings (2 were quarterly and 10 were special meetings) for the year in review until retirement.

## TERMS OF REFERENCE

The committee's terms of reference were reviewed in 2021 and the amendments were approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

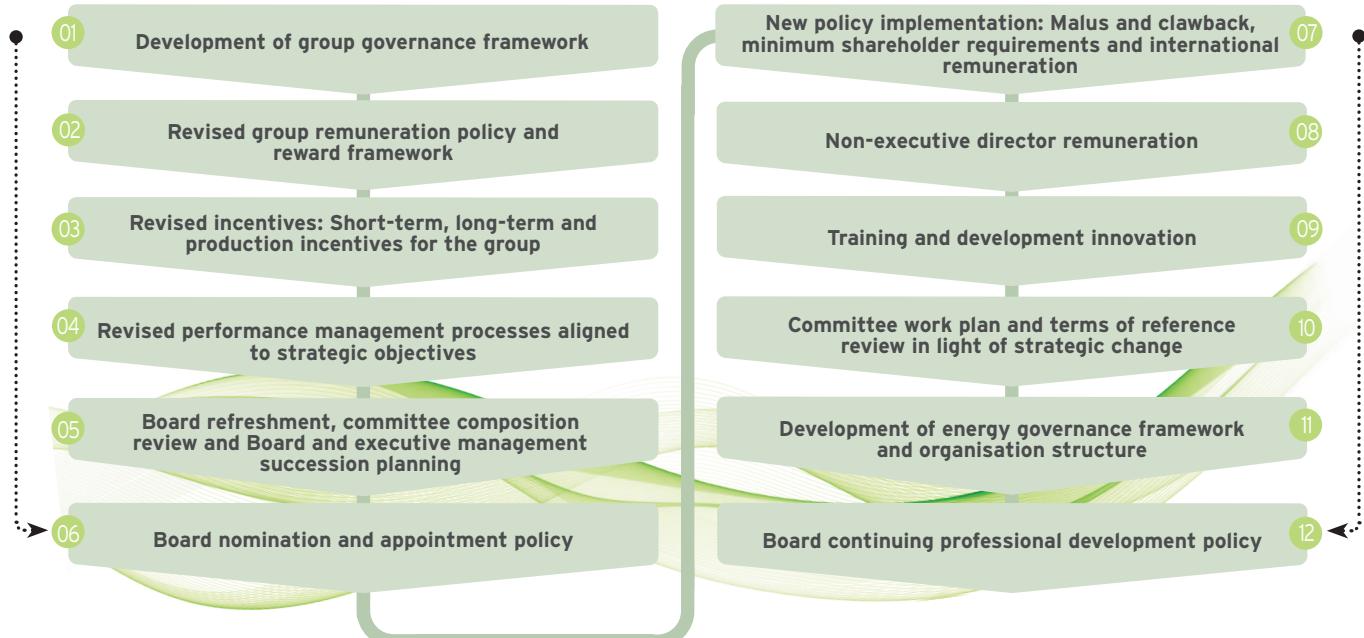
## KEY FOCUS AREAS

<b>2021 AND 2022</b>	<b>EVALUATION</b>
Ensure the implementation of the remuneration philosophy and supporting policies and schemes (incorporating malus and clawback and minimum shareholding requirements (MSRs))	Achieved
Oversee the development of a reward framework based on performance and revised vesting conditions/production incentives/project milestones incentives/project milestones	Achieved
Review the nature and adequacy of the performance measurement methodology applied throughout the group	Achieved
Review the employment equity plan (ensure diversity in talent and leadership) in support of the overall diversity and inclusion strategy	Achieved
Address inequality including gender-based disparity in the adequacy of remuneration	Ongoing
Track the formulation and implementation of the group governance framework on remuneration matters for the energy business	Achieved

## 2021 IN REVIEW

We provide full reports of the remuneration and nomination committees on the following pages, detailing, among others, the committees' discharge of their responsibilities in the 2021 financial year.

### Highlights



# Remuneration committee report

## 2021 KEY HIGHLIGHTS

The committee employs a stakeholder-inclusive approach in the design of remuneration governance. This is demonstrated in the design of the revised remuneration policy and implementation plan. The extensive work undertaken by work streams in the design of the long-term, short-term and production incentive schemes demonstrate the committee's oversight of fair, transparent, stretched and yet rigorous target setting with strategic alignment. Implementation of the energy business strategy prompted the development of new group governance policies as well as remuneration governance principles, policy and practices for the short and long term as the business matures. This included a review of the expatriate policy and development of an international inbound recruitment and employment policy tailored to considerations of cost and affordability, fairness and attractiveness.

Overall, the year offered many opportunities to revisit our underpinning values and check our practices against the integrity built into the people processes. The coming year will see our continued commitment to performance-related pay principles towards a resilient and sustainable business.

### Responsible remuneration

The committee approached responsible remuneration with clear and simple people-first objectives, supporting continuous operation as a matter of priority during the COVID-19 pandemic. Moreover, the committee continues the work of promoting employment equity principles by driving a programme of diversity and inclusion, and by addressing the wage gap and remuneration fairness during these times of acute economic pressure. The company approached employee integrated wellness, including financial health, as part of the support service offering in the period under review. The committee deemed it necessary to review and refresh the services of remuneration advisers with promising results.

As part of its remuneration governance objectives and commitment to fair and responsible remuneration, the committee oversaw the implementation of the revised remuneration philosophy and underpinning principles in 2021, particularly the performance-related incentive scheme. A malus and clawback policy and MSRs were implemented for executives.

 Details can be found in the remuneration report on page 189.

The shape and form of diversity and continued inclusion is an ongoing body of work, which the committee does not lose sight of. Particularly, inclusion of disabled people, and training and development of black PWD in our organisation, with the objective of normalising enabling workplace environments, which embrace our workforce diversity. An inclusive opportunity presents itself, following the implementation of new work-from-home practices.



## Overcoming challenges

Some of the internal and external factors that influenced remuneration during the period included high levels of unemployment, integration of the energy business and resilient human capital management.

A key value creation activity of the committee remains the group governance of human capital and our ethical culture, as demonstrated through employment equity. In a climate of growing unemployment and economic uncertainty, access to job opportunities and transparent, fair recruitment practices prompted revision and innovation in this regard. A sharp increase in job scams precipitated the committee's reputation risk management through a clear communication campaign of proper processes.

Linked to strategic change within the organisation, the continuing work of integration of the energy business and enabling the work of business growth by shaping the human capital governance, prompted the clear definition of governance and oversight practices. The challenge in finding the appropriate form of ethical and effective leadership, as part of a divergent kind of business model, prompted a multi-layered review.

Skilled and ethical leaders are in high demand. Retaining top talent and rewarding correct behaviours are at the core of protecting value and a lever of business resilience and sustainability. In the context of remote work, the impact of the pandemic on workplace practices and an integrated workforce underpinned management efforts to counter the perception of siloed business activity and employee isolation. Retaining and motivating our people is critical to delivering on our strategic outcomes. The work of performance-related incentives required considerable committee deliberation as a result.

## Remuneration policy and implementation report

The King IV "say on pay" recommendations were made mandatory by incorporation in the JSE Listings Requirements. Companies listed on the JSE are required to table non-binding advisory shareholder votes on remuneration at AGMs. The JSE requires listed companies to engage with dissenting shareholders, and the manner and timing of such engagements must be disclosed. The efforts of such engagements have reaped rewards.

We are pleased to report that our shareholders, through a non-binding vote, approved the company's remuneration policy by 94.66% and its implementation by 93.15% in 2021. We continue to take our shareholders along with us in the work of responsible remuneration practices.

The committee obtained independent advice from PwC and Vasdex Proprietary Limited on a range of remuneration policy and implementation issues during 2020/2021 as well as independent remuneration benchmark analysis from a range of service providers.

# Nomination committee report



**Geoffrey Qhena**  
Nomination committee  
chairperson

## 2021 KEY HIGHLIGHTS

Supported by the role of the lead independent director, the transition into the role of board chairperson and committee chairperson was a seamless process. The first priority was the finalisation of the group governance framework, including oversight of group subsidiaries. This was supplemented by the review of the delegation of approval policy and frameworks for the minerals and energy businesses. The committee defined a board diversity and inclusion policy alongside a director nomination and appointment policy, with accompanying guideline, for ease of application in the work of board refreshment. Four new non-executive directors and the CEO designate were appointed and director inductions undertaken during the reporting period. The skills, experience and diversity profile of the board were improved for the benefit of the group's value creation efforts.

As part of the work of delivering the most effective leadership, the committee formulated a continuing professional development policy for directors. The themed approach to targeted topics, relevant to our board, will ensure the honing of skills and experience, and build resilience in the practice of corporate governance.

### Diversity policy

Achieving suitable board composition and appropriate balance of power between individual directors and/or groups of directors so the board will operate effectively, and in the interests of the company, requires deliberate policy parameters and careful consideration.

The JSE Listings Requirements seek to strengthen regulation of primary and secondary listings, and require companies to adopt a policy on the promotion of broader board diversity, focusing on gender and race. The board of directors or nomination committee developed a policy position on the promotion of broader diversity at board level, specifically focusing on promoting gender, race, culture, age, field of knowledge, skills and experience.

The following targets were recommended by the committee in consultation with the SERC in respect of board composition:

TARGET	ACTUAL AT 7 FEBRUARY 2022	STATUS AS AT 7 FEBRUARY 2022
Size: minimum of four and maximum of 20 members	18	Within target range
Race: 60% black	78%	Achieved
Gender: 40% black women	33%	Ongoing
Age: average of 55 years	54 years	Achieved
Tenure: average tenure of seven years (two years mentoring a successor)	Four years	Ongoing
Appropriate diversity mix based on prevailing strategic objectives	The board directs its attention to the principles of balanced governing body authority by directing strategic decision making around broader diversity at board level. The range in gender, race, age, field of knowledge, skills and experience, and tenure make for well-informed and thoughtful consideration of all board matters.	

The board is pleased with the progress made to date. In addition, the board aims to pursue the compliance targets set by the DTIC in respect of management and control, and positively contributes to the B-BBEE rating.

## Board composition

The number of board members should support the promotion of accountability and lend itself to healthy, constructive debate within the parameters of the company's MoI and regulatory framework.

In terms of the company's MoI, one-third of non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years, if available and eligible to stand.

This means this committee has the responsibility to annually consider the names of directors to retire and be recommended for re-election to shareholders at the AGM. This is conducted with the utmost responsibility and assessment includes the individual's performance, meeting attendance, age and diversity targets, tenure and the need to introduce members with new expertise and perspectives while retaining valuable knowledge, skills and experience, and maintaining continuity. A fit and proper assessment is also conducted to consider whether a director is regarded as fit and proper to continue as director, including assessment of independence in terms of King IV.

## Nomination and appointment of directors

Due to resignations and retirements of three of our directors, and to fulfil our board mandate, this committee had to identify suitable candidates to be appointed to our board.

With effect from 1 February 2021, Chanda Nxumalo joined the board, and, on 18 March 2021, Nombasa Tsengwa was appointed as CEO designate and a member of the board.

Mark Moffett resigned as independent non-executive director of the company and member of the audit committee, effective 11 May 2021. The board expressed their gratitude for his service to the organisation during his tenure.

We said farewell to our board chairperson and nomination committee chairperson, Jeff van Rooyen, at the close of the AGM in May 2021. The board recorded its gratitude for his valued contribution during his extended tenure. Following his retirement, Geoffrey Qhena took over the helm of board chairperson and nomination committee chairperson.

In line with the broad-based empowerment structure, with effect from 15 March 2021, Mandlesilo Msimang and Isaac Malevu, with effect from 22 June 2021, were appointed as nominee directors to the board in line with the relationship agreement.

The board appointment process is formal and transparent in line with the board nomination and appointment policy. In accordance

with that policy, the board considers, among others, its skills and experience matrix, the group strategy, feedback from board evaluation and alignment with the broader diversity policy. A proper due diligence is conducted, a fit and proper assessment is undertaken and consideration of any conflicts of interest. This includes consideration of whether any director's interests, position, association or relatives are likely to influence or unduly cause bias in decision making when judged from the perspective of a reasonable and informed third party. An important question is the consideration of other time commitments and availability for full board participation. A director who is appointed by the board holds office until the next AGM, in line with the MoI, retires and is then presented for shareholder election.

## Induction and ongoing development of directors

Two governance sessions are scheduled annually when directors receive focused inputs from a regulatory, strategic and economic perspective. Throughout the year, our directors also receive information and opinions on changes within the regulatory framework. As the appointments were staggered throughout 2021, two induction sessions were hosted during the course of 2021.

Board induction includes an introduction to management, access to all relevant company administration information, and meeting management systems and processes as well as founding documents, the delegation of authority framework and other policies. A bespoke induction programme includes an introduction to the company's strategy, group structure, operations and stakeholder engagement model as well as an introduction to key advisors.

## Succession planning

Succession planning for non-executive directors is typically iterative and part of an ongoing programme of planning and discussion by the nomination committee. Succession planning is based on the board's broader diversity policy. The policy is couched in a holistic approach to diversity with the aim of inclusion and supporting the group's strategic focus areas. The committee considers succession and tenure, planned retirement ages of existing members and rotation plans, and addresses identified skills gaps following rigorous board effectiveness evaluation. In accordance with succession planning needs, the process of filling non-executive director board refreshment is underway.

Given the changing context, the nomination committee contributes to the process of a wide governance enhancement programme aimed to align strategic changes in the group to board and board committee composition. Therefore, the committee's terms of reference and mandate are reviewed annually.

## PERFORMANCE

The committee is not required to complete annual performance evaluations. While King IV recommends regular performance evaluations of board committees, it is governance practice at Exxaro to biannually evaluate committee performance and effectiveness.

Exxaro's board committees embarked on a significant transformation journey in 2020, which culminated in the group governance framework, revised delegation of authority, board committee mandate and work plan review as well as committee name changes following this process. Allowing an opportunity for the changes to settle and make impact, the board did not undertake a review in 2021 following the high-level assessment in 2020 but will commence formal performance evaluations in November 2022 for disclosure in the integrated report 2022.

## CONCLUSION

The remuneration and nomination committee, in carrying out its respective duties, duly regarded the principles and recommended practices of King IV. The committees are satisfied that they have considered and discharged their responsibilities in accordance with their terms of reference.

On behalf of the remuneration committee



**Ras Myburgh**

Remuneration committee chairperson

Eden district

4 April 2022

On behalf of the nomination committee



**Geoffrey Qhena**

Nomination committee chairperson

Johannesburg

4 April 2022

# Risk and business resilience committee report

**Dear shareholders,**

I am pleased to present the RBR committee report for the year ended 31 December 2021.



## ROLE AND PURPOSE

The committee is a board committee in terms of section 72 of the Companies Act, the company's Mol and King IV.

The committee's role is as follows:

### Risk management

The committee's role is to oversee that the group has implemented an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and that the 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 the 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.

### COMPOSITION

During the period under review, the committee comprised a majority independent non-executive directors. Chanda Nxumalo was appointed a member of the committee from 1 February 2021. In addition, following the resignation of Mark Moffett on 11 May 2021, Mandlesilo Msimang was appointed on 23 June 2021 as a member of this committee. The board is satisfied that the committee members have a suitably balanced blend of skills and experience to enable the committee to discharge its functions.

Standing invitees to committee meetings include the CEO, CEO designate, FD and chief risk officer. Other individuals, including members of management, external consultants and service providers, are invited to attend meetings of the committee from time to time in consultation with the committee chairperson.

## MEETINGS

The committee held four scheduled meetings, as determined by its terms of reference, during the period under review and one special meeting. The committee's attendance of 100% throughout illustrates high levels of engagement by RBR committee members. The table below is an overview of meeting attendance in 2021.

Members	Designation	Attendance
Peet Snyders	Independent non-executive director and chairperson	100%
Mark Moffett*	Independent non-executive director	100%
Ras Myburgh	Independent non-executive director	100%
Chanda Nxumalo**	Independent non-executive director	100%
Mandlesilo Msimang***	Non-executive director	100%

\* Mark Moffett resigned on 11 May 2021.

\*\* Chanda Nxumalo appointed as member from 1 February 2021.

\*\*\* Mandlesilo Msimang appointed as member from 23 June 2021.

## TERMS OF REFERENCE

The committee's terms of reference were extensively reviewed in 2021 to include business resilience in its roles and responsibilities, which amendment was approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

## 2021 IN REVIEW

### Risk and compliance matters

#### Strategic performance dashboard

The strategic performance dashboard is an analytics tool that manages board, board committee, executive committees, functional and operational KPIs that are of strategic importance to the organisation. The dashboard tracks execution of the Exxaro strategy to promote management discussion and analysis while aligned with the requirements of King IV. The KPIs for the board and the group executive committee have been reviewed and approved during the year under review. The review of the energy executive committee KPIs are underway and will be finalised in 2022.

#### ERM

According to best practice, the ERM framework is required to be updated every one to three years. During the period under review, the ERM framework was accordingly reviewed and updated to enhance the risk process and align it with the organisation's risk maturity level, and to keep it relevant and up to date with best practice. Emerging risks have been emphasised and included in the ERM identification process. In addition, the ERM framework was revised to reflect changes in reporting structures and role designations, and to ensure alignment with current governance practices and standards.

In respect of risk management, the unavailability of rail capacity remained the most significant risk. This risk also drives several other underlying risks such as inability to achieve financial targets and cost competitiveness of products. Management's interventions to manage this risk are reported to the committee and the board on a regular basis.

The risk associated with COVID-19 was monitored closely during the municipal elections, the festive season and new variants of the virus that resulted in another wave impacting the operations. The labour unrest risk was reduced as a three-year wage negotiation was signed. The board approved the strategic risk profile for the period under review.

The committee oversaw the tactical and operational risks, which were updated on a quarterly basis to ensure it reflects the current risk exposures.

#### Regulatory compliance

The group's compliance efforts in 2020 focused on examining the current state of compliance processes and practices across all functions of the group to ensure that all the required governance documents were in place. The focus of 2021 was to develop and action an improvement plan to enable Exxaro to advance its compliance maturity levels through the enhancement of its compliance processes and practices.

## COMMITTEE CALENDAR HIGHLIGHTS LINKED TO KEY FOCUS AREAS FOR 2021

<b>Quarter 1</b>	<ul style="list-style-type: none"> <li>Review and recommend Resources and Reserve statement as part of the 2021 integrated report</li> <li>Considered the COVID-19 status in the group and vaccination programme</li> <li>Monitored the POPIA implementation programme</li> </ul>
<b>Quarter 2</b>	<ul style="list-style-type: none"> <li>Monitored progress with the POPIA implementation programme milestones</li> <li>Monitor progress of the implementation of the business continuity management project across the group</li> <li>Monitor IM specific risks and security posture</li> </ul>
<b>Quarter 3</b>	<ul style="list-style-type: none"> <li>Monitored successful implementation of POPIA deliverables, including compulsory training</li> <li>Considered the updated strategic risk profile and trend reports</li> <li>Considered the work done to build and maintain reputational resilience</li> </ul>
<b>Quarter 4</b>	<ul style="list-style-type: none"> <li>Recommend material issues for inclusion in the 2021 integrated report</li> <li>Recommend for approval the group privacy policy</li> <li>Approve the updated ERM framework and changes to the strategic performance dashboard</li> </ul>

# Risk and business resilience committee report continued

Under the oversight of the committee, the following regulatory compliance matters received attention:

## POPIA

The Exxaro POPIA implementation project commenced in 2020 with a number of targets reached by 30 June 2021. The purpose of the project was to develop and expand Exxaro's information governance framework with a privacy framework that seeks to protect the constitutional right of persons to privacy. During the period under review, the project progressed to the next phase of operation: project implementation. The key focus areas of the project implementation included training, conducting risk assessments and compliance gap analysis within the functional areas. Training included awareness training across the group as well as advanced compliance workshops to train employees who deal with the processing of personal information in their day-to-day duties on specific functional POPIA requirements.

## Privacy policy

Exxaro is committed to respecting and protecting the personal information and privacy of others. As a responsible party, we strive to ensure that our use of the personal information in our possession is lawful, reasonable and relevant to our business activities. A new policy was therefore developed to explain how we process and safeguard personal information. The board approved the privacy policy as per the recommendation by the committee. The privacy policy aims to enable Exxaro to achieve its compliance obligations to the privacy laws applicable to it.

## Governance of IT risk

During the period under review, the committee considered information management (IM) top 10 risks, governance review and the group security posture. Progress was monitored by the committee with management providing comprehensive quarterly updates, reflecting on challenges and steps taken to address those challenges.

## BUSINESS RESILIENCE MATTERS

### Business continuity management programme

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

- The approved emergency response plan
- Crisis management policy
- Business continuity plan
- IM disaster recovery plan to reflect changes to the internal and external environment

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

## Climate change

The Exxaro Climate Change Response strategy and report on the alignment to the TCFD recommendations was published on 18 March 2021. The report articulated Exxaro's strategic response to the transitional and physical climate change risks and opportunities.

The key milestones set for the reporting year were achieved:

- Develop an internal employee communication plan on the climate change response strategy published in 2021
- Formally establish an internal multi-functional technical team to coordinate the development of the decarbonisation pathway model
- Conduct a detailed bottom-up analysis of BUs' climate change management and reporting maturity mapping
- Align internal reporting with the TCFD recommendations and develop a dynamic decarbonisation scenario model

 For more information, please consider page 46.

The focus in 2022 will be on identifying senior management knowledge gap analysis and developing appropriate training modules that will enhance understanding of how to manage climate change transitional and physical risks and opportunities.

Global climate change action intensified due to COP26. Exxaro confirmed that it shared the commitment of the South African government to continue contributing its fair share to address climate change and supported the country's efforts of meeting international climate change commitments through the NDC under the Paris Agreement.

This committee has an oversight role over the strategic, financial and operational business resilience arrangements of Exxaro with specific consideration of its response to the impending low-carbon transition, building a resilient, future-facing portfolio as well as increasing its customer diversification and multiple revenue streams.

## Decarbonisation plan

The committee oversaw the establishment of the decarbonisation project structure and office to coordinate all activities to reduce the climate-related risks and leverage opportunities. Under the guidance of functional executives, activity charters have been developed that outline a process by which decarbonisation opportunities will be identified and integrated into the group-wide decarbonisation plan.

Embedded within this project delivery structure is ensuring employee participation in the development of the decarbonisation plan. The training and employee participation stream have engaged Exxaro-funded climate change universities: Wits, University of Pretoria and Unisa. The engagement plan is to create a master class series to provide employees with climate change information on important climate change concepts, the need to reduce greenhouse gas emissions, and their role in mitigating and adapting to climate change consequences.

## COMMITTEE CALENDAR HIGHLIGHTS LINKED TO KEY FOCUS AREAS FOR 2021

### Quarter 1

- Approval of new revised terms of reference
- BU risk deep dive on rotational basis

### Quarter 2

- Monitor the implementation of Climate Change Response strategy
- Participate in Sustainability Summit

### Quarter 3

- Participate in Leadership Safety Day and BU safety indabas
- Consider the coal rail capacity challenges experienced

### Quarter 4

- Monitor implementation of the business continuity management project and next steps

## Safety

The focus areas of Exxaro's safety improvement plans monitored by the committee include the following:

BUs implemented safety indabas in accordance with the safety improvement plan. The main purpose of the safety indabas was to reflect on the group as well as respective BUs' safety performance, address challenges, raise safety awareness during the critical season and recommitment to the zero harm vision.

Leadership interventions included executive committee members communicating risk awareness messages to the broader workforce on the identified safety risks as part of the Khetha Ukuphepha campaign. Pre-recordings of executive committee members on dedicated focus areas were completed and broadcast at predetermined intervals across the group on various communication platforms such as the Exxaro portal, LetsConnect, Microsoft Teams and LCD screens. This material is used at the BU safety indabas and ongoing awareness campaigns.

Due to the COVID-19 restrictions, a Leadership Safety Day was held virtually and physically on site across all BUs on 12 October 2021. The virtual Leadership Safety Day programme was successfully delivered to an audience of 1908 physically on site and 730 online.

The key contributors to the zero harm vision were identified as change management and consequence management.

## Rehabilitation liabilities

The committee considered proposed amendments in respect of the environmental liability regulations published on 27 August 2021. Exxaro is taking part in the comment process through the Minerals Council to ensure that concerns are adequately represented.

## Reputational resilience matters

Exxaro has established a resilient brand and reputation in the market since its creation in 2006, despite some challenging times, based on its sustainability strategies and consistently delivering stakeholder value. The three key attributes that have enabled this resilience included competence, transparency and guardianship, which will prevail in the future as Exxaro pursues its Sustainable Growth and Impact strategy.

The challenges and opportunities due to climate change, coupled with aggravating effects of COVID-19 and a distressed socio-economic environment in South Africa, drive high expectations for delivery of short and long-term benefits to stakeholders. As a South African brand that has shown resilience and continues to display financial strength, research shows that stakeholder expectations for Exxaro to play a more meaningful role in society have risen.

It is considered that, over the next decade, trust in Exxaro, and hence its reputation, will be a function of Exxaro's actions to resolve societal challenges where most governments have shortcomings. Exxaro's ability to achieve this trust and maintain a resilient reputation continues to be a focus area of this committee.

## KEY FOCUS AREAS

The table below shows the key focus areas for the committee.

2021 AND 2022	STATUS
Review relevance of current KPIs and the completeness of current and emerging risks and whether in line with approved strategy	Ongoing
Review risk governance efforts to ensure monitoring of key risks impacting the organisation's strategic objectives (includes the review of completeness of current and emerging risks and whether 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 have occurred that have led to business disruption)	Achieved
Review the risk appetite for Exxaro	Achieved
Review the key compliance risks for Exxaro related to Exxaro's licence to operate	Achieved
Based on the key risks, recommend the appropriate predictive and proactive reporting and engagement with key stakeholders (including the integrated report)	Achieved
Review the governance of technology and Information to ensure it incorporates technology and information risks to enable strategy and ensure business resilience	Ongoing
Review business resilience key elements to ensure business strategy compliance	Achieved

## PERFORMANCE EVALUATION

There is currently not a legal or regulatory requirement for the committee to complete annual performance evaluations and, while King IV recommends regular performance evaluations for all board committees, it has become a governance practice at Exxaro to have the committee's performance and effectiveness evaluated every two years.

As Exxaro's board committees embarked on a significant transformation journey in 2020, which culminated in the group governance framework, revised delegation of authority, board committee mandate and work plan review as well as committee name changes following this process. Allowing an opportunity for the changes to settle and make impact, the board did not undertake a review in 2021 following the high-level assessment in 2020 but will commence formal performance evaluations in November 2022 for disclosure in the integrated report 2022.

## CONCLUSION

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.



**Peet Snyders**

RBR committee chairperson  
4 April 2022

# Social, ethics and responsibility committee report



Geraldine  
Fraser-Moleketi  
SERC  
chairperson

## Dear shareholders,

I am pleased to present the SERC report for the year ended 31 December 2021.

The board felt the need to include responsibility in the committee title and mandate. As part of the group's governance review, as an agile response to organisational change, the board chose to strengthen the committee's mandate by entrenching *responsible* corporate citizenship as part of the committee's focused activities.

It was of paramount importance, being mindful of a difficult business climate, which included a change in company strategy, that we maintained organisational ethics in the way we conduct our operations.

Thus, the committee performed a pivotal role in the deliberate pursuit of enhanced governance through oversight and regular monitoring of the organisation's actions and outputs. Particularly, in the wake of heightened sensitivity toward ESG, with concern for employees' integrated wellness, health and safety, and in light of stark social inequalities, exacerbated by the COVID-19 pandemic.

## COMPOSITION

The committee is chaired by the lead independent director of the board with a documented career in pursuit of social justice, racial and gender equity, and global governance. The committee consisted of a majority of independent non-executive directors throughout the period as per the recommendations of King IV, which facilitated the application of independent judgement on the committee deliberations and decisions taken.

The chairperson of the board and all board members are welcome to attend all meetings, as observers. The CEO is a standing invitee at all committee meetings, including the CEO designate, FD, executive head: human resources, executive head: sustainability and executive head: stakeholder affairs. Other individuals with specific skills and expertise are also invited to report and assist members in their deliberations, including the information officer, head of legal, chief audit executive and chief risk officer.

## MEETINGS

Nine meetings were held during 2021, including three combined board committee sessions where the subject matter required a nexus of oversight, with complementary lenses, from other board committees.

In addition, five hybrid stakeholder engagement days were dedicated. All members were in full attendance at all meetings and supported by observers in attendance. Committee attendance throughout the year illustrates high levels of engagement and commitment by members to the objectives of the board committee.

The following table provides an overview of member designations and attendance:

Members	Designation	Attendance
Geraldine Fraser-Moleketi	Lead independent non-executive director and chairperson	100%
Peet Snyders	Independent non-executive director	100%
Likhapa Mbatha	Non-executive director	100%
Isaac Mophatlane	Independent non-executive director	100%

## Committee calendar highlights linked to the key focus areas for 2021



## TERMS OF REFERENCE

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

## FOCUS AREAS FOR 2021 CARRIED INTO 2022

1. Oversee implementation of diversity and inclusion strategy in support of the overall Exxaro strategy as a key business value driver
2. Scrutinise human capital strategies, human capital investment and oversight (strategic workforce issues) that impact the group's brand and reputation
3. Oversee the implementation of the stakeholder engagement strategy and KAM of the eight identified stakeholder groupings
4. Monitor the ESD programme execution and targets achievement
5. Review the ongoing anti-bribery and anti-corruption programme implementation, including the rolling out of the conflict of interest programme and ensuring an ethical culture
6. Ensure ESG is levered to build long-term competitive advantage, enhance resilience to sustainability risks and attract the socially conscious investors, talent and customers

## 2021 IN REVIEW

### 1. Oversee implementation of diversity and inclusion strategy in support of the overall Exxaro strategy as a key business value driver

Exxaro has a strong commitment to combating GBV in the workplace. This coincided with the national initiative, undertaken in conjunction with the Minerals Council, the committee approved to recommend to the board a group policy, which would redress racial and sexual harassment in the workplace.

As part of consistent internal racial policy review of diversity and inclusion, focus was placed on our group policy on racism. The organisation has consulted the specialist expertise of a civil rights expert, who advises on process and system improvements, which are continually introduced.

The approach ensures alignment and focused efforts in respect of peer and industry norms in response to human rights, and a broad spectrum of diversity and inclusion.

### 2. Scrutinise human capital strategies, human capital investment and oversight (strategic workforce issues) that impact the group's brand and reputation

The year commenced with a targeted focus on employment equity progress to date and an action plan with specific focus on the women agenda and people living with disabilities. The stipulated interventions and deliberate strategies in support of the targeted areas for improvement will be revisited early in the coming reporting cycle.

In partnership with the board committee that looks at remuneration, fair pay or pay parity forms part of the key oversight areas. The driver being the need to address social inequalities and poverty as part of a broader national agenda bearing in mind the company's role as a responsible corporate citizen in the mining sector as a South African black mining house, specifically. The board holds the view that Exxaro forms part of a chain of contributing builders of a society that looked different, felt different and behaved differently.

# Social, ethics and responsibility committee report continued

In this regard, some of the specific measures adopted included:

- The establishment of a task team of functional and technical representatives, nominated by leadership, to review the design and define job families, sub-streams and organisational capabilities to better cluster jobs
- The revision of the structured development policy and associated policies to ensure that it supported career progression
- The documentation of key principles that govern the fair pay implementation programme for consistent application and longevity

In light of work-from-home employment condition changes, the committee monitored the equipping and change management efforts undertaken to address cybersecurity and other risks.

## 3. Oversee the implementation of the stakeholder engagement strategy and KAM of the eight identified stakeholder groupings

Unable to make in-person visits, as is preferred, the committee with management undertook multi-level, multi-region, virtual engagement sessions, which were conducted over a period of five days and a Capital Markets Day. The advantage afforded by the virtual platform was the integration of simultaneous engagement with community and government stakeholders, which contributed to a richness in discussions. A number of learnings were gleaned and actions identified.

Relationship building is a key outcome of the stakeholder engagement strategy in redressing the plight of the poor in the communities surrounding the operations. Progress in respect of COVID-19-related delays in SLP delivery were at the heart of discussions aimed at turnaround implementation plans. At the end of the third quarter, the organisation was 8% behind schedule and 16% under budget spend. The committee is overseeing planned improvements in the delivery of community development projects and the efforts to meet commitments under lowered COVID-19 lockdown levels.

The committee's oversight of stakeholder engagement includes weekly reports in respect of business activity and media review as an indicator of reputation management.

## 4. Monitor the ESD programme execution and targets achievement

The ESD programme execution and targets will receive ongoing focused attention in 2022 as part of the Sustainable Growth and Impact strategy.

 Detailed information and positive results are reported on pages 112 and 113. The committee remains committed to ESD and its monitoring.

## 5. Review the ongoing anti-bribery and corruption programme implementation, including the rolling out of the conflict of interest programme and ensuring an ethical culture

The group's ethics processes are managed by the management ethics committee, which comprises prescribed officers, representatives of the internal audit and the chief audit officer. Chaired by the chief risk officer, it meets either monthly or as required to consider issues of non-compliance to the group code of ethics or conflicts of interest policy as well as matters reported on the ethics hotline or to management.

Required investigations are conducted by a dedicated forensic team that reports its findings independently to the chief audit executive.

The ethics committee formally reports to this committee to ensure the board has full oversight of ethics-related matters.

During the period under review, the group revised its insider dealing and external communications policies. The committee oversaw this revision with the support of the audit committee as well as the RBR committee. These revised policies were approved by the board for implementation from 3 June 2021.

Key innovations implemented during the year in review have assisted with the automation, improved access and dissemination of company policy and awareness training. The ongoing digital innovation and process improvements in respect of conflicts of interest, and all company policies in general, continue into 2022. It is anticipated to contribute positively to the ethics management plan, which is in the process of formulation following the detailed ethics risk assessment undertaken in the third and fourth quarters of 2021.

The ongoing anti-bribery and anti-corruption programme encompasses the identification and combating of at least two different forms of bribery-related activity especially when engaging the state or organs of state as one of our stakeholders, and when engaging suppliers or vendors of goods and services.

Contractors, vendors and third parties are also made aware during the process of engagement with the group that they are also expected to report corrupt activity when identified. The mechanisms to do so are written into contracts and published on our website, and made visible by the use of posters. 

During 2021, the company implemented compulsory anti-bribery and anti-corruption awareness training. All employees and identified contractors were required to complete the revised training on principles of fraud and corruption. It is a requirement that all employees have a thorough understanding of these concepts, how to prevent such practices and how to respond when such practices are brought to their attention.

## 6. Ensure ESG is levered to build long-term competitive advantage, enhance resilience to sustainability risks and attract socially conscious investors, talent and customers

### Sustainable Growth and Impact strategy

Exxaro's Sustainable Growth and Impact strategy is an integrated socio-economic development strategy in response to the dual challenges of social inequality (aggravated by COVID-19) and the systemic and additive impacts of climate change (and increasing biodiversity losses) and aims to transition Exxaro to a low-carbon future.

The committee, along with management, dedicated time to ensuring delivery in respect of SLP commitments and developing the Sustainable Growth and Impact strategy.

The intent of the Sustainable Growth and Impact strategy is aimed at changing the quality of life of people, the natural environment and economies in coal mining and windfarm areas.

### Health, safety and integrated wellness

Health and safety-related reporting in respect of the COVID-19 pandemic was elevated to the board but, in keeping with the committee's mandate, all particulars in respect of policy, funding and other related decisions were submitted for the committee's attention.

As of 29 December 2021, the company was able to report that 73.56% of total employees had been vaccinated (10 789 vaccinated of the total workforce of 14 667). In conjunction with partners, the programme was extended to family members and communities through the clinic facilities. The continuing COVID-19-related programme includes mass mandatory COVID-19 screening and testing of all employees. The established COVID-19 24-hour call centre (to support infected employees) and deployment of oximeters to all active cases in the business as well as awareness and psychosocial support through the EAP was intensified to provide additional support to all our employees. Return-to-work protocols were also implemented following the holiday season.

More detailed information can be found on page 88 of the ESG report.

The committee is pleased to report in respect of the safety statistics as at 3 November 2021, that the group had achieved a record of 56 months without a fatality. On the back of the Khetha Ukuphepha safety campaign as our launching platform, risk awareness messages to the broader workforce on identified safety risks areas, which were trending out of appetite, were disseminated.

The integrated wellness approach was an innovation that considers the whole person and, based on specific focus areas, interventions were designed to support the employee. Management placed focused efforts on the emotional, financial and occupational dimensions. The committee was pleased with the outcomes and impact of this targeted approach, as demonstrated.

### **Other matters addressed in 2021**

The grace period for implementation of POPIA ended on 1 July 2021. The committee oversaw the group's steering committee's efforts in compliance and pursuit of implementation of measures to safeguard and meet conditions of lawful processing of personal information.

### **PERFORMANCE EVALUATION**

There is currently not a legal or regulatory requirement for the committee to complete annual performance evaluations and, while King IV recommends regular performance evaluations for all board committees, it has become a governance practice at Exxaro to have the committee's performance and effectiveness evaluated every two years.

As Exxaro's board committees embarked on a significant transformation journey in 2020, which culminated in the group governance framework, revised delegation of authority, board committee mandate and work plan review as well as committee name changes following this process. Allowing an opportunity for the changes to settle and make impact, the board did not undertake a review in 2021 following the high-level assessment in 2020 but will commence formal performance evaluations in November 2022 for disclosure in the integrated report 2022.

### **CONCLUSION**

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

In closing, the committee remains committed to contributing positively to the responsible pursuit of the SDGs as "the blueprint to achieve a better and more sustainable future for all people and the world by 2030".

On behalf of the committee

**Geraldine Fraser-Moleketi**  
SERC chairperson  
4 April 2022



ConneXXion employees gathered for Arbor day celebrations prior to COVID-19

# Audit committee report

**Dear shareholders,**

I am pleased to present the audit committee report for the year ended 31 December 2021.



## 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. 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 of the functions performed by other committees of the board of directors. In addition to the Companies Act, the committee's duties are guided by the JSE Listings Requirements, King IV and its terms of reference.

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

- 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 the internal controls and internal audit function
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over the system controls and policies in place

The committee's terms of reference were reviewed by external assurance providers, and are aligned with legislation, regulations and King IV.

## COMPOSITION

The committee members are elected annually by the shareholders at the AGM on recommendation by the board of directors (via the remuneration and nomination committee). The board of directors ensures, through its recommendations, that there is a balanced blend of skills and experience, with specific focus on financial literacy, to enable the committee to discharge its function. Members of this committee consist only of independent non-executive directors.

For the year under review, the committee consistently had four independent non-executive directors. The board of directors is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

In this regard, Chanda Nxumalo was appointed as a new member to the committee at the 2021 AGM as the first female director to become a member of the audit committee.

The CEO, CEO designate and FD, together with members of the executive team and senior management representing areas relevant to the discussions at the audit committee, as well as the independent external auditor, the chief audit officer and chief risk officer, attend meetings either by standing invitation or as and when required. The internal and external auditors have unrestricted access to the audit committee.

## MEETINGS

The committee held four scheduled meetings, as determined by its terms of reference, during 2021 and four special meetings. The committee's attendance of 100% throughout the year illustrates high levels of engagement and commitment by our audit committee members.

The following table provides an overview of designations and the members' attendance at meetings held during the period under review:

<b>Members</b>	<b>Designation</b>	<b>Attendance</b>
Vuyisa Nkonyeni	Independent non-executive director and chairperson	100%
Mark Moffett*	Independent non-executive director	100%
Isaac Mophatlane	Independent non-executive director	100%
Ras Myburgh	Independent non-executive director	100%
Chanda Nxumalo**	Independent non-executive director	100%

\* Mark Moffett resigned on 11 May 2021.

\*\* Chanda Nxumalo was appointed a member from 27 May 2021.

Two additional sessions are held annually with the independent external auditor and independent internal auditor, respectively, where management is not present, to facilitate an exchange of views and concerns to further strengthen independent oversight by the committee.

## TERMS OF REFERENCE

The committee's terms of reference were reviewed in 2021, which amendments were approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

## STATEMENTS

### FD and finance function

The committee has considered and reviewed an internal assessment of the expertise and experience of Riaan Koppeschaar CA(SA), the FD, and is satisfied that he has the appropriate experience and expertise to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources in the finance function.

### Independent external auditor

The independent external auditor for the 2021 financial year is PwC. The committee, having assessed the suitability of the appointment of the external auditor and designated audit partner, is satisfied that PwC is independent of the group as per section 94(8) of the Companies Act. The committee executed its responsibility in assessing the suitability of the external auditor and designated individual auditor as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements by considering the relevant information pursuant to paragraph 22.15(h) of the JSE Listings Requirements, and has been provided with all decision letters and/or explanations issued by IRBA and any summaries relating to monitoring procedures and deficiencies issued by the auditor.

Fees paid to the external auditor are disclosed in note 6.1.3 of the 2021 group and company annual financial statements. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditor, which differentiates between permitted and prohibited non-audit services, and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R38 million (2020: R38 million), which included R30 million (2020: R30 million) for statutory audit and related activities as well as R8 million (2020: R8 million) for non-audit services, mainly for advisory and tax compliance services, management accounting services, assurance and other advisory services. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC, and that these did not affect its independence.

The audit committee has satisfied itself that Dion Shango, as designated individual auditor, is accredited to appear on the JSE List of Accredited Auditors in compliance with section 22 of the JSE Listings Requirements.

During 2021, PwC continued its partnership with Ngubane & Co, a Level 1 B-BBEE company as part of its audit team to extend Exxaro's commitment to transformation.

Although mandatory audit firm rotation becomes effective on 1 April 2023 in terms of section 10 of the Auditing Profession Act, 2005 (Act 26 of 2005), the board of directors, through this committee, resolved to undertake a formal process to appoint a new firm as independent external auditor prior to the 2023 effective date. Following an assessment process, which included an independence and suitability assessment, and accreditation verification and confirmation that the individual audit partner does not appear on the JSE list of disqualified individual auditors, the committee, with the endorsement of the board of directors, recommended the appointment of KPMG and its delivery partner, AM PhakaMalele, at the AGM on 27 May 2021. Following support from the shareholders, the committee recommends the appointment of KPMG in respect of the financial year ending 31 December 2022, which will be effective from the conclusion of PwC's external audit responsibilities for the financial year ended 31 December 2021.

### Internal auditor

The internal audit function is partially outsourced to EY under the management control of Exxaro's chief audit officer. The responsibilities are detailed in an internal audit charter approved by this committee, which is reviewed and approved annually. The main function of internal audit remains to express an opinion on the effectiveness of governance, risk management and systems of internal controls as well as the internal control environment within the group. Furthermore, the internal audit function provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. The committee is satisfied with the overall performance of the internal audit function services provided by EY.

To allow for audit firm rotation and, notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of internal audit services being rendered by EY, the committee recommended the appointment of a new independent internal auditor through a formal process. Following an open tender process, the board of directors, on recommendation of the audit committee, have appointed PwC as the group's new internal auditor from 1 July 2022. In continuing to strengthen the internal audit function, to be fit for purpose, adding value and given Exxaro's evolving business model, the internal audit approach had been refreshed with key features. In line with Exxaro's commitment to transformation, PwC will partner with a level 1 B-BBEE company, Ngubane & Co, to fulfil the internal audit function.

# Audit committee report continued

## Annual financial statements

The group and company annual financial statements for the year ended 31 December 2021 were prepared by management, reviewed by the committee and the board of directors, and were audited by the independent external auditor. The committee is satisfied that the group and company annual financial statements for the year ended 31 December 2021 comply with the relevant provisions of the Companies Act, IFRS, interpretations issued by IFRIC, the JSE Listings Requirements as well as the applicable accounting policies and practices. The committee is also satisfied that the group and company annual financial statements for the year ended 31 December 2021 fairly present a balanced view of the group and company's financial position, financial performance and cash flows for the year ended.

## Statement on effectiveness of internal financial controls

The committee, with the input and reports from the independent internal and external auditor, reviewed the system of internal financial reporting procedures, as underpinned by the ERM framework, during the year. This review included consideration of all Exxaro entities within the consolidated group to ensure that the committee had access to all the financial information to allow for effective preparation and reporting on the group and company annual financial statements for the year ended 31 December 2021. Informed by these reviews, the committee confirmed that there were no material findings that came to the attention of the committee to indicate ineffectiveness of internal financial reporting controls during 2021.

## Combined assurance

As required by King IV, assurance has been broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspectors. In addition, the combined assurance model has been expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and also support the integrity of information used for internal decision making by management, the governing body and its committees and of the organisation's external reports.

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. This committee ensures alignment of the combined assurance plan, internal audit plans and external audit plans. Risk acceptance, level 1 finding disclosure process and risk extension requests are adopted as protocols.

It is the committee's role to review the effective establishment and operation of combined assurance within the group. To this end, the company established the combined assurance framework. The committee is satisfied that the combined assurance framework, constituted as a working group, serves as a platform to coordinate Exxaro's assurance functions, specifically the internal assurance functions, including internal audit, and externally sourced independent assurance functions. In addition, the combined assurance framework coordinates assurance coverage for Exxaro's risk exposure as identified and ranked by Exxaro's risk management functions, including optimisation of assurance functions aligned to King IV recommended practices for assurance. The combined assurance framework is an internal management structure and forms part of the internal governance structure of the entity and, along with the rest of the internal governance structure, falls under executive oversight.

The committee is satisfied with the arrangement in place for ensuring an effective and efficient combined assurance model within the group.

## Technology and information governance

In terms of King IV, the committee exercises oversight of technology and information governance. In addition, the committee governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

During the period under review, IM major initiatives included a new IM balanced scorecard for service delivery, renewing services contracts, rolling out projects, enhancing the control environment especially with the increased cybersecurity risk and investigating a new fit for purpose enterprise resource planning system. The progress was monitored by the committee with management providing comprehensive quarterly updates, challenges and steps taken to address the challenges. Furthermore, to ensure Exxaro's full compliance with POPIA, the committee recommended the revised acceptance usage of ICT equipment policy, which was approved by the board.

## 2021 IN REVIEW

Areas of focus that the committee provided oversight on during the year under review included the following:

### Impact of the COVID-19 pandemic

The company faced unprecedented circumstances as the business incurred unforeseen costs in implementing additional protocols to respond to COVID-19 restrictions and regulations. The impact of COVID-19 on the ability of the business to operate as a going concern was also continuously monitored by the committee. This included an assessment and monitoring of the group's cash resources, credit facilities, accordion facility and ensuring compliance with borrowing covenants in the dynamic economic environment.

### Exxaro's insurance

As it is increasingly challenging for companies with a large carbon footprint to obtain insurance cover at competitive terms, this is a focal point for the committee. A formal memorandum is submitted quarterly to the committee, setting out the main activities of the insurance company. The committee considered regulatory compliance, financial position, external audit plan for the 2021 financial year audit, investment strategy, insurance renewal programme, and the associated cost and exclusions during the period under review.

### Disposal of Tronox and ECC\*

The committee considered various accounting implications regarding the disposal of Exxaro's investments in Tronox and the ECC\* operation.

\* Divestment concluded in September 2021.

### Tax compliance status and reporting

Reporting to the committee includes reporting on all tax matters, including tax audits, returns and payments.

### Headline earnings

The committee considered the guidance issued by SAICA regarding the calculation of headline earnings during the year under review.

### Macros and commodity price forecast review

During the year under review, the committee reviewed and was satisfied with the key macro-economic indicators and assumptions used to compile the 2022 budget.

### JSE guidance letters

As recommended by the JSE, the committee reviewed the JSE guidance letters in respect of the responsibilities of committee members as set out in paragraph 3.84(g) of the JSE Listings Requirements.

## Group hedge and loan covenants compliance

The committee is satisfied with the group's hedge effectiveness and loan covenants position applicable to each facility within the group.

## Counterparty and dealer limits

The committee approved the revised dealer and counterparty limits for the group's treasury operations in the financial markets.

## Group governance framework

The committee was intimately involved in finalising the revised group governance framework and energy delegation of authority to ensure that the energy business is governed effectively and fit for purpose.

## Internal audit findings and forensic investigations

The committee ensured that corrective measures were put in place where internal control deficiencies were identified by internal audit or through forensic investigations. The committee will continue to monitor the efficacy of these measures.

## Transition of internal and external auditors

The committee continuously monitored the transition plans for the outgoing and incoming external and internal auditors to ensure seamless transition.

## CEO and FD management representation letter

The committee authorised the CEO and FD to sign the management representation letter for the interim and final period.

## Other key issues

Other key issues that received attention during the year included, among others, the following:

- The going concern statement and solvency and liquidity assessment in terms of sections 46 and 48 of the Companies Act as at 30 June 2021 and 31 December 2021
- Financial results and dividend declarations for the six-month period ended 30 June 2021 and the year ended 31 December 2021
- Trading statement for the six-month period ended 30 June 2021 and the year ended 31 December 2021
- Valuation of group carrying amounts in respect of various investments at 30 June 2021 and 31 December 2021
- Noting of annual financial statements of major subsidiaries (as defined by the JSE Listings Requirements) within the Exxaro group of companies
- New and revised accounting standards and pronouncements brought to the attention of the committee for consideration
- Revised group treasury risk management and hedging policy

## KEY FOCUS AREAS

The below table shows the key focus areas for the committee.

2021	STATUS
Review the strategy in relation to 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 based on 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
Oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with TCFD	Achieved
Approve the levels of materiality to be used for internal audit (including the audit protocols and the classification of findings) and consider levels of materiality for the independent auditor	Achieved
Oversee the transition plans for the internal and external audit functions	Achieved

## PERFORMANCE EVALUATION

There is currently neither a legal nor regulatory requirement for the committee to complete annual performance evaluations and, while King IV recommends regular performance evaluations for all board committees, it has become governance practice for Exxaro to have the committee's performance and effectiveness evaluated every two years.

As Exxaro's board committees embarked on a significant transformation journey in 2020, which culminated in the group governance framework, revised delegation of authority, board committee mandate and work plan review as well as committee name changes following this process. Allowing an opportunity for the changes to settle and make impact, the board did not undertake a review in 2021 following the high-level assessment in 2020 but will commence formal performance evaluations in November 2022 for disclosure in the integrated report 2022.

## CONCLUSION

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act, the JSE Listings Requirements, and 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 has fulfilled its mandate and responsibilities in terms of the Companies Act, the JSE Listings Requirements and King IV.

The committee would like to thank management for all the hard work during these unprecedented times and circumstances.

On behalf of the committee

**Vuyisa Nkonyeni**

Audit committee chairperson

4 April 2022

# Investment committee report

**Dear shareholders,**

I am pleased to present the investment committee report for the year ended 31 December 2021.



## NEW MANDATE

In terms of King IV, the recommended practices regarding group governance require that the board of the holding company should assume responsibility for governance across the group. The board exercised this responsibility by adopting a framework that provides direction on how the relationship between the holding company and subsidiaries should be structured and managed. Flowing from a move to a more principle-based group governance framework, the board appreciates the different maturity levels of businesses in the group, which require variation of governance to give effect to Exxaro's Sustainable Growth and Impact strategy.

As part of the 2021 group governance review, the mandate of this committee was also reconsidered and amended to consider and recommend as well as monitor material acquisition, merger/investment or disposal opportunities and ongoing material transactions and related matters in respect of energy and/or mineral transactions, investments and projects.

The frequency of meetings by this committee is not limited to once every quarter as it is required to support agile decision making anticipated within the growth strategy. The committee therefore has two fixed meetings planned per annum to allow for post-investment monitoring and ongoing portfolio review, and it is anticipated that additional meetings will be scheduled as and when required by management through the chairperson.

## ROLE AND PURPOSE

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

Its role includes reviewing the strategic fit, the risk appetite as well as the financial, technical and legal due diligences for major investments. It will further ensure that governance processes are adhered to 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 will be conducted in line with the investment criteria approved by the board. After such review, the investment opportunity may be recommended by the committee to the board for final approval.

## COMPOSITION

The board appoints members on recommendation of the remuneration and nomination committee. The board ensures there is a balanced blend of skills and experience to enable the committee to discharge its functions.

The committee composition was revisited and now consists of six non-executive directors, the majority independent. Mark Moffett resigned on 11 May 2021 and Ras Myburgh retired from this committee on 4 October 2021. The board appointed three new members to this committee: Chanda Nxumalo, Mandlesilo Msimang and Isaac Malevu with effect from 4 October 2021.

In addition, the CEO, CEO designate, FD, managing director: energy and managing director: minerals (once appointed) are permanent invitees to meetings.

The board will consider the need for ad hoc invitees with necessary technical experience to assist members in their technical deliberations. The committee may therefore, in the execution of its roles and responsibilities, co-opt third-party advisers to assist members in their deliberations and decisions. To this end, an independent energy investment advisory panel has been created to support management and the committee in deliberations, and provide advice when material investments and/or disposals in the energy business are contemplated as well as ongoing portfolio management and post-investment review.

## MEETINGS

Only one meeting was held by this committee in 2021 following its revised constitution.

Members	Designation	Attendance
Isaac Mophatlane	Independent non-executive director and chairperson	100%
Vuyisa Nkonyeni	Independent non-executive director	100%
Peet Snyders	Independent non-executive director	100%
Chanda Nxumalo	Independent non-executive director	100%
Isaac Malevu	Non-executive director	100%
Mandlesilo Msimang	Non-executive director	0%

## 2021 IN REVIEW

The committee considered the following at its first meeting held in 2021 under its revised mandate:

- **Energy business structure:** the energy business structuring options and possible project financing requirements study was presented on how to optimally structure the energy business as it includes multiple businesses and assets, potentially spread over several countries
- **WACC review:** in terms of the Exxaro discount rate policy, the WACC needs to be reviewed annually, reflecting the method adopted in valuation of investment opportunities
- **Investment in business ventures:** the benefits and initiation plan for investments into business ventures while achieving strategic and financial returns was presented to the committee
- **Divestment:** an update of the Leeuwpan divestment process was considered by the committee
- **Acquisition:** as the energy growth strategy is underpinned by a combination of mergers and acquisitions as well as organic growth, the committee received an update on proposed acquisition opportunities
- **Governance:** considered its terms of reference, annual work plan and key focus areas for 2022 and recommended the same for board approval

## KEY FOCUS AREAS FOR 2022

**As there was only one meeting in 2021, the committee identified the following key focus areas for 2022:**

Monitor and oversee Leeuwpan divestment

Monitor and oversee Exxaro's equity investments into energy projects or acquisitions

Review and recommend for approval the investment guidelines for minerals and energy

Monitor minerals and energy strategic KPIs and dashboard

Determine and refine periodic minerals and energy portfolio reporting requirements

## PERFORMANCE EVALUATION

No legal or regulatory requirement compels the committee to complete annual performance evaluations. While King IV recommends regular performance evaluations for all board committees, it is governance practice at Exxaro to biannually evaluate the committee's performance and effectiveness. As this committee did not hold any ad hoc meetings prior to the change in its role and responsibility towards the end of 2021, a performance review will be conducted towards the end of 2022.

## CONCLUSION

The committee, in carrying out its duties, duly regarded the principles and recommended practices of King IV, and discharged its responsibilities in accordance with its terms of reference amid the pandemic's challenges.

**Isaac Mophatlane**

Investment committee chairperson

4 April 2022

# King IV application register

In line with King IV's recommendation to apply and explain how good governance is practiced within Exxaro, herewith our detailed King IV application register which sets out each principle with an explanation of steps taken as well as policies and processes used by Exxaro.

## Ethical culture 1.1 to 1.3

Principle	Applicable actions, policies and processes
The governing body should set the tone and lead ethically and effectively [1.1]	<ul style="list-style-type: none"><li>Reviewed the board charter in 2021, annual work plan and key focus areas</li><li>Reviewed board sub-committees' terms of reference, annual work plans and key focus areas</li><li>Appointment of new directors after assessment of skills and competence as well as background checks by nomination committee (four new directors appointed in 2021 and an additional four directors on 7 February 2022 as the board considers succession planning and board refreshment as a key element for a sustainable company)</li><li>The board applies a zero tolerance approach to actions taken without integrity</li></ul>
The governing body should ensure that the organisation's ethics are managed effectively [1.2]	<ul style="list-style-type: none"><li>Ongoing monitoring and reporting on the group-wide anti-bribery and anti-corruption programme</li><li>Following the 2020 group-wide integrity survey conducted by internal audit, a group-wide ethical risk assessment was conducted by The Ethics Institute in 2021</li><li>Flowing from the risk assessment, the ethics committee began formulating a statement of strategic ethical intent, and developing an ethics strategy and management plan to address specific identified development areas that will be submitted to the board for approval in 2022</li></ul>
The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen [1.3]	<ul style="list-style-type: none"><li>Exxaro initiated a process in 2021 to develop a framework that will further guide the organisation in the management of human rights</li><li>Exxaro expressed its continued commitment to supporting the UNGC principles on human rights, labour, environment and anti-corruption</li><li>A group-wide internal employee communication plan has been developed for Exxaro's climate change response strategy, which is being rolled out throughout the organisation into 2022</li><li>Board and executive management awareness of the latest climate change assessment report released by the Intergovernmental Panel on Climate Change and the role of the board in responding to climate change</li><li>The board identified the need for an experienced non-executive director with environmental, sustainability and climate change knowledge, which was finalised on 7 February 2022</li><li>Exxaro's growth strategy includes impact investments to ensure creation of an equitable society</li></ul>

## Performance and value creation 2.1 and 2.2

Principle	Applicable actions, policies and processes
The governing body should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements [2.1]	<ul style="list-style-type: none"><li>Adopted an updated strategy process to provide for a continuous cycle in ensuring an integrated strategy across Exxaro businesses, supporting Exxaro's purpose</li><li>Applied an integrated risk management approach in the strategy review process, including the identification of emerging risks</li><li>Reviewed and approved Exxaro's strategy annually</li><li>Reviewed and approved a new strategic performance dashboard and strategic-aligned sustainability KPIs</li><li>Tracks performance against every KPI quarterly through its strategic performance dashboard</li><li>Reviewed and approved the ERM framework and risk appetite</li><li>Monitors the impact of external and internal events for their effects on the strategic risk profile</li></ul>
The governing body should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner [2.2]	<ul style="list-style-type: none"><li>The integrated report is based on integrated reporting throughout the year</li><li>The integrated report sets out the strategic objectives, the business model, the material matters that impact the business and the risks that prevent the organisation from achieving its objectives</li><li>The RBR committee oversees Resources and Reserve statement as part of the 2021 integrated report</li><li>The audit committee assesses material matters and reviews financial materiality annually</li><li>The audit committee reviews the integrity of the integrated report</li><li>The board approves the integrated report and the financial statements annually</li></ul>

## Adequate and effective control 3.1 to 4.5

### Principle

The governing body should serve as the focal point and custodian of corporate governance in the organisation [3.1]

### Applicable actions, policies and processes

- The board as a whole remains accountable for corporate governance
- Approved a new group governance framework applicable to the full group of companies, which reaffirms the Exxaro board as the focal point of corporate governance
- The board entrenches corporate governance throughout the organisation at all levels of decision making
- The board attends mandatory governance sessions for directors and executive management twice a year
- New directors received a formal induction on appointment

The governing body should ensure, in its composition, a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities [3.2]

- The board adopted a nomination and appointment policy to provide a framework and set standards for the nomination and appointment of relevant, fit and proper, suitably skilled and ethical non-executive directors to the board of the company
- The nomination committee ensures that the board's composition comprises the appropriate level of skills, experience, diversity, independence and knowledge of which the appointments in 2021 and 2022 are testimony
- The remuneration and nomination committee reviews its terms of reference annually
- An approved skills and experience matrix facilitates directors' appointments
- The board annually reviews and approves its diversity and inclusion targets
- Directors receive a formal appointment letter
- Directors declare any outside interests on appointment and before any meetings commence with annual reviews of these declarations by the SERC
- The board appoints the lead independent director
- A formal division exists between the CEO and chairperson's duties as per the board charter
- The board reviewed its charter in 2021

The governing body should consider creating additional governing structures to assist with balancing power and effective discharge of responsibilities without abdicating accountability [3.3]

- The board has reviewed the mandates and delegated powers to its board committees with the most significant changes to the SERC, RBR committee and the investment committee
- All board committees have formally approved terms of reference, which are reviewed annually
- The board assesses the composition of board committees annually and has made several changes to board committee composition
- The composition of board committees complies with the Companies Act, Exxaro's Mol, King IV and each committee's terms of reference

The governing body should ensure that the appointment of and delegation to competent executive management contributes to an effective arrangement through which authority and responsibilities are exercised [3.4]

- A clear division of power exists between the CEO and chairperson as per the approved board charter
- The board monitors the performance of the executives
- The executive committees have formal terms of reference that were reviewed in 2021
- The board approves the group delegation of authority and reviews it at least annually, including a separate focused delegation applicable to the energy business
- The board appoints the company secretary
- The board assesses the company secretary's performance annually

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members supports continuous improvement in its performance and effectiveness [3.5]

- The board conducted a high-level independent assessment through questionnaires and one-on-one interviews early in 2022
- The chairperson conducts a formal assessment
- The chairperson oversees a formal implementation plan to address potential shortcomings flowing from the evaluation, which is reported on to the board
- Two governance board sessions are arranged throughout the year

# King IV application register continued

## Adequate and effective control 3.1 to 4.5 continued

Principle	Applicable actions, policies and processes
The governing body should govern risk and opportunity in a way that supports the organisation in defining core purpose, and to set and achieve strategic objectives [4.1]	<ul style="list-style-type: none"> <li>The board approves and periodically reviews the ERM framework</li> <li>The board links Exxaro's strategy, risks, risk appetite and performance via the strategic performance dashboard</li> <li>An updated strategy process was adopted by the board to provide for a continuous cycle in ensuring an integrated strategy across Exxaro businesses, supporting Exxaro's purpose</li> <li>An integrated risk management approach is applied in the strategy review process, including the identification of emerging risks</li> <li>The strategic performance dashboard was reviewed with a revised philosophy based on the Sustainable Growth and Impact strategy with new focused KPIs for the board cascading down to management</li> </ul>
The governing body should govern technology and information in a way that supports the organisation in defining core purpose, and to set and achieve strategic objectives [4.2]	<ul style="list-style-type: none"> <li>The RBR committee monitors IM-specific risks and security posture</li> <li>The audit committee exercises ongoing oversight of technology and information management</li> <li>The audit committee delegates IT governance to the IM steering committee</li> <li>The IM steering committee has formal terms of reference and its scope includes reviewing the IT strategy in support of the overall business as well as IT risks, IT audit findings and IT compliance</li> <li>The IM steering committee reports to the audit committee quarterly</li> </ul>
The governing body should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards [4.3]	<ul style="list-style-type: none"> <li>The board formally approves the compliance policy</li> <li>The board fully integrates the compliance process with the risk process</li> <li>The board conducts compliance awareness of high legal risks annually</li> <li>Exxaro subjects the compliance process to independent assurance annually</li> <li>Exxaro developed CSA questionnaires to enable managers to assess compliance with licence to operate requirements</li> <li>The regulatory compliance universe has been reviewed and updated with the necessary content to assist management with an understanding of the relevant legislation</li> </ul>
The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the creation of value in a sustainable manner [4.4]	<ul style="list-style-type: none"> <li>The remuneration committee determines strategy and policy</li> <li>Shareholders vote on the remuneration policy at the AGM</li> <li>Formal engagement takes place with shareholders</li> <li>The remuneration policy dealing with the STI and LTI principles was amended in 2021 following engagement with shareholders</li> </ul>
The governing body should ensure that assurance results in an effective control environment and integrity of reports for better decision making [4.5]	<ul style="list-style-type: none"> <li>The audit committee approves the internal audit charter and plan annually</li> <li>The audit committee approves the external audit plan annually</li> <li>A formal policy has been adopted to serve as a framework for engagement of auditors to supply non-audit services to the group</li> <li>Exxaro has a risk-based internal and external audit report</li> <li>Combined assurance forum with formally approved terms of reference ensures coordination of assurance activities</li> <li>The audit committee monitors all findings</li> <li>Internal audit performance forms part of every executive member's KPIs</li> <li>The board appointed a chief audit officer, independent of management, who chairs the combined assurance forum</li> </ul>

## Trust, good reputation and legitimacy 5.1

Principle	Applicable actions, policies and processes
As part of its decision making in the best interests of the organisation, the governing body should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances legitimate and reasonable needs, interests and expectations.	<ul style="list-style-type: none"> <li>The board has an approved stakeholder management policy</li> <li>Formal stakeholder day virtual events were held in 2021 and attended by SERC members and executive responsible for stakeholder management</li> <li>A KAM approach to stakeholder engagement is followed addressing stakeholder inclusivity and responsiveness.</li> <li>The SERC monitors stakeholder relations and matters</li> <li>An adequately resourced executive holistically manages stakeholder affairs</li> <li>All operations have an approved stakeholder engagement plan</li> <li>All directors attend the AGM</li> </ul>

# Remuneration report

Overview  
Environment  
Social  
Governance

## CHAIRPERSON'S LETTER

### Dear shareholders,

After four years as chairperson of the remuneration committee, I am pleased to present my last remuneration policy and implementation report for Exxaro. As I hand the baton over to my successor, I am satisfied that the committee fulfilled its oversight role and ensured that remuneration was managed fairly and responsibly in support of our Sustainable Growth and Impact strategy.



The challenges experienced in 2020 with the COVID-19 pandemic continued in 2021 and the Exxaro management team maintained good work in response to it. Employees at the conneXXion continued to work from home for most of the year while the operations ensured that production continued to deliver on our purpose to power better lives.

Other initiatives to improve productivity and safety, and to protect our workforce included:

- An intensive on-site vaccination drive for employees, their families and our contractors. Thus far, we are pleased with the high percentage of our employees who are fully vaccinated
- Rigorous screening and testing, workplace sanitisation, wearing of PPE enforcement and social distancing
- Financial and mental wellbeing initiatives through the EAP
- Shift planning changes to facilitate business continuity while ensuring employee safety
- Strengthened healthcare services in our host communities

The business remained resilient, producing sound financial results, which allowed us to pay tier 1 and tier 2 of the STI scheme. Our safety performance was pleasing in 2021 with no fatalities and an LTIFR of 0.08 enabling incentive awards, including the payment of R5 760 per employee as a LTIFR and fatality-free rewards.

## LEADERSHIP CHANGES IN 2021

Our CEO, Mxolisi Mgojo, is approaching retirement in July 2022 and this has resulted in the board appointing Nombasa Tsengwa as CEO designate. The shareholders approved her appointment as an executive director at the AGM on 27 May 2021. The remuneration committee approved an increase in remuneration for Nombasa over the transition period in her role as CEO designate. Market benchmarks informed the remuneration adjustment. Additional details on Nombasa's remuneration are provided in the implementation report.

Roland Tatnall was appointed on a three-year, fixed-term contract as the managing director for our energy business. Roland's package was informed through benchmarking undertaken by independent external remuneration specialists. His remuneration is made up of a guaranteed notional cost of employment (NCOE) and a guaranteed monthly allowance, which considers his market-sector experience, the exchange rate risk on a rand-denominated remuneration and the fixed-term nature of his contract. He will participate in an STI and long-term incentive (LTI) scheme specifically designed for this business. Additional details are provided in the implementation report.

## SHAREHOLDER ENGAGEMENT

At our AGM held on 27 May 2021, shareholders again gave us a strong approval on our remuneration policy, and how it was applied and implemented.

Shareholder vote	2020	2019	2018	2017
Approval of the remuneration policy	94.66%	95.37%	73.09%	82.90%
Approval of the implementation of the remuneration policy	93.15%	95.53%	76.38%	83.30%

Shareholders also approved the amendment of the deferred bonus plan (DBP) and long-term incentive plan (LTIP) rules to include malus provisions in line with local and global best practice.

The non-executive director remuneration increase of 5.3% was also approved from 1 June 2021.

The committee plans to continue engagement with shareholders in terms of a two-year cycle or as required if either the remuneration policy or implementation report is voted against by 25% or more of voting rights exercised.

The remuneration policy, implementation report, and non-executive director fees will be presented for separate annual non-binding votes at our AGM. Exxaro values and appreciates shareholder's constructive inputs as we continue to strive for excellence.

# Remuneration report continued

## OTHER FOCUS AREAS AND ACHIEVEMENTS DURING 2021

I am delighted that Exxaro was once again certified as a top employer from the Top Employers Institute, recognising Exxaro again as an employer of choice as we advance our people strategies.

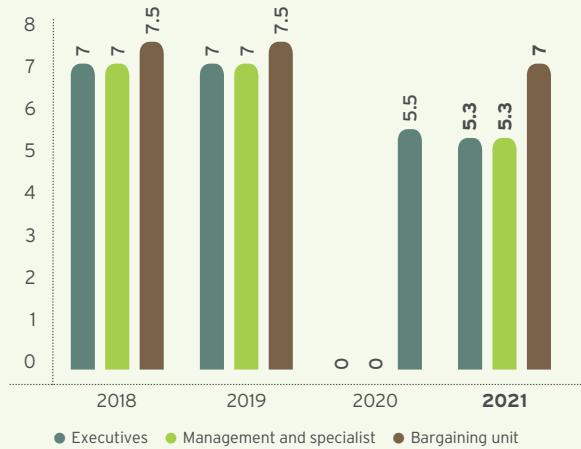
## FAIR AND RESPONSIBLE PAY

Fair pay remains a commitment as one of the critical success factors aligned to our diversity and inclusion strategic intent. A deep dive into the extent of pay disparities was conducted and the remuneration committee approved an additional mandate to be made available for fair pay adjustments during the reward allocation process to specifically address the anomalies. These efforts resulted in successful outcomes with outliers reported in November 2020 halved by April 2021.

We began a job family review. This foundational work will ensure that remuneration is managed fairly and more accurately. It will also serve as a building block for other human resources areas such as learning and development and succession management.

Salary increases awarded to employees within the bargaining unit was again higher than executive and management and specialist category employees as we continued to seek justifiable measures to reduce the wage gap. Executive and management and specialist employees received a salary increase of 5.3% in 2021 while employees within the bargaining unit were awarded an increase of 7%. A four-year view is shown in the graph below.

Guaranteed remuneration increases (%)



## ENERGY BUSINESS

The requisite organisational design work was undertaken to support a suitable start-up structure that will enable the attraction and retention of talent. Fit for purpose delegation of authority framework, the remuneration principles, remuneration policy and conditions of employment were formulated and approved. The salary matrix and the STI and LTI design and principles have also been finalised in order to drive the appropriate behaviours to achieve the business objectives.

## INDEPENDENT REMUNERATION ADVISERS

We continue to seek independent and professional advice regarding remuneration matters from consultants regarded by the committee as fully independent. Exxaro received the following advice during the review period:

- Vasdex and Associates – benchmarking and the design of the STI schemes
- PwC
  - Benchmarking and design of the energy business STI and LTI
  - Guidance on the expatriate policies
  - Remuneration trends, fair pay and the implementation of MSR
- SULT and Africa People Advisory – fair pay and international remuneration practices
- Willis Towers Watson for non-executive and executive director remuneration
- Remuneration benchmark data was procured from Remchannel

## PERFORMANCE ACHIEVEMENT

Performance achievement system, previously known as performance management system, was developed and implemented as part of our employee offering and the need to support the culture development of Exxaro. The focus shifted to improving the employee experience regarding performance management by enhancing the overall credibility and objectivity of the performance management process. The adjusted process was a co-created solution with the relevant stakeholders resulting in the performance achievement framework and its related principles being well received by all. Performance achievement remains an integral catalyst for supporting and enabling the implementation of our Sustainable Growth and Impact strategy. It also sets the tone for our reward and recognition philosophy in terms of the “pay-for-performance principle” and will be the foundation for achieving and aligning our individual, team and business performance.

## LEARNING AND DEVELOPMENT

The COVID-19 pandemic and lockdown restrictions continued to impact SLP commitments in 2021. The intake for learnerships, internships, and adult education and training was lower than planned. Union resistance against digital sourcing platforms also forced the business back to manual recruitment processes, which exacerbated the problem and negatively impacted recruitment measures. BUs have confirmed plans to mitigate the risks and close the SLP gaps in 2022. Exxaro's MyNexxt cloud-based learning management system and Microsoft Teams supported the business in the roll out of online learning interventions. Virtual platforms and classroom training (where possible) were used for training and development. Focus was also directed to building new competencies and capabilities aligned to Exxaro growth strategy. Capability development programmes like Strategic Foresight, market orientation and business acumen were developed for use on the MyNexxt platform and new programmes will be added to the learning catalogue as business capabilities are identified. The Powering Knowledge learning platform was also developed for the community members and access given to online programmes like entrepreneurship, managing meetings and project management. Open Source learning will be added to Exxaro's learning catalogue, giving employees unlimited access to local and global learning content through e-learning platforms like Open Sesame, LinkedIn Learning, Coursera, Udemy for business and OTT university. The Exxaro learning and development strategy aims to open the world of learning to every employee and community member, creating a culture of learning and growing and significantly enhancing each individual's learning experience.

## POLICIES

In line with the delegation of authority, the following group-wide policies were approved by the board:

- Performance achievement policy
- International outbound assignee policy
- International inbound assignee policy
- Cennergi remuneration policy

## WAGE NEGOTIATIONS

We embarked on the 2021 wage negotiations process with the COVID-19 pandemic restrictions and labour impact still challenging. In 2020, the uncertainty of the labour environment brought on by COVID-19, employers and employees agreed that the context was not conducive for long-term agreements. Consequently we concluded one-year wage agreements with all our trade unions.

We are pleased that in 2021 Exxaro secured long-term wage agreements (three-year duration) across all five employers within the Exxaro group. The benefit of these long-term agreements would be to secure labour and operational stability for Exxaro to enable broader operational and strategic delivery. Part of the settlement with Exxaro Coal was that medical aid became a compulsory benefit. Alexander Forbes conducted a thorough review and a new medical aid, ThebeMed, was introduced as part of the settlement.

Our negotiations plan focused on the following key areas:

- Maintaining a healthy employee relations climate through established stakeholder engagement structures
- Aligning our interactions to the code of good practice for collective bargaining
- As far as possible within our COVID-19 protocols, to engage in face-to-face engagements as these were more efficient and value-adding than digital sessions
- Utilising facilitation to resolve wage disputes rather than subjecting the processes to the Commission for Conciliation, Mediation and Arbitration
- Settlement without industrial action

## FOCUS AREAS FOR 2022

Our remuneration policy will evolve as we embed new processes and schemes that were designed last year. These are aligned with best practice and we believe to be best-fit solutions.

In addition to the normal work plan, the committee will focus on the following areas in 2022:

### Energy business

We intend to have a new variable pay offering approved and implemented in 2022. The variable pay offering has been formulated with the following features in mind:

- Drive a strong pay-for-performance culture
- Appropriately align the interests of the employees with the interests of Cennergi and Exxaro over the short and long term
- Be able to evolve the solution as the business matures
- Be flexible to cater for fixed-term contract employees and permanent employees

The design principles are aimed at incentivising participants using a scorecard comprising annual and milestone-based targets. The scheme also comprises of a once-off value appreciation rights plan (VARP), a leveraged reward linked to exponential growth in equity value over a specified period. Group alignment is also integral in the design with a matching incentive structured over Exxaro shares enabling alignment between the energy business and Exxaro's future performance.

## Group-wide policy matters

The following group-wide policy areas will receive particular attention:

- Together with the SERC, the remuneration committee will continue to address remuneration disparities as part of the fair pay journey
- Review our human capital strategy to support our business strategy
- Manage the implementation of the MSR policy for executives and prescribed officers approved in 2020
- Focus on formulating a progressive parental leave policy and framework

## New STI schemes

Repositioning of STI schemes was the outcome of a review process and inputs from shareholder engagements that started during 2019. The committee will monitor the effectiveness of the revisions to the STI schemes closely and in particular the effect of the main changes in the design relating to the following:

- Strengthen the performance underpin and resultant performance-based variability in the STI schemes
- Enable the achievements against common business goals to have a more significant impact on the STI structure while maintaining the relevance and drive for individual goal achievement

The past year has been challenging for all our stakeholders and our remuneration decisions have been mindful of this context. We have sought to ensure an appropriate balance of stakeholder interests while remaining a top employer that can attract and retain skilled and talented individuals who can drive long-term stakeholder value. In this context, we have applied considerable focus on ensuring that our remuneration philosophy and policy are fit-for-purpose and able to support our Sustainable Growth and Impact strategy.

As I leave my role as chairperson of the remuneration committee, I would like to thank the executive committee, my fellow committee members and the board for their insight, support and wisdom. I would also like to convey a heartfelt and special thank you to the executive head of human resources and her team for their hard work. It was a pleasure working with them. Lastly, I wish my successor all the best in the role.

**Ras Myburgh**

Remuneration committee chairperson

# Remuneration report continued

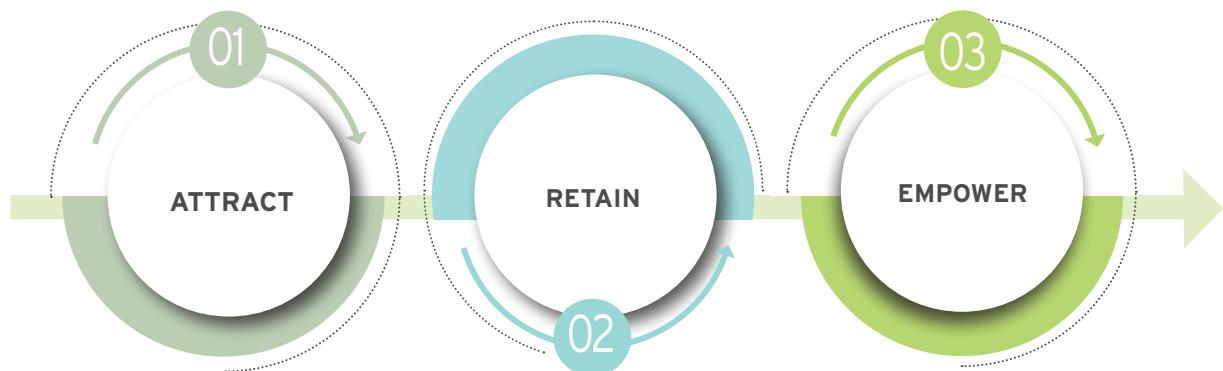
## REMUNERATION POLICY

### Introduction

In this section, we provide a broad overview of the remuneration philosophy, principles and policies applicable to the various remuneration elements in terms of the various employee categories, including executive directors, prescribed officers, senior management and on a high-level, other employees.

### Remuneration philosophy

Our remuneration philosophy underpins our strategy and enables us to achieve our business objectives. Our commitment to pay for performance in alignment with shareholder value creation drives all our remuneration activities and continues to deliver a sound value proposition to employees.

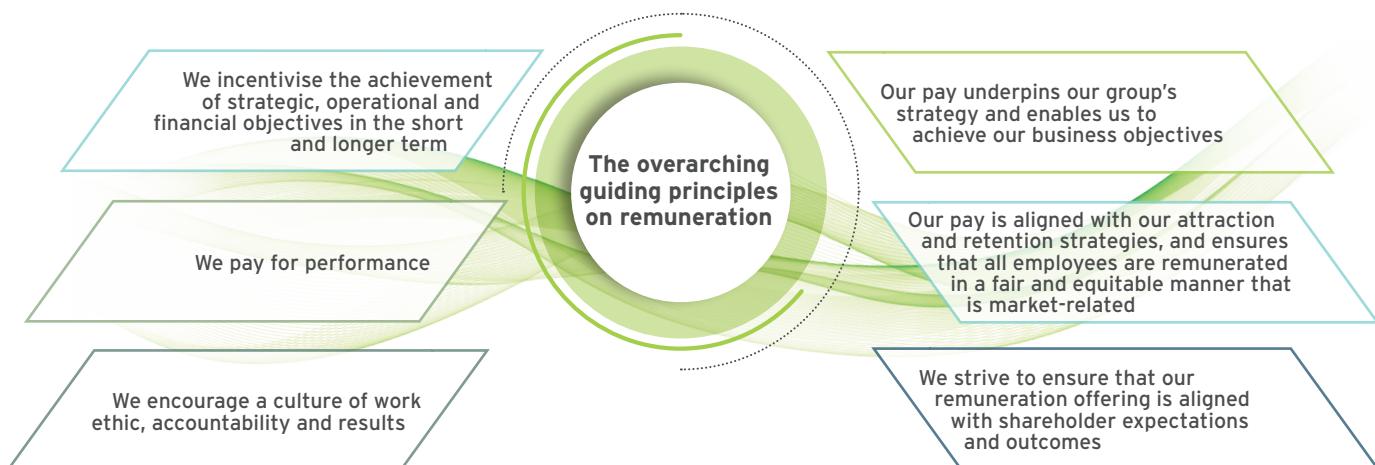


We strive to attract, retain and empower the best talent to achieve our strategy and create sustainable shareholder value.

### Remuneration principles

Our vision for rewards is to provide simple, integrated, holistic solutions, common messages and transparency, and a package differentiated from the market for us to attract, retain and energise talented, high-performing people as our employee offering.

We understand that remuneration is critical in attracting and retaining high-performing individuals. As such, the committee firmly supports the principle that pay must be aimed at reinforcing, encouraging and promoting superior performance. We believe in ethical, fair and responsible remuneration principles, and this belief continues to guide our policies directed at different remuneration elements in our remuneration framework.



## Remuneration offering

The table below shows the remuneration offering used to reward employee categories in a fair and equitable manner. The policy provides for an annual assessment of the remuneration offering and consideration of any appropriate actions such as differentiating annual adjustments. In addition, the principles of internal parity, reward for performance and market competitiveness apply. These principles facilitate fair and responsible remuneration.

### Remuneration offering by employee category

Employee category*	Total guaranteed remuneration		Variable pay			
	Total guaranteed package (TGP)		STI schemes		LTI schemes	
	NCOE	STI	Special performance reward (SPR)	LTIP	DBP**	ESOP
Executive management (F band)	x		x	x	x	x
Senior management (E band)	x		x	x	x	x
Middle management (D upper and D middle bands)	x		x	x	x	
Junior management (D lower and C upper bands)	x		x			x
Non-management and specialist employees at corporate office (C middle to A bands)	x		x			x
Bargaining unit employees (C middle to A bands)		x	x			x

\* The Paterson job grades are indicated by applicable employee category.

\*\* DBP excludes Paterson E lower grade.

## Remuneration mix

The table below indicates the maximum percentage of total guaranteed remuneration (NCOE/TGP) applicable to the variable pay schemes by grade. The remuneration mix is benchmarked on an annual basis prior to granting annual LTI awards.

### Remuneration mix for variable pay by Paterson grade at maximum (expressed as a percentage of total guaranteed remuneration)

Grade	Maximum STI (%)	Maximum SPR (%)	Maximum STI schemes (%)	Maximum LTIP (%)	Maximum DBP* (%)	Maximum LTI schemes (%)	Maximum total variable pay (%)
F upper*	18.33	37.00	55.33	231.00	27.39	258.39	313.72
F middle*	18.33	32.00	50.33	223.00	24.91	247.91	298.24
F lower*	18.33	32.00	50.33	143.00	24.91	167.91	218.24
E upper*	18.33	25.00	43.33	101.00	21.45	122.45	165.78
E middle	18.33	20.00	38.33	76.00	10.54	86.54	124.87
E lower and D upper	18.33	15.00	33.33	50.00	0.00	50.00	83.33
D middle	18.33	10.00	28.33	38.00	0.00	38.00	66.33
D lower and below	18.33	0.00	18.33	0.00	0.00	0.00	18.33

\* The maximum DBP matched portion is 90% of the total post-tax STI schemes for Paterson grades F band and E upper and 50% for E middle.

# Remuneration report continued

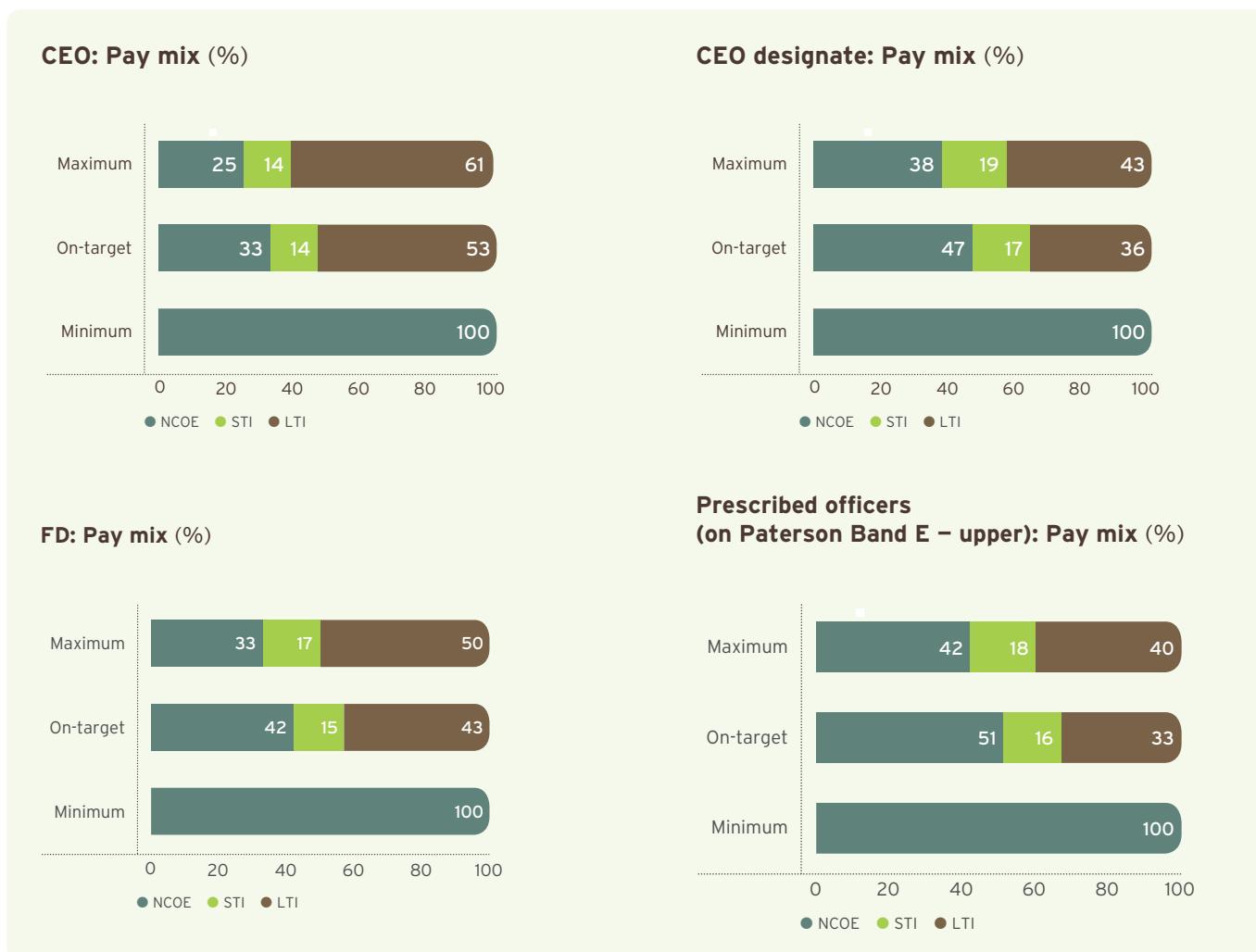
The table below provides an indication of the total variable pay due, by component, for achievement at target. The STI and SPR schemes explicitly state the target bonus quanta applicable at target. The LTIP performance vesting conditions are defined at threshold and maximum to provide an indication of targeted total variable pay, target is taken as halfway between threshold and maximum. In the case of the DBP, the midpoint of the voluntary deferral is applied, being 50% to the target STI schemes.

## Remuneration mix for variable pay by Paterson grade at target (expressed as a percentage of total guaranteed remuneration)

Grade	Target STI (%)	Target SPR (%)	Target STI schemes (%)	Target LTIP (%)	Target DBP* (%)	Target LTI schemes (%)	Target total variable pay (%)
F upper*	8.33	33.30	41.63	150.15	11.45	161.60	203.23
F middle*	8.33	28.80	37.13	144.95	10.21	155.16	192.29
F lower*	8.33	28.80	37.13	92.95	10.21	103.16	140.29
E upper*	8.33	22.50	30.83	65.65	8.48	74.13	104.96
E middle	8.33	18.00	26.33	49.40	7.24	56.64	82.97
E lower and D upper	8.33	13.50	21.83	32.50	0.00	32.50	54.33
D middle	8.33	9.00	17.33	24.70	0.00	24.70	42.03
D lower and below	8.33	0.00	8.33	0.00	0.00	0.00	8.33

\* The target DBP matched portion is 50% of the total post-tax STI schemes for Paterson grades F upper to E middle.

## Remuneration mix for CEO, FD and prescribed officers



## Total guaranteed remuneration

Our policy regarding the setting of fixed pay at Exxaro is to:

- Benchmark using established industry remuneration surveys on an annual basis with a combination of job families and grades to anchor external benchmark jobs for comparison
- Position total guaranteed remuneration around the median of the external benchmark jobs
- Use mining industry peers to compare Paterson grade E and below roles specific to the mining industry
- Use a combination of national remuneration surveys in South Africa for local roles at executive management and some senior management levels that are not specific to the mining industry
- Consider the outcome of the individual performance contract in the annual NCOE increase process – a three score (on a five-point rating scale) warrants positioning around the median of the benchmark for the job

## NCOE

NCOE is the guaranteed remuneration portion of total pay and includes basic salary, benefits and retirement funding.

## Basic salary

All bargaining unit employees receive a market-related basic salary, complemented by guaranteed allowances (housing and commuting), variable allowances (shift and standby) as well as benefits (see full list of benefits below).

## Benefits

All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances. Management and specialist employees have flexibility in structuring their remuneration within certain company and legislative limitations. During the year, no changes were made to the policies for medical, health and other benefits, except for the medical aid scheme changes as described below.

### Retirement fund

All employees are members of one of Exxaro's accredited retirement funds. Retirement fund contributions are determined by specific conditions of employment and for the different levels and categories of employees.

### Medical health schemes

Employees may annually elect to belong to any of the accredited medical schemes as they apply to the relevant employees. Contributions are made by employer and employee. Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements recognises past practice (by Eyesizwe) that was discontinued with the creation of Exxaro in November 2006.

As part of the wage agreement with Exxaro Coal, medical aid membership became a condition of employment. ThebeMed was also introduced in addition to existing schemes offered.

### Group personal accident cover

Employees are beneficiaries of a policy that provides additional cover for death, disability and dread disease through group personal cover taken out by Exxaro.

### EAP

As part of our wellness offering, the EAP offers support in multiple ways including, but not limited to legal, financial and dealing with substance abuse.

## Variable pay

### STI

The STI schemes focus on annually contributing to the strategic goals and delivering on Exxaro's operational and financial objectives in the shorter term.

Exxaro has two STI schemes (this will change for 2022):

- The SPR scheme that rewards individual performance, predominantly aimed at over and above-normal job performance objectives, mostly achieving tactical or strategic objectives
- The STI scheme that rewards BU, commodity and group-level performance for reaching and exceeding stretched operational and financial performance targets

### SPR scheme

The SPR scheme applies to all permanent employees (Paterson grade D middle and above) in Exxaro's management and specialist category.

Participants in the scheme are required to have an SPR contract with individual SPR objectives for the 12-month period. It is evaluated twice a year and the final rating forms the basis for payment of the SPR scheme.

The SPR is measured on an annual basis and paid out in March of the following year. Once the SPR target has been achieved a potential of 90% will be paid out. Above-target achievement will qualify for a maximum of 100% payout. If target was not achieved, there will be no payout made to the employee.

# Remuneration report continued

## STI scheme

The STI scheme applies to the Exxaro group and is based on business performance with two components:

- Tier 1: 8.33% (NCOE/TGP) is for the achievement of the targeted net operating profit per BU. A downward modifier is applicable if production volume targets have not been met
- Tier 2: 10% (NCOE/TGP) is a “self-funded/gain share” scheme based on exceeding net operating profit targets at group level. Driven by the percentage improvement above budget, this is based on a 70/30 gain share principle (30% of the gain shared with employees). This component aligns a portion of the STI with the gain to the shareholder

The STI is measured six-monthly for tier 1 (January to June and July to December). It is paid out in August and February. A BU will qualify for tier 1 on a sliding scale between a threshold of 90% and 100% performance against targets. If 90% of the target is achieved, no payout is applicable. If 95% of the target is

achieved, 4.165% of the potential 8.33% payout will be applicable. If 100% of target is achieved, 8.33% (of annual guaranteed remuneration) will be payable. A modifier for production tonnages is then applied to the above percentages.

Tier 2 is measured on an annual basis from January to December and paid out in February. To qualify for tier 2, an improvement in group net operating profit between 101% and 127.1% above target is required for 2021 and a sliding scale is applied. If 127.1% improvement is achieved, a maximum of 10% of annual guaranteed remuneration will be payable.

If a BU, coal commodity business or corporate centre achieved between 91% and 100% of tier 1, they will only share in the same proportion in tier 2. For example, maximum of tier 2 is achieved, 10% of annual remuneration will be paid but a BU only achieved 95% of tier 1, then only 50% of tier 2 will be paid (5% of annual remuneration for tier 2) to that BU.

## STI scheme metrics

STI component	Percentage of total guaranteed remuneration (%)	Description of measures	Threshold (0% of STI)	Maximum (100% of STI)
1	8.33	<b>BU</b> BU net operating profit versus target		
		<b>Coal commodity business</b> Average of BUs	90	100
		<b>Corporate centre</b> Consolidated group core net operating profit target		
2	10.00	<b>Exxaro group</b> Group net operating profit above target	101	127.1

## Ferroland Grondtrust and Coastal Coal

Tier 1 target for Ferroland is operating expenditure target. Tier 1 target for Coastal Coal (Durnacol/Hlobane and Tshikondeni) is based on objectives set out in a scorecard based on the mines in closure and rehabilitation plans.

Tier 2 target for these BUs is the improvement above target of 101% to 127.1% in group net operating profit. Should 100% of the tier 1 target be achieved, they share in the tier 2 incentive on the same percentage ratio achieved in tier 1.

## Production-based incentives

Junior management and bargaining unit employees at commercial and tied operations, who are directly involved in production, qualify for line-of-sight STIs. The schemes are based on coal production with modifiers for safety and attendance per mining section. Both these schemes work on a sliding scale with threshold and full performance targets. Participants in these schemes do not qualify for the standard STI schemes.

## LTI scheme

Our LTIs consist of two schemes, which align remuneration with longer-term shareholder expectations and outcomes. Exxaro makes general share awards to participants (Paterson D middle and above) during the year in terms of the LTIP and the DBP schemes.

Greenshare, our new ESOP, was introduced in July 2020 and is applicable to employees not participating in the LTIP scheme.

## LTIP

The remuneration committee makes annual conditional performance awards, which are subject to the achievement of performance targets and employees remaining in employment for three years (full vesting period).

The face value of the allocations depends on the employee's NCOE and a grade-specific percentage. The remuneration committee evaluates the achievement of the performance conditions biannually. The awards will only vest after three years. The percentage of awards that ultimately vest ranges between a median threshold (50%) and a maximum (100%). A linear sliding scale is used to calculate a proportional vesting for an actual performance result between threshold and maximum. For any actual performance below threshold, no awards will vest and, for any performance at or exceeding the maximum, the awards that will vest are capped at 100%.

## ROCE condition

In the award, 33.33% will be based on ROCE.

The ROCE calculation will be based on net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

Therefore, a sliding scale based on a percentage ROCE achievement will apply as follows:

- 17% ROCE achievement will result in 50% vesting
- 19% ROCE achievement will result in 90% vesting
- 22% ROCE achievement will result in 100% vesting

The ROCE will be calculated as the arithmetic average of the three years constituting the performance period.

## TSR condition

Relative TSR has a weighting of 33.33% and will be compared to performance against the TSR peer group, namely the companies listed on the RESI 10 as at the preceding December of the offer.

The peer group listed companies included on RESI 10 as at December 2021 were:

- Anglo American Plc
- Anglo American Platinum Ltd
- AngloGold Ashanti Ltd
- BHP Billiton Group Plc
- Glencore Plc
- Gold Fields Ltd
- Impala Platinum Holdings Ltd
- Northam Platinum Ltd
- Sasol Ltd
- Sibanye-Stillwater Ltd

Exxaro's TSR, for the purposes of this plan, is defined as the compound annual growth rate (CAGR) on a portfolio of Exxaro's ordinary shares purchased in December preceding the grant, holding the shares and reinvesting the dividends received from the portfolio in Exxaro shares until the end of the performance period, and then selling the portfolio on that day.

The monthly TSR calculation will be performed using the dividend payments and Reuters share price data on the nearest trading day to 31 December preceding the award and the nearest trading day to 31 December at the end of the performance period, and computing the compound annual growth rate between these values.

The TSR will be smoothed by computing the TSR in the same manner for the three-year period following each trading month for the six months preceding 31 December of the award, which means that the TSR is computed from:

- Grant date to end date (one month)
- Grant date to end date (two months)
- Grant date to end date (three months)
- Grant date to end date (six months)

The TSRs computed in this manner will then be arithmetically averaged to yield the final "smoothed TSR" for the TSR performance condition.

The smoothed TSR for each member of the peer group will be computed over the same period in the same manner. This period of smoothing is in line with the market.

If the TSR of Exxaro over the three-year period is equal to the minimum TSR target, the minimum LTIP award (50% of the TSR portion of the grant) vests.

If the Exxaro TSR is equal to or greater than the maximum TSR target, then 100% of the grant will vest.

The award vests linearly between 50% and 100% for performance between the minimum TSR target and the maximum TSR target.

The TSR targets for the LTIP grant are:

- The minimum TSR target is equal to at least the median position of the smoothed TSR of the peer group over the three-year period
- The smoothed TSR of the peer group will be the simple average not weighted on a market capitalisation basis
- The maximum TSR target is equal to the top three TSR of the peer group returns over the three-year period

The remuneration committee has the discretion to make adjustments to the method of computation of the TSR for the peer group and for Exxaro. Under the rules of the plan, the remuneration committee may vary the TSR condition if events occur that would make such a variation necessary or desirable or would make the amended performance condition a fairer measure of performance.

## Achievement of ESG targets

ESG targets have a weighting of 33.34%. The targets will be measured in terms of the approved strategic dashboard used to monitor achievement of the business strategy:

- The targets will be measured as per the FTSE Russell index including international resource peer companies
- A 50% to 100% vesting sliding scale will apply for an annual ESG rating between the median percentile ranking (50% vesting) and the upper quartile percentile ranking (100%)
- The average performance over the three-year period will be measured

The table below summarises the performance vesting conditions applicable to the 2021 awards.

## Performance vesting conditions

Performance vesting condition	Weight (%)	Vesting of awards (after year three)
ROCE	33.33	17% ROCE achievement will result in 50% vesting (threshold) 19% ROCE achievement will result in 90% vesting (target) 22% ROCE achievement will result in 100% vesting (stretched)
TSR	33.33	Median TSR peer group position will result in 50% vesting Top three TSR peer group position will result in 100% vesting
ESG as per FTSE Russell index	33.34	Median ranking will result in 50% vesting Upper quartile ranking will result in 100% vesting

Where the actual performance falls between the stated ranges, linear interpolation will be applied between the stated vesting points.

The rules and calculating principles will follow the same approach as set out in detail above for future awards.

# Remuneration report continued

## DBP

The remuneration committee selects participants, based on employee grouping and performance, from executive management and senior management to participate in the DBP. The scheme encourages share ownership while reinforcing retention.

Participants from F upper to E upper Paterson grades can elect to voluntarily use a portion (50% or 90%) and E middle (50%) of their post-tax STI/SPR payments to acquire Exxaro shares at the prevailing market price.

Participants are entitled to all rights in respect of the shares (pledged) purchased with their post-tax STI/SPR portion, including dividends. If the pledged shares are held for the three-year pledged period, and participants remain in service for this period, Exxaro will provide a matching award on a one-for-one basis.

No performance vesting conditions are applicable to the matching award.

## ESOP

Our new ESOP scheme, Greenshare, was implemented in 2020.

It is broadly based on the principles of Mining Charter III:

- An evergreen scheme
- Provides non-transferable carried interest (dividends) to qualifying employees
- Employees should not carry any risks
- For all permanent South African employees not participating in any management share scheme

When dividends are declared, employees in service will receive a cash payment equal in value to 560 Exxaro shares minus dividend withholding tax. Employees will remain in the scheme for the duration of employment. Employees will not have capital appreciation rights.

## Employment contracts

Normal termination benefits (leave payout, etc) are payable whenever employment is terminated before the normal retirement date by Exxaro or when the employees accept voluntary redundancy.

As part of our targeted voluntary severance packages Wim Diedericks left in December 2021. There were no other special agreements in place regarding severance packages for executive employees.

Executive employment contracts are generally valid until the normal retirement age of 63 with a notice period of three to six months or payment in lieu thereof. The current executive employment contracts do not have a restraint-of-trade clause but include confidentiality undertakings.

Any shares due in terms of participating in the LTIP and DBP are made in line with the rules of the schemes.

Good leaver provisions triggered in the event of terminations due to:

- Personal events such as retirement, ill health, disability or death in service. Prorate vesting of awards
- Company events such as retrenchments, space creations and business divestment. Normal vesting of awards

## RECOGNITION

Recognition continues to be an important aspect of our total rewards offering with informal and formal recognition encouraged. Exxaro has an online platform, which is widely used. Due to the uncertainty around the pandemic, the decision was made to hold the formal recognition function, "Evergreen", virtually. The CEO hosted the 2019 and 2020 awards, and all employees were invited to attend, not just the winners. The Exxaro culture themes and strategy were embedded in the format of the day. Positive feedback has been received and the human resources team will continue to look at how the programme can be enhanced in future.

## NON-EXECUTIVE DIRECTOR REMUNERATION

A new approach in the setting of remuneration for external directors was approved in March last year. The methodology ensured better alignment of roles and responsibilities between the main board and sub-boards. The expected annual hours required, and the relevant skills required for the different sub-committees were also considered and it was decided that there would be no differentiation in remuneration between the sub-committees unless significant workload differences are anticipated.

This was subsequently approved at the AGM.

## FORWARD-LOOKING REMUNERATION POLICY ACTIONS FOR 2022

This section highlights the forward-looking change in the remuneration policy.

### STI schemes

The current approach of the tier 1, tier 2 and SPR STI schemes is replaced with two new STI scheme structures, which came into effect from 1 January 2022:

- Group incentive scheme (GIS)
- Line of sight (LOS) incentive schemes

### GIS salient features

Participants to the GIS include all executive to middle management level employees (FU to DM Paterson) in the group functions and coal business as well as employees in group functions (DL Paterson and below).

The scheme rewards the achievement of annual goals, which in turn are aligned to the medium and longer-term business strategy. All participants will receive payments that reflect annual achievements. In the case of Paterson D band and below participants, an interim payment reflective of the business performance portion only, may be made at the half-year mark. This will be offset against the resultant annual payment due.

Following the benchmarking of the targeted STI percentages (as a percentage of NCOE) for participant roles and grades, relative to the market, the following STI percentages have been adopted. These new STI percentages consolidate the previous fragmented allocation to tier 1, tier 2 and SPR into a single applicable STI percentage for the scheme. The targeted STI quantum (by grade) is apportioned in the ratio 80% to business performance, and 20% to individual performance. The performance range for either element varies from 0% to 150% of the targeted STI quantum.

*Table 1: STI quantum at target (STI percentage of NCOE)*

<b>Paterson grade</b>	<b>New STI (Target)</b>	<b>New STI (Maximum)</b>	<b>Business performance (Target)</b>	<b>Individual performance (Target)</b>	<b>Business performance (Maximum)</b>	<b>Individual performance (Maximum)</b>
F upper	100.0%	150.0%	80.0%	20.0%	120.0%	30.0%
F middle	75.0%	112.5%	60.0%	15.0%	90.0%	22.5%
F lower	75.0%	112.5%	60.0%	15.0%	90.0%	22.5%
E upper	60.0%	90.0%	48.0%	12.0%	72.0%	18.0%
E middle	50.0%	75.0%	40.0%	10.0%	60.0%	15.0%
E lower	35.0%	52.5%	28.0%	7.0%	42.0%	10.5%
D upper	35.0%	52.5%	28.0%	7.0%	42.0%	10.5%
D middle	25.0%	37.5%	20.0%	5.0%	30.0%	7.5%
D lower	15.0%	22.5%	12.0%	3.0%	18.0%	4.5%
A-C band	12.5%	18.8%	10.0%	2.5%	15.0%	3.8%

\* At threshold and below threshold, the percentage will be 0.

While the newly adopted STI percentages (at target) represent an increase in applicable percentage by grade and cost (at target) relative to the aggregated STI percentages applicable for tier 1, tier 2 and SPR (at target), it requires increased performance outcomes to realise the revised STI percentages at target. Alternatively stated, the achievement of targeted performance against the tier 1, tier 2 and SPR schemes will result in similar STI quantum outcomes (on average) on the GIS.

The further apportionment of the 80% business performance for the executive directors and prescribed officers' roles is disclosed in table 2:

*Table 2: Apportionment of STI quantum at target*

<b>Grouping</b>	<b>Grade</b>	<b>Role</b>	<b>Business performance</b>			
			<b>Exxaro group</b>	<b>Group function</b>	<b>Division</b>	<b>Individual</b>
<b>CEO and direct reports</b>	F upper	CEO	80%			20%
	F middle	CEO designate	50%		30%	20%
	F lower	FD	30%		50%	20%
	F lower	Managing director: minerals	30%		50%	20%
	E upper	Executive head/general manager: group function/chief risk officer	50%	30%		20%
	E middle	Company secretary	50%	30%		20%

The business scorecards embed the business priorities appropriately at Exxaro group, group functional and operational levels. Table 3 below provides an overview of the goals and relative impact it has in the potential outcome of each business scorecard. The resultant outcome is re-weighted to 80%.

*Table 3: Business scorecard goals and weight*

<b>Overall structure</b>	<b>Weight</b>	<b>Generic drivers</b>	<b>Exxaro group</b>	<b>Group function</b>	<b>Operation</b>
<b>Financial, operational and strategic</b>	<b>75%</b>	EBITDA	50.0%	50.0%	0 – 50%
		Other financial	15.0%	10.0%	15% – 45%
		Operational and strategic	10.0%	15.0%	10% – 30%
<b>Safety and climate change</b>	<b>25%</b>	Safety	10.0%	10.0%	10.0%
		Water intensity	7.5%	7.5%	7.5%
		Energy efficiency	7.5%	7.5%	7.5%
<b>Overall scorecard total</b>			<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The revised individual performance contract is assessed on a standardised one to five rating scale. The year-to-date rating will translate to a portion allocated to individual performance.

The individual performance contracts for 2022 for executive directors follows further in this policy section.

### **LOS salient features**

LOS schemes are applicable to the production operations only. The participants in these schemes include permanent employees, in roles graded at and below DL Paterson, based at the operations.

The measurement and payment cycles align with monthly and quarterly reporting periods.

Participants are incentivised to deliver consistent safe, quality production volumes.

# Remuneration report continued

## LTIP SCHEME

### Change in performance conditions

#### TSR conditions

The TSR measurement component was revised in 2021, to align with the current business and future strategic objectives (to diversify into other minerals and renewable energy generation). The FTSE/JSE Africa Index Series Resource 10 index (RESI 10) has consistently been dominated by gold and platinum mining companies over the past measurement periods. It therefore lacks a comparison for Exxaro. Energy currently comprises nearly 10% of Exxaro's earnings before interest, taxes, depreciation and amortisation (EBITDA) through Cennergi with the intention to further grow the energy business in the future. Therefore, energy representation within the peer group was required for LTIP awards made going forward.

The TSR peer group was revised in 2021 to diversify into other minerals and renewable energy generation. The RESI 10 over the past measurement periods was consistently dominated by gold and platinum mining companies, and therefore lacking as sole comparison to Exxaro.

The peer group components and weighting of each will be as follows:

Peer group entities	Weighting
RESI 10 <sup>1</sup>	70%
Energy peer group <sup>2</sup>	15%
Thungela <sup>3</sup>	15%
	100%

Notes:

<sup>1</sup> The 10 largest resource companies listed on the JSE, ranked by investable market capitalisation

<sup>2</sup> Energy peer group:

- Acciona (listed on the Madrid and Barcelona stock exchanges)
- Brookfield Renewable Partners (listed on the New York Stock Exchange)
- Atlantica Sustainable Infrastructure (listed on Nasdaq)

<sup>3</sup> Thungela Resources as a pure coal mining proxy

#### Fair pay

The outcome of the review of the job families and the impact on pay discrepancies will be conducted to assess the extent to which remuneration is managed fairly.

In addition, a vertical wage gap calculation will be done and benchmarked to measure the distribution of remuneration within the company. The smaller increases awarded to executives in previous years should help narrow the gap.

Other fair pay interventions will be undertaken in line with the chosen journey.

The remuneration committee and the SERC continue to have a keen interest in the extent to which progress is made as part of the diversity and inclusion strategy.

#### Non-executive director remuneration

A revised non-executive director remuneration approach, which looked at the equalisation of committee fees, was approved in 2020. For the sub-committees, there is no differentiation in remuneration between the sub-committees, the only differentiation is based on workload. The current fees payable to non-executive directors is made up of an annual retainer fee and a per-meeting fee for ad hoc or extraordinary meetings for both board and sub-committee meetings. This retainer fee is based on an assessment of normal annual board and committee workload and is paid in 12 equal monthly payments. Benchmarking is done using the Willis Towers Watson's JSE listed companies' survey.

## Energy business

The design principles of the Cennergi STI and LTI schemes are aimed at incentivising participants using a scorecard comprising annual and milestone based targets. The scheme also comprises a once-off VARP, which takes the form of a leveraged reward, linked to exponential growth in equity value over a specified period. Group alignment is also integral in the design with a matching incentive structured over Exxaro shares enabling alignment between the energy business and Exxaro's future performance. Both STI and LTI schemes are subject to malus and clawback, in line with the Exxaro group policy.

#### Malus and clawback

Ethical and responsible leadership and effective governance practices require that all employees act in the best interests of their employer. The recommended practice 30(e) of King IV requires that the remuneration policy includes malus and clawback provisions. The malus and clawback policy allows the board, in fulfilling its fiduciary duty to shareholders, to apply malus when a trigger event happens prior to the vesting of long-term incentive schemes and/or payment of STI schemes by invoking its discretion to reduce, cancel and/or recoup the incentive. Similarly, the board may invoke clawback where incentive remuneration has already vested, been exercised, been settled, paid or otherwise made available and a trigger event is discovered up to a period of 36 months. LTIP and DBP scheme rules have been updated to incorporate malus, clawback and MSR. The policies and rules ensure compliance with applicable legislation, King IV requirements, market practices, and stakeholders' interest.

Since being approved, the provisions of malus and clawback have been included in the rules of the STI and LTIP schemes. They have also been incorporated in new LTIP offer letters. Employees will be reminded of these provisions while communicating the new incentive schemes.

#### MSR

At the AGM that took place in May 2021, the following MSR targets were approved:

- CEO: 200% of NCOE
- FD: 150% of NCOE
- Executive committee members and prescribed officers: 100% of NCOE

The following methods can be used to achieve the MSR:

- An election to defer unvested LTIP awards for a further five-year holding period in terms of the MSR prior to vesting
- An election to purchase shares with a portion of the potential STI award on a pre-tax basis and to subject these shares to a further holding period
- An election to subject matching shares received through participation in the DBP scheme in escrow for a further holding period
- Personal investment shares which will be shares in the executive's personal capacity or which the executive purchases in Exxaro during the holding period through the use of post-tax income.

The implementation of MSR began with affected members of the executive committee. A tool has been developed to help each executive build their MSR over the required period of five years, using the methods available.

#### Forward-looking performance contracts for CEO, CEO designate and FD in 2022

The forward-looking performance contract for the CEO, CEO designate and FD are shown in the tables below. The performance contracts will, in due course, be adjusted with this in mind.

## Performance contract for the CEO in 2022

Individual key objectives	KPIs	Weight
<b>Strategic growth and financial performance</b>	<ul style="list-style-type: none"> <li>Collaboration with the relevant stakeholders regarding potential merger and acquisition activities</li> <li>Support activities in the renewable energy strategy drive</li> </ul>	100%

CEO will retire end July 2022.

## Performance contract for CEO designate in 2022

Individual key objectives	KPIs	Weight
<b>Strategic growth and financial performance</b>	<ul style="list-style-type: none"> <li>Drive the implementation of the energy strategy</li> <li>Drive the implementation of the minerals strategy (including early value coal strategy)</li> <li>Achieve ROCE target of 20% in terms of LTIP sliding scale</li> <li>Finalisation of the divestment of Leeuwpan</li> </ul>	35%
<b>Business transformation and operational excellence</b>	<ul style="list-style-type: none"> <li>Demonstrable actions to maximise early value such as Grootegeuk, Mafube and Belfast mine plans all updated and used for the 2021 and beyond business plans and budget, all work done including exit and terminal values at exit of assets</li> <li>Ensure the organisation enables us to achieve the Exxaro vision and strategy through leadership, empowered accountability and decision-making capabilities and management innovation</li> </ul>	25%
<b>Leading people change and social impact</b>	<ul style="list-style-type: none"> <li>Embed connect2NEXT and Exxaro culture by effectively communicating the approved strategy and plans ensuring execution and alignment across the group</li> <li>Review and finalisation of diversity and inclusion framework</li> <li>Achieve 90% of total score (13.5 out of 15 points) and one bonus point on B-BBEE rating</li> <li>Achieve Mining Charter III, dtic and DEL employment equity targets aligned to the approved employment equity and SLP mechanisms</li> <li>Achieve gender representation targets for the group in core and in management levels aligned to the approved employment equity plan and mechanisms</li> </ul>	20%
<b>Safety and business sustainability</b>	<ul style="list-style-type: none"> <li>Implement actions at group level to reduce environmental impact (including decarbonisation strategy). Sustain Exxaro's ESG rating</li> </ul>	10%
<b>Cost management and prudence</b>	<ul style="list-style-type: none"> <li>Demonstrable actions to strategically manage costs and strategic business risks to ensure alignment to the risk appetite framework and mindful of the trade-offs in respect of the Sustainable Growth and Impact strategy</li> <li>Identify areas of cost reduction and savings across the Exxaro group</li> </ul>	10%

# Remuneration report continued

## Performance contract for the FD in 2022

Individual key objectives	KPIs	Weight
<b>Strategic growth and financial performance</b>	<p>Divestment from Leeuwpan operations as approved by board (as per project plan, due diligences complete, successful negotiations of final agreements)</p> <p>Deliver supply chain procurement savings of R500 million through operational expenditure, capital and strategic sourcing</p> <p>Achieve ROCE target of 20% in terms of LTIP sliding scale</p> <p>Ensure sufficient funding is available to grow new energy and minerals business(es) aligned to the Exxaro capital allocation framework</p> <p>Capital allocation - revise and embed methodology on capital allocation between minerals and energy</p> <p>Develop plan to build sustainable core businesses minerals and energy (inclusive of funding model(s), structures, planned investments). Market studies completed and identification of possible opportunities. Financial model updated to taking into account value accretion versus affordability in context of risk exposure</p>	35%
<b>Business transformation and operational excellence</b>	<p>Appoint diesel service provider and associated diesel rebate claim system</p> <p>Facilitate integration of financial reporting of new minerals and energy business (aligned to progress of the investment strategy)</p> <p>Accurate, timely and relevant financial reporting within seven days of month-end closing</p>	25%
<b>Leading people change and social impact</b>	<p>Embed connect2NEXT and Exxaro culture by effectively communicating the approved strategy and plans ensuring execution and alignment across the group</p> <p>Review and finalisation of diversity and inclusion framework</p> <p>Achieve Mining Charter III procurement targets for 2022 (37% out of 40%)</p> <p>Achieve preferential procurement target according to amended dtic codes (27 of 29 points)</p> <p>Achieve Mining Charter III, dtic and DEL employment equity targets aligned to the approved employment equity and SLPs and mechanisms</p> <p>Achieve gender representation targets for the group in core and in management levels aligned to the approved employment equity plan and mechanisms</p>	20%
<b>Safety and business sustainability</b>	Positive impact as spokesperson for strategy and finance-related matters. Sustain current stakeholder perception rating benchmarked by FTI Consulting and set baseline for 2022	10%
<b>Cost management and prudence</b>	<p>No overdue and or repeat level 1 and 2 audit findings in area of responsibility</p> <p>Identify areas of cost reduction and savings across the Exxaro group</p>	10%

## IMPLEMENTATION REPORT

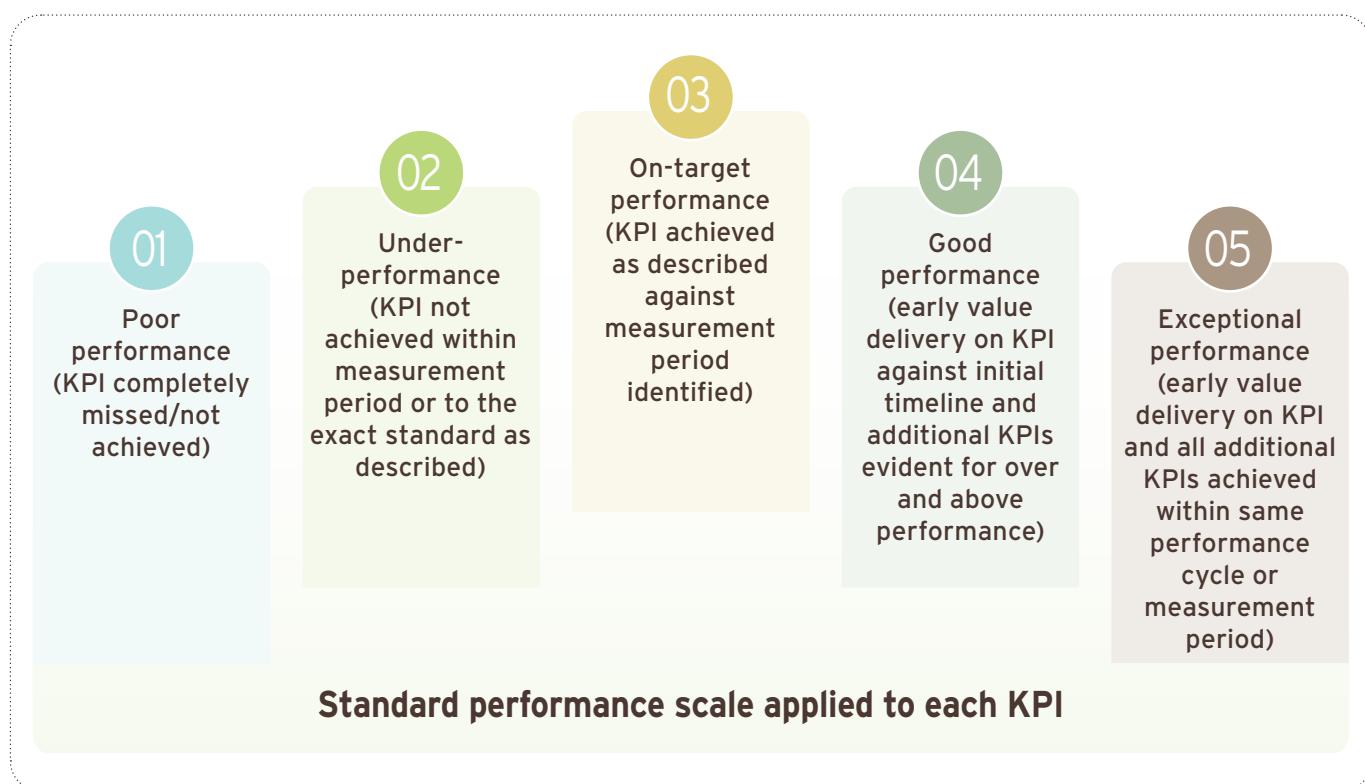
### Introduction

Our implementation report discloses remuneration outcomes for non-executive directors, executive directors and prescribed officers. It includes total remuneration received as well as a single, total figure of remuneration receivable (as per King IV) for the review period and all constituent remuneration elements.

In addition, details of all awards made under the Exxaro variable incentive schemes are disclosed under sections for STIs and LTIs, including reference to awards in current and prior years that have not yet vested, vesting and expiry dates where applicable, the fair value at the end of the review year, as well as the cash value of awards settled. The performance measures used and their weightings are disclosed.

In the review period, implementation complied fully with the remuneration policy.

The image below provides details on the standard performance rating scale.



# Remuneration report continued

## Performance contract and rating of the CEO in 2021

Individual key objectives	KPIs	Weight	Rating
<b>Strategic growth and financial performance</b>	Drive implementation growth and transformation strategy Drive implementation of the energy strategy Oversight: implementation of the minerals strategy by CEO designate (including early value coal strategy) Achievement of TSR top 3 performer versus Res 10 peer group companies and ROCE target of 20% for capital projects in terms of LTIP sliding scale	35%	3 3 4 3
<b>Business transformation and operational excellence</b>	Tonnages delivered from coal operations (50.484Mt) at EBITDA of R8 341 million as per board-approved budget Oversight: Demonstrable actions to maximise early value such as Grootegeluk, Mafube and Belfast mine plans all updated and used for the 2021 and beyond business plans and budget, and all work done including exit and terminal values at exit of assets Transform the organisation to enable us to achieve the Exxaro vision and strategy through leadership, empowered accountability and decision-making capabilities and management innovation Clear evidence of the approval and implementation of an operating model that empowers people	25%	3 4 4 3
<b>Leading people change and social impact</b>	Embed connect2NEXT and Exxaro culture by effectively communicating the approved strategy and plans ensuring execution and alignment across the group Drive implementation of Sustainable Growth and Impact strategy Oversight: Implementation of diversity and inclusion strategy by CEO designate Achieve 90% of total score (13.5 out of 15 points) and one bonus point on B-BBEE rating Achieve Mining Charter III and DEL employment equity targets aligned to the approved employment equity and SLP mechanisms Achieve gender representation targets for the group in core and management levels aligned to the approved employment equity plan and mechanisms	15%	3 2 2 3 3 3
<b>Safety and business sustainability</b>	Oversight: Implement actions at group level to reduce environmental impact (including decarbonisation strategy) by CEO designate <ul style="list-style-type: none"> <li>• Protect our people, assets and environment</li> <li>• Sustain ESG rating aligned to top three participants</li> <li>• Achieve LTIFR target of 0.08</li> </ul>	15%	4 3
<b>Cost management and prudence</b>	Oversight: Demonstrable actions by CEO designate to strategically manage costs to ensure alignment to the risk appetite framework and mindful of the trade-offs in respect of the Sustainable Growth and Impact strategy	10%	3
<b>Performance rating</b>			3.2

### Performance contract and rating of the MD Minerals/CEO designate in 2021

Individual key objectives	KPIs	Weight	Rating
<b>Strategic growth and financial performance</b>	Drive the implementation of the minerals strategy (including early value coal strategy) Deliver optimal exit strategy and valuation for each asset in the coal portfolio Optimise domestic and seaborne (including diversification) market (COVID-19 dependent) Achieve ROCE target of 20% for capital projects in terms of LTIP sliding scale	30%	3 4 4 3
<b>Business transformation and operational excellence</b>	Tonnages delivered from coal operations (50.484Mt) at EBITDA of R8 341 million as per board-approved budget Integrate, report on and manage commodity-related risks in risk management framework, including COVID-19-related as part of OPCO review process Finalisation and execution of the span of control strategy for Matla and Grootegeluk Implement optimisation, monitoring and reporting to improve operations/productivity through operational excellence and digitalisation	30%	4 4 3 3
<b>Leading people change and social impact</b>	Drive people and capability development at operations through mentorship programmes and talent development to facilitate retention and high performance Support group to achieve 90% of total score (13.5 out of 15 points) and one bonus point on B-BBEE rating Execute and achieve employment equity targets as per approved employment equity and SLP and mechanisms for the minerals business Drive the implementation and embedment of the diversity and inclusion strategy at group level, as approved by the board, by demonstrable actions to question practices and break down any form of unintentional exclusions/differentiation related to race, gender, sexual orientation, religion, etc Support and cultivate sound and healthy union, community and labour relationships Drive transformation through improved workplace and employment experiences and living conditions	20%	3 4 3 2 4 4
<b>Safety and business sustainability</b>	Drive the implementation of demonstrable actions at group level to reduce environmental impact (including decarbonisation strategy) Demonstrable actions to reduce environmental impact and build a cleaner world, by reducing water buffer gap, carbon emissions, energy intensity, specific interventions at mine closures, rehabilitations and disturbed versus rehabilitated land Drive the strategy to sustain current ratings on carbon disclosure for water and energy • Protect our people, assets and environment • Sustain ESG rating aligned to top three participants • Achieve LTIFR target of 0.08	10%	4 3 3 3
<b>Cost management and prudence</b>	Influence analyst and market expectations with stakeholder affairs to sustain current stakeholder perception rating benchmarked by Singular (including management of key stakeholders such as Eskom, ArcelorMittal South Africa, Transnet Freight Rail, RBCT and Minerals Council) Drive actions to strategically manage head office costs aligned to the risk appetite framework and mindful of the trade-offs in respect of the growth strategy Demonstrable actions to strategically manage mine costs (excluding head office costs) with 2% year-on-year saving aligned to the risk appetite framework and mindful of the trade-offs in respect of the growth strategy No overdue level 1 and 2 audit findings in area of responsibility	10%	4 5 4 2
<b>Performance rating</b>			3.5

# Remuneration report continued

## Performance contract and rating of the FD in 2021

Individual key objectives	KPIs	Weight	Rating
<b>Strategic growth and financial performance</b>	Refinancing Exxaro's existing term facility in 2021 through a combination of bank and bond funding (ensure forecast net debt covered 120% by term facility and interest rate comparable with existing facilities)	35%	4
	Divestment from Business of Tomorrow investments as well as ECC*/Leeuwpan operations as approved by investment panel (as per project plan, due diligences complete and successful negotiations of final agreements)		3
	Monetise remaining 10% shareholding in Tronox as well as flip up shares (dependent on market conditions)		4
	Deliver supply chain procurement savings of R273 million through operating expenditure, capital and strategic sourcing		3
	Achieve ROCE target of 20% in terms of LTIP sliding scale		4
<b>Business transformation and operational excellence</b>	Satisfactory outcome in respect of diesel rebate dispute with SARS	25%	3
	Facilitate integration of financial reporting of new minerals and energy businesses (aligned to progress of the investment strategy)		3
	Accurate, timely and relevant financial reporting within seven days of month-end closing		3
<b>Leading people change and social impact</b>	Achievement of the culture plan as presented at half-year	15%	3
	Embed diversity and inclusion by demonstrable actions to question practices and break down any form of unintentional exclusions/differentiation that can be related to race, gender, sexual orientation, religion, etc		3
	Achieve 90% of total score (24 out of 27 points) and one bonus point on B-BBEE rating		4
	Achieve 34% out of 40% for Mining Charter III + 24 points out of 29 for dtic preferential procurement targets		4
	Achieve group employment equity plans and targets		3
	Achieve gender representation in management levels as per approved employment equity plan and mechanisms		3
<b>Safety and business sustainability</b>	Positive impact as spokesperson for strategy and finance-related matters	15%	3
	Sustain current stakeholder perception rating benchmarked by Singular and set baseline for 2021		3
<b>Cost management and prudence</b>	Protect our people, assets and environment		
	Sustain ESG rating aligned to top three participants		
	Achieve LTIFR target of 0.08		
<b>Performance rating</b>	Demonstrable actions to strategically manage costs to ensure a roll-over from 2020 to 2021 (inflation saving) aligned to the risk appetite framework and mindful of the trade-offs in respect of the Sustainable Growth and Impact strategy	10%	3
	No overdue and/or repeat level 1 and 2 audit findings in area of responsibility		2

\* Divestment concluded in September 2021.

## Awards under STI schemes

In the table below, we disclose the performance outcomes for each executive director and prescribed officer supporting the SPR as well as the two components of the STI scheme. All payments are due as per policy and there were no deviations.

### STI awards for executive directors and prescribed officers in 2021

	SPR			STI			STI awards			
	NCOE (R)	Rating (number)	Total factor (%)	Actual (R)	Tier 1 factor (%)	Tier 2 factor (%)	Total factor (%)	Actual (R)	Total STI awards (R)	as % of NCOE (%)
MDM Mgojo	7 901 087	3.00	37.00	2 631 064	8.33	10.00	18.33	1 448 272	4 079 336	51.63
N Tsengwa <sup>1</sup>	6 027 849	3.00	32.00	1 736 022	8.33	10.00	18.33	1 104 906	2 840 928	47.13
PA Koppeschaar	5 997 927	4.00	32.00	1 919 338	8.33	10.00	18.33	1 099 422	3 018 760	50.33
V Balgobind	3 509 586	4.00	25.00	877 398	8.33	10.00	18.33	643 310	1 520 708	43.33
AS de Angelis	3 263 475	4.00	25.00	815 870	8.33	10.00	18.33	598 196	1 414 066	43.33
JG Meyer	4 315 962	4.00	25.00	1 078 992	8.33	10.00	18.33	791 118	1 870 110	43.33
MI Mthenjane	4 068 234	4.00	25.00	1 017 060	8.33	10.00	18.33	745 708	1 762 768	43.33
AT Ndoni <sup>2</sup>	445 858	—	20.00	—	8.33	10.00	18.33	81 726	81 726	18.33
SE van Loggerenberg <sup>3</sup>	322 975	—	20.00	—	8.33	10.00	18.33	—	—	—
M Veti	4 012 608	4.00	25.00	1 003 152	8.33	10.00	18.33	735 514	1 738 666	43.33
Total STI awards				11 078 896				7 248 172	18 327 068	

<sup>1</sup> Appointed to the board on 16 March 2021.

<sup>2</sup> Appointed on 1 November 2021.

<sup>3</sup> Resigned on 18 February 2021.

The SPR actual includes the individuals' voluntary deferral into the DBP.

The evaluated SPR contracts for 2021 of the CEO, MD Minerals/CEO designate and the FD are stated below.

### SPR contract for the CEO in 2021

#### Strategic objectives

##### KPI

Deliver signed SPA for the sale of ECC\* by the first half of 2021 and Leeuwpan by the end of 2021

##### Weight 50%

##### Rating 3

\* Divestment concluded in September 2021.

##### KPI

Identify areas of cost reduction and savings across the Exxaro group

##### Weight 50%

##### Rating 3

### SPR contract for the managing director: minerals/CEO designate in 2021

#### Strategic objectives

##### KPI

Manage robustness of Exxaro portfolio by concluding Moranbah South joint venture agreement to reach "decision to mine over the next 18 months" (COVID-19 dependent)

##### Weight 50%

##### Rating 3

##### KPI

Identify areas of cost reduction and savings across the Exxaro group

##### Weight 50%

##### Rating 3

# Remuneration report continued

## SPR outcome for the FD in 2021

### Strategic objectives

#### KPI

- Develop a plan to build sustainable core businesses in mining, minerals and energy inclusive of funding model(s), structures, planned divestments and planned investments
- Market studies completed and identification of possible opportunities
- Financial model updated taking into account the value accretion versus affordability in context of risk exposure

**Weight 25%**

**Rating 4**

Summary graphs are provided to highlight the impact of performance-based pay on total remuneration due between 2021 and 2020.

The notes below explain the calculations supporting the graphs.

1	Minimum 2021 reflects the NCOE for the period (includes recognition and other payments)
2	On-target 2021 reflects the sum of the following: <ul style="list-style-type: none"> <li>NCOE earned during the 2021 period (includes recognition and other payments)</li> <li>On-target potential STI value for the 2021 performance period</li> <li>Expected value of 2019 LTIP share award: if the percentage that vested was midway between threshold and maximum, multiplied by the 31 December 2021 share price</li> <li>Impact of the DBP matching award is included under LTI</li> </ul>
3	Maximum 2021 reflects the sum of the following: <ul style="list-style-type: none"> <li>NCOE earned during the 2021 period (includes recognition and other payments)</li> <li>Maximum potential STI value for the 2021 performance period</li> <li>Expected value of 2019 LTIP share award: if 100% vest, multiplied by the 31 December 2021 share price</li> <li>Impact of DBP matching award maturing in 2022 is included under LTI</li> </ul>
4	Actuals for 2021 and 2020: <ul style="list-style-type: none"> <li>NCOE earned during the respective periods (includes recognition and other payments for 2021)</li> <li>Actual STI accrued as a result of performance during the respective cycles</li> <li>Expected values of LTIP awards: actual percentage of the award vested as a result of the performance outcomes of respective cycles (2019 award in 2022 due to 2021 performance and 2018 award in 2021 due to 2020 performance) multiplied by the share price at 31 December and share award</li> <li>Any matching proceeds realised from the DBP</li> <li>LTI 2021 include DBP matching shares</li> </ul>

The summary provides insight to the SPR contract outcomes, which resulted in the SPR incentives accrued for 2021. Saret van Loggerenberg and Andiswa Ndoni did not have SPR contracts for 2021.

#### KPI

- Ensure sufficient funding is available to grow new minerals and energy businesses aligned to the Exxaro capital allocation framework.
- To the extent that not compatible, revise capital allocation framework.
- Communication of revised capital allocation framework to market.

**Weight 25%**

**Rating 4**

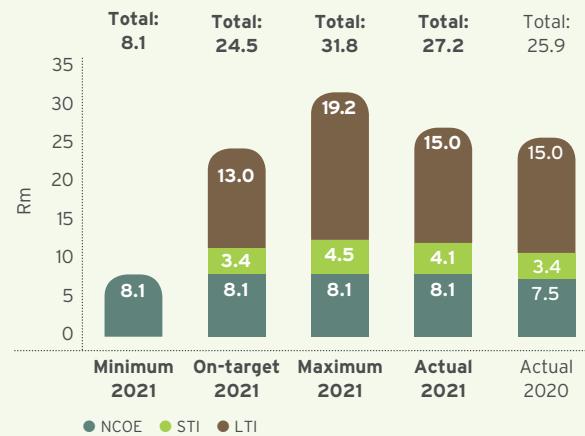
#### KPI

- Identify areas of cost reduction and savings across the Exxaro group

**Weight 50%**

**Rating 3**

### MDM Mgojo CEO



**Objective:** Deliver signed SPA for the sale of ECC\* by the first half of 2021 and Leeuwpan by the end of 2021

**Outcomes:** The divestment of ECC\* was completed and closed out on 3 September 2021 with ownership transferred to Overlooked Colliery Proprietary Limited.

The disposal of Leeuwpan is progressing well following the divestment having to be restarted in the first quarter of 2021 after the preferred bidder failed to raise the required funding. The signed Leeuwpan sale of business agreement and applications for Competition Commission approval and section 11 mineral rights transfer from the DMRE are anticipated to be completed in the first quarter of 2022 with the project closing in the second half of 2022.

The new timelines are supported by the executive committee and the board.

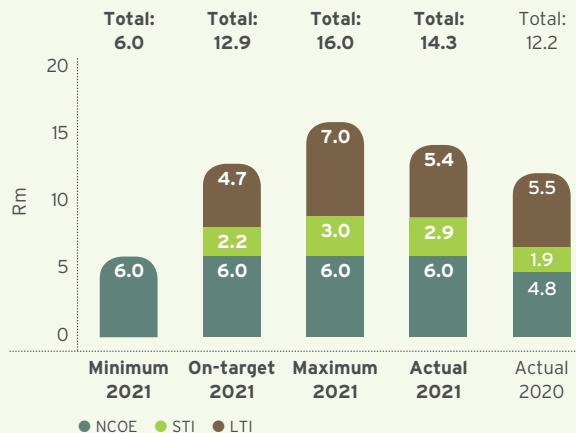
**Objective:** Identify areas of cost reduction and savings across the Exxaro group

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the CEO was tasked to look at non-labour-related cost savings at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

\* Divestment concluded in September 2021.

## N Tsengwa

MD Minerals/CEO Designate



**Objective:** Manage robustness of Exxaro portfolio by concluding Moranbah South joint venture agreement to reach "decision to mine over the next 18 months" (COVID-19 dependent)

**Outcomes:** An independent study manager was appointed in the fourth quarter of 2021, as agreed between the joint venture partners, and supported by the respective CEOs. Due to COVID-19 regulations in Australia, there were delays in the appointment of the study manager.

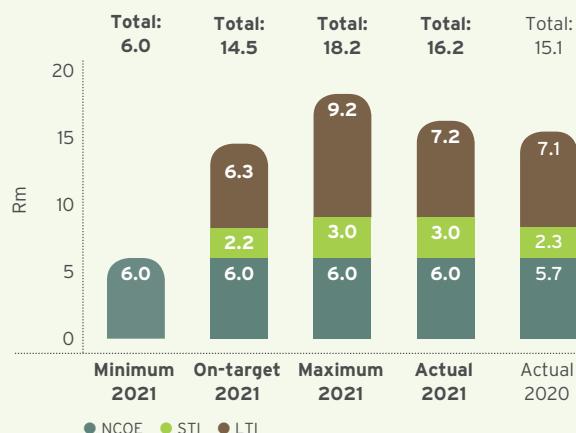
The study manager progressed the agreed scope, cost and schedule for the period during 2021.

**Objective:** Identify areas of cost reduction and savings across the Exxaro group

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the managing director: minerals/CEO designate was tasked to look at non-labour-related cost saving at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

## PA Koppeschaar

FD



**Objectives:**

- Develop a plan to build sustainable core businesses in minerals and energy inclusive of funding model(s), structures, planned divestments and planned investments
- Market studies completed and identification of possible opportunities
- Financial model updated taking into account the value accretion versus affordability in context of risk exposure

**Outcomes:** In September 2021, Exxaro announced its strategy to diversify into future facing minerals (copper, bauxite and manganese) and to grow its energy business in utility generation, distributed generation and services. Market studies were completed, affordability modelled and screening work commenced on possible opportunities. The group also continues to ensure the robustness of its coal portfolio and a decision was taken to divest from ECC\* and Leeuwpan.

ECC's\* divestment was completed in 2021 and Leeuwpan is well on its way.

\* Divestment concluded in September 2021.

**Objectives:**

- Ensure sufficient funding is available to grow new minerals and energy businesses aligned to the Exxaro capital allocation framework
- To the extent that not compatible, revise the capital allocation framework
- Communication of revised capital allocation framework to market

**Outcomes:** A revised capital allocation framework was communicated to the market at the Capital Markets Day in September 2021.

Dividend payouts will now receive priority over growth opportunities, and Exxaro indicated its targeted capital allocation ranges for the minerals and energy businesses.

It is envisaged that a large portion of the energy portfolio will be financed through limited recourse project finance.

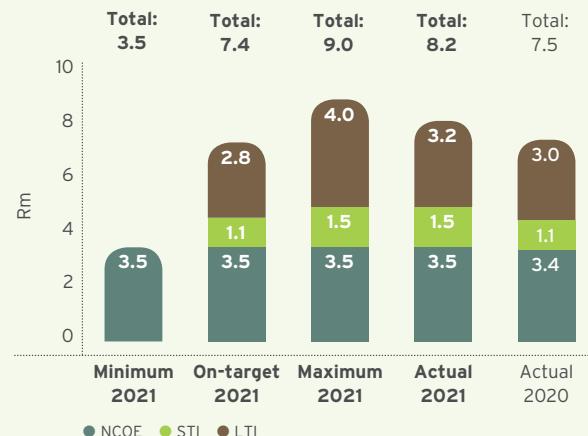
During the year, the R8 billion loan facility was also successfully refinanced at favourable terms despite resistance to thermal coal.

**Objective:** Identify areas of cost reduction and savings across the Exxaro group compared to the 2021 budget

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the FD was tasked to look at non-labour-related cost savings at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

## V Balgobind

Executive head: human resources



**Objective:** Deliver suitable variable workforce and employment models for differing requirements of the energy and minerals businesses to enable transitioning at speed and scale

**Outcomes:** Our organisational design principles and practices were revised in line with the new businesses.

A focused employment model was designed for the energy business in terms of organisational design and differentiated remuneration offering.

# Remuneration report continued

## **Objective: Identify areas of cost reduction and savings across the Exxaro group**

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the executive head: human resources was tasked to look at non-labour-related cost savings at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

## **Objective: Delivered the revised STI for implementation to the organisation**

**Outcomes:** Both schemes have been delivered in line with the remuneration committee and shareholder directive received in 2019.

The schemes are aligned to organisation and business objectives.

The design principles have been approved and implementation is in progress across the business.

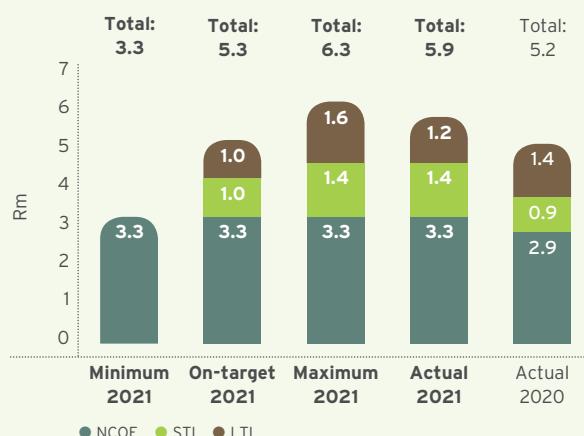
Both schemes are aligned to the industry and overall market benchmarks, ensuring that Exxaro's employee offering and remuneration philosophy are attractive to the external market as well as enable the talent retention strategy.

The pay-for-performance principle and the reward link to performance is at the core of the STI design driving a high-performance culture.

The STIs are created to foster a team-based, collaborative culture to deliver on business results.

### **AS De Angelis**

#### **Executive head: strategy and business transformation**



## **Objective: Enable business ventures as a mechanism for creating exposure for Exxaro to horizon 3 and selected horizon 2 opportunities or threats**

### **Outcomes:**

- Established internal and external foresight networks and capabilities to provide input and insights into the longer-term Exxaro strategy
- Developed a philosophy and mechanism for identifying and exploring future (horizon 3 ventures) growth opportunities for Exxaro to support our longer-term core (minerals and energy) business growth or mitigate against potential disruption
- Key triggers and action areas have been identified across the business

## **Objective: Identify areas of cost reduction and savings across the Exxaro group.**

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the executive head: strategy and business transformation was tasked to look at non-labour-related cost savings at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

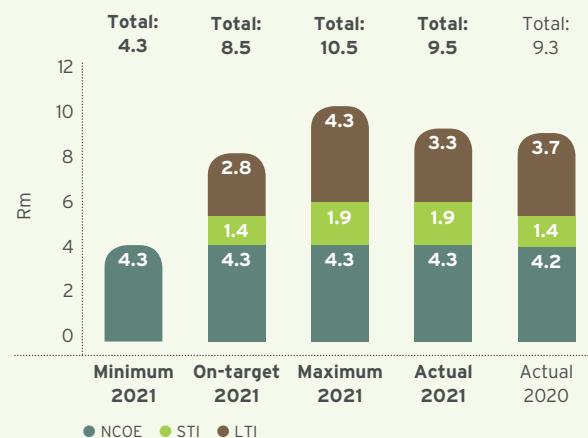
## **Objective: Shape and deliver visible transformation to ensure empowered accountability**

### **Outcomes:**

- Continued roll out of the Exxaro Leadership Way across senior levels of the business
- Established a transformation network of approximately 115 people across Exxaro who have been trained and equipped to help drive and embed the Exxaro Leadership Way
- Developed a governance framework to support the specific decision-making requirements and capabilities of our energy business and start the transition to a multi-core Exxaro

### **JG Meyer**

#### **Executive head: projects and technology**



## **Objective: Identify areas of cost reduction and savings across the Exxaro group**

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the executive head: projects and technology was tasked to look at non-labour-related cost saving at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

## **Objective: Monitor and give strategic guidance on the Moranbah South project charter and technical deliverables via the independent study manager to achieve alignment between joint venture parties to complete the prefeasibility study as per agreed timelines**

**Outcomes:** An independent Moranbah South study manager was appointed in the fourth quarter of 2021 as agreed between joint venture partners and supported by the respective CEOs.

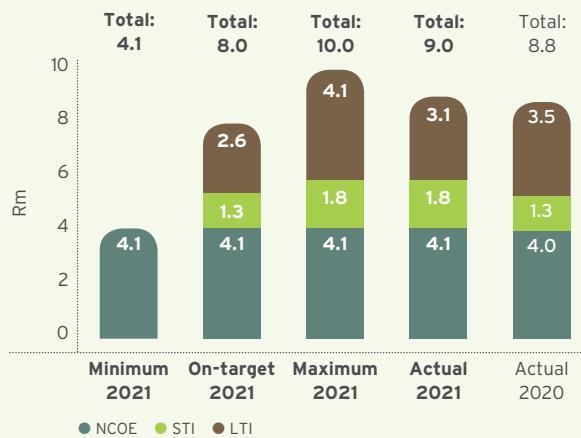
The study manager progressed according to the agreed scope, cost and schedule for the 2021 period. Due to the COVID-19 pandemic, in Australia, there were delays in the appointment of the study manager.

## **Objective: Contribute to the development of the energy strategy and develop the technical services model to support the energy SPV**

**Outcomes:** A renewable energy 4.0 hub for projects and technology developed the RRODA tool for the energy leadership team and the CEO. This innovative project assessment tool was used with government officials, potential renewable customers and at executive committee and board level. Other project support was given to the energy team.

## MI Mthenjane

Executive head: stakeholder affairs



**Objective:** Effective use of stakeholder relations, networks and digital channels to share success stories of the Sustainable Growth and Impact strategy targeted at specific stakeholders as per the stakeholder relations plan and aligned to the Exxaro brand strategy (specific focus on equity shareholders and Impact investors)

**Outcomes:** The Sustainable Growth and Impact strategy is a transformative strategy aiming to transition Exxaro's business model from a coal-based business to a diversified minerals and energy solutions business. Given the potential impact of the strategy and collaborative approach in the development of impact initiatives, engagement with several key stakeholders was critical for buy-in as well as inputs and guidance.

**Objective:** Exxaro is participating in a collaborative regional platform with three impact investment projects in implementation and two in the pipeline for investment/implementation

**Outcomes:** Exxaro is a founding member of the Impact Catalyst, a regional collaborative platform, together with Anglo American, the CSIR, IDC and World Vision. The platform operates in Limpopo, Mpumalanga and the Northern Cape with the aim of developing catalytic projects that will impact across municipal boundaries. In locations where Exxaro operates, several projects are in development, beyond the existing SLPs such as community-oriented primary care in Lephalale for training healthcare workers who can provide home-based care (thus extending the local healthcare system - the programme has been proven in Mogalakwena), commencing with the feasibility study of a PPE factory in Lephalale, and, in Vhembe district, establishing the Mutale irrigation project near the closed Tshikondeni mine to support developing and established local farmers.

**Objective:** Identify areas of cost reduction and savings across the Exxaro group

**Outcomes:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the executive head: stakeholder affairs was tasked to look at non-labour-related cost saving at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

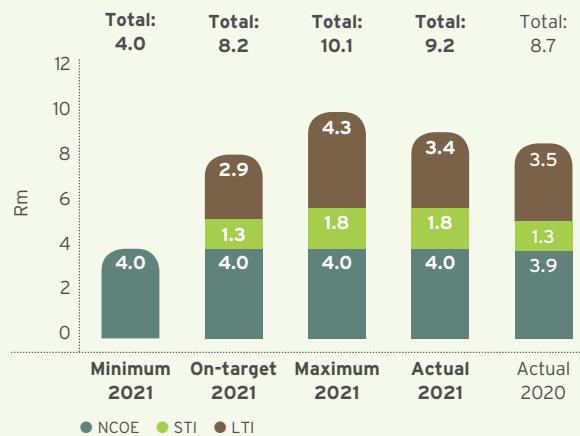
**Objective:** Develop impact investment project package and raise third-party funding (domestic and/or offshore)

**Outcomes:** A total of 10 potential impact investment opportunities have been developed to concept level with the aim of developing rehabilitated land where Exxaro used to mine. These projects will

drive the strategic objectives of Exxaro as a catalyst for economic development and environmental stewardship in communities that are vulnerable to the energy transition, thus providing resilience and opportunity to sustain themselves beyond coal. Several local and international potential investors have been approached and indicated interest in participating in this potential just transition initiative.

## M Veti

Executive head: sustainability



**Objective:** Divestment of ECC\* section 11

**Outcomes:** The Exxaro board and executive management have undertaken a strategic review of the current portfolio of coal operations and projects. The decision to divest Exxaro's entire interest in ECC\* is in line with the portfolio optimisation portion of the strategy.

An application in terms of section 11 of the MPRDA allows the transfer of controlling interests in a company. The section 11 application for the transfer of controlling interest in ECC\* was approved in July 2021 by the DMRE.

**Objective:** Leeuwpan divestment section 11

**Outcomes:** The Exxaro board and executive management have undertaken a strategic review of the current portfolio of coal operations and projects. The decision to divest Exxaro's entire interest in Leeuwpan is in line with the portfolio optimisation portion of the strategy.

An application in terms of section 11 of the MPRDA allows the transfer of mining rights. The section 11 application for the transfer of Leeuwpan mining rights was completed before the end of 2021.

**Objective:** Exxaro's COVID-19 vaccination programme execution as enabled by the South African government's procurement process

**Outcome:** In response to the pandemic, the South African government approved two vaccines to be rolled out: Johnson & Johnson and Pfizer. These had to be procured through government. Through collaboration with government and Dis-Chem, Exxaro has been able to vaccinate 79% of the workforce with government supplying the vaccines.

**Objective:** Identify areas of cost reduction and savings across the Exxaro group

**Outcome:** To ensure competitiveness, Exxaro continuously focuses on its cost base. During the year, the executive head: sustainability was tasked to look at non-labour-related cost savings at corporate office. Cost and capital savings of 14.7% of the addressable base were identified and will be implemented.

\* Divestment concluded in September 2021.

# Remuneration report continued

## R Tatnall

### Managing director: energy

#### Performance contract period

The performance contract period was based on his start date in March to 31 December 2021.

#### Variable pay

The STI is measured over a 12-month period from March 2021 and will be paid three months after the review period ends based on the achievement of strategic objectives and financial targets. Individual performance is also measured over the period and considered in the payment of his STI. The remuneration committee will approve the targets and conditions for the new period as well as the achievement of targets and conditions for the previous period.

The STI and LTI is not disclosed in this report as any payments will be payable three months after his annual service date (employment date: 10 March 2021).

#### R Tatnall performance contract

Individual key objectives	KPIs	Weight	Rating
<b>Strategic growth and financial performance</b>	Articulate the energy strategy into short, medium and longer-term horizons with milestones Execution of the strategy with sufficient board oversight and tracking aligned to the energy strategy Advance own generation Build market intelligence	40%	4 4 4 4
<b>Business transformation and operational excellence</b>	Build internal capacity for energy strategy Culture suitable for energy strategy with core principle of empowerment of people Distributed generation partner Cennergi master service agreement services roll-out Cennergi achieving its generation targets per approved budget: <i>Availability as per approved budget for 12 months</i> <i>Financial targets as per approved budget for 12 months</i> Finalisation of organisation design and talent (capability) requirements for approval	30%	4 4 4 4 2 3 3
<b>Leading people change and social impact</b>	Embed diversity and inclusion by demonstrable actions to question practices and break down any form of unintentional exclusions/differentiation related to race, gender, sexual orientation, religion, etc	10%	4
<b>Safety and business sustainability</b>	• Support group initiatives that protect people, assets and environment to sustain ESG rating aligned to top three participants • Sustain LTIFR of 0.08	10%	3
<b>Cost management and prudence</b>	No overdue level 1 and 2 audit findings in area of responsibility	10%	3
<b>Performance rating</b>			3.45

#### Awards under LTIP scheme

We also disclose the outcome of the 2019 (and 2018) conditional LTIP awards that vest in April 2022 (and vested in April 2021).

Of the awards made in April 2019, 76.54% vest in April 2022. A summary showing the vesting percentages by vesting conditions for the awards appears in the table below.

#### Performance vesting conditions outcome

Performance vesting condition	Weight (%)	2021 (%)	2020 (%)
Headline earnings per share (HEPS)	33.33	100.00	100.00
TSR	33.33	30.00	—
ESG	33.34	99.62	100.00
Overall vesting		76.54	66.67

2021 HEPS was 6 860 cents per share (cps) compared to the maximum vesting (100%) required at 3 163 cps.

2020 HEPS was 3 814 cps compared to the maximum vesting (100%) required at 2 775 cps.

2021 TSR was 30% and positioned 7th (1st Impala Platinum: 112%, 2nd Sibanye-Stillwater: 89%, 3rd Anglo Platinum: 67%, 4th Gold Fields: 55%, 5th Anglo American: 37%, 6th AngloGold Ashanti: 31%, 8th BHP Billiton: 26% and 9th Sasol: -20%).

2020 TSR was 0% and positioned 8th (1st Impala Platinum: 64%, 2nd Anglo Platinum: 57%, 3rd Gold Fields: 50%, 4th AngloGold Ashanti: 49%, 5th Sibanye-Stillwater: 42%, 6th Anglo American: 31%, 7th BHP Billiton: 24% and 9th Sasol: -31%).

In both periods, a minimum of 3rd position was required to vest 100% of the TSR portion of awards.

The governance component of ESG resulted in an achievement at threshold (99.62% vesting) due to the actual portion of 99.92% over the three-year period. This results in 98.83% achievement for this portion based on the targets.

## LTIP

The table below illustrates the rights held by each participant, options exercised and shares forfeited due to performance conditions not being met in the review period, as well as shares forfeited as a result of resignation in the review period.

### LTIP transaction details for executive directors and prescribed officers in 2021

	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December <sup>1</sup> R	Pre-tax gain if exercisable at 31 December <sup>1</sup> R	Options exercised during the year Number	Shares forfeited <sup>2</sup> Number	Sale price/ market price R	Pre-tax gain R	Date exercised
<b>Executive directors</b>									
MDM Mgojo		01/04/2021			107 989	53 985	177.96	19 217 722	15/04/2021
		01/04/2021			3 499	1 749	174.39	610 191	23/09/2021
	115 569	01/04/2022	17 667 033	17 667 033					
	181 029	01/04/2023	27 673 903	27 673 903					
	106 300	01/04/2024	16 250 081	16 250 081					
	402 898		61 591 017	61 591 017	111 488	55 734		19 827 913	
N Tsengwa <sup>3</sup>		01/04/2021			39 177	19 585	177.96	6 971 939	15/04/2021
		01/04/2021			1 270	634	174.39	221 475	23/09/2021
	42 320	01/04/2022	6 469 458	6 469 458					
	66 289	01/04/2023	10 133 599	10 133 599					
	80 115	01/04/2024	12 247 180	12 247 180					
	188 724		28 850 237	28 850 237	40 447	20 219		7 193 414	
PA Koppeschaar		01/04/2021			50 701	25 346	177.96	9 022 750	15/04/2021
		01/04/2021			1 643	821	174.39	286 523	23/09/2021
	54 310	01/04/2022	8 302 370	8 302 370					
	85 072	01/04/2023	13 004 957	13 004 957					
	49 954	01/04/2024	7 636 468	7 636 468					
	189 336		28 943 795	28 943 795	52 344	26 167		9 309 273	
<b>Prescribed officers</b>									
V Balgobind		01/04/2021			21 434	10 714	177.96	3 814 395	15/04/2021
		01/04/2021			695	347	174.39	121 201	23/09/2021
	22 938	01/04/2022	3 506 532	3 506 532					
	35 930	01/04/2023	5 492 619	5 492 619					
	20 503	01/04/2024	3 134 294	3 134 294					
	79 371		12 133 445	12 133 445	22 129	11 061		3 935 596	
AS de Angelis <sup>4</sup>		01/04/2021			9 954	4 976	177.96	1 771 414	15/04/2021
		01/04/2021			13 000	1 084	177.96	2 313 480	15/04/2021
		01/04/2021			323	161	174.39	56 328	23/09/2021
		01/04/2021			422	35	174.39	73 593	23/09/2021
	10 702	01/04/2022	1 636 015	1 636 015					
	33 410	01/04/2023	5 107 387	5 107 387					
	19 066	01/04/2024	2 914 619	2 914 619					
	63 178		9 658 021	9 658 021	23 699	6 256		4 214 815	
JG Meyer		01/04/2021			26 482	13 238	177.96	4 712 737	15/04/2021
		01/04/2021			859	428	174.39	149 801	23/09/2021
	28 209	01/04/2022	4 312 310	4 312 310					
	44 185	01/04/2023	6 754 561	6 754 561					
	25 214	01/04/2024	3 854 464	3 854 464					
	97 608		14 921 335	14 921 335	27 341	13 666		4 862 538	
MI Mtherjane		01/04/2021			25 318	12 657	177.96	4 505 591	15/04/2021
		01/04/2021			821	410	174.39	143 174	23/09/2021
	26 589	01/04/2022	4 064 660	4 064 660					
	41 649	01/04/2023	6 366 883	6 366 883					
	23 767	01/04/2024	3 633 261	3 633 261					
	92 005		14 064 804	14 064 804	26 139	13 067		4 648 765	
AT Ndoni <sup>5</sup>	12 165	01/11/2024	1 859 664	1 859 664					
	12 165		1 859 664	1 859 664					
SE van Loggerenberg <sup>6</sup>		01/04/2021			16 187				
		01/04/2022			11 146				
		01/04/2023			17 458				
					44 791				
M Veti		01/04/2021			24 972	12 483	177.96	4 444 017	15/04/2021
		01/04/2021			810	404	174.39	141 256	23/09/2021
	26 226	01/04/2022	4 009 169	4 009 169					
	41 080	01/04/2023	6 279 900	6 279 900					
	23 442	01/04/2024	3 583 579	3 583 579					
	90 748		13 872 648	13 872 648	25 782	12 887		4 585 273	

<sup>1</sup> Based on a share price of R152.87, which prevailed on 31 December 2021.

<sup>2</sup> Shares forfeited due to performance conditions not being fully met.

<sup>3</sup> Appointed to the board on 16 March 2021.

<sup>4</sup> Appointed on 1 April 2020.

<sup>5</sup> Appointed on 1 November 2021.

<sup>6</sup> Resigned on 18 February 2021.

# Remuneration report continued

## DBP

The table below illustrates the rights held by each participant and options exercised.

### DBP transaction details for executive directors and prescribed officers in 2021

	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December <sup>1</sup> R	Pre-tax gain if exercisable at 31 December <sup>1</sup> R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
<b>Executive directors</b>								
MDM Mgojo		09/03/2021 09/03/2021 31/03/2021 31/03/2021 31/08/2021 1 460 8 618 13 122 1 319 867 9 070 988	223 190 1 317 434 2 005 960 201 636 132 538 1 386 531 151 036	223 190 1 317 434 2 005 960 201 636 132 538 1 386 531 151 036	4 372 142 11 139 361 1 036	177.96 174.39 177.96 174.39 174.39	778 041 24 763 1 982 296 62 955 180 668	13/04/2021 23/09/2021 13/04/2021 23/09/2021 01/10/2021
	35 444		5 418 325	5 418 325	17 050		3 028 723	
N Tsengwa <sup>2</sup>		31/08/2021 536 2 436 432 589 2 770			274	174.39	47 783	01/10/2021
	6 763		1 033 859	1 033 859	274		47 783	
PA Koppeschaar		31/08/2021 5 543 4 778 1 004 750	847 358 730 413 153 481 114 653	847 358 730 413 153 481 114 653	756	174.39	131 839	27/09/2021
	12 075		1 845 905	1 845 905	756		131 839	
<b>Prescribed officers</b>								
V Balgobind		09/03/2021 09/03/2021 31/03/2021 31/03/2021 31/08/2021 363 2 623 2 241 244	55 492 400 978 342 582 37 300	55 492 400 978 342 582 37 300	1 089 36 1 880 61 262	177.96 174.39 177.96 174.39 174.39	193 798 6 278 334 565 10 638 45 690	16/04/2021 23/09/2021 15/04/2021 23/09/2021 01/10/2021
	5 471		836 352	836 352	3 328		590 969	
AS de Angelis <sup>3</sup>		1 092 466 202 1 269 227	166 934 71 237 30 880 193 992 34 701	166 934 71 237 30 880 193 992 34 701				
	3 256		497 744	497 744				
JG Meyer		4 942 301 5 243	755 484 46 014 801 498	755 484 46 014 801 498				
MI Mthenjane		09/03/2021 09/03/2021 31/03/2021 31/03/2021			1 346 44 2 331 76	177.96 174.39 177.96 174.39	239 534 7 673 414 825 13 254	13/04/2021 23/09/2021 13/04/2021 23/09/2021
					3 797		675 286	

Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December <sup>1</sup> R	Pre-tax gain if exercisable at 31 December <sup>1</sup> R	Options exercisable during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
<b>Prescribed officers continued</b>							
M Veti		09/03/2021		1 326	177.96	235 975	13/04/2021
		09/03/2021		43	174.39	7 499	23/09/2021
		31/03/2021		2 314	177.96	411 799	13/04/2021
		31/03/2021		75	174.39	13 079	23/09/2021
		31/08/2021		312	174.39	54 410	01/10/2021
	433	15/03/2022	66 193	66 193			
	1 730	31/03/2022	264 465	264 465			
	682	31/08/2023	104 257	104 257			
	449	19/03/2024	68 639	68 639			
	3 180	31/03/2024	486 127	486 127			
	278	21/09/2024	42 498	42 498			
	6 752		1 032 179	1 032 179	4 070		722 762

<sup>1</sup> Based on a share price of R152.87, which prevailed on 31 December 2021.

<sup>2</sup> Appointed to the board of directors on 16 March 2021.

<sup>3</sup> Appointed on 1 April 2020.

#### DBP income for executive directors and prescribed officers

Executive director and prescribed officers	DBP shares held as a percentage of NCOE at 31 December 2021	DBP shares held at 31 December 2021		2019 DBP shares matched		
		%	R	Number	R	Number
MDM Mgojo		69	5 418 325	35 444	3 028 724	17 050
N Tsengwa <sup>1</sup>		17	1 033 859	6 763	47 783	274
PA Koppeschaar		31	1 845 905	12 075	131 839	756
V Balgobind		24	836 352	5 471	590 969	3 328
AS de Angelis		15	497 744	3 256		
JG Meyer		19	801 498	5 243		
MI Mthenjane					675 286	3 797
M Veti		26	1 032 179	6 752	722 762	4 070
AT Ndoni <sup>2</sup>						
SE van Loggerenberg <sup>3</sup>						

<sup>1</sup> Appointed to the board on 16 March 2021.

<sup>2</sup> Appointed on 1 November 2021.

<sup>3</sup> Resigned on 18 February 2021.

#### MSR

The MSR conditions have been met for 2021 in the personal share portfolios of Mxolisi Mgojo, Nombasa Tsengwa, Riaan Koppeschaar, Vanisha Balgobind, Mzila Mthenjane and Mongezi Veti (personal portfolio, including pledged shares).

# Remuneration report continued

## Total executive management remuneration

The total single figure remuneration for executive directors and prescribed officers is stated in the table below to align with King IV disclosure. The 2021 LTIP reflected the 1 April 2018 LTIP award that will vest as a result of 2021 performance on 1 April 2021. Since the portion of the DBP voluntary deferral is included under the STIs, proceeds from the matched portion of the DBPs are reflected under LTIs.

### Single figure remuneration as per King IV for 2021 and 2020

	Year	NCOE R	Recognition and other payments R <sup>6</sup>	STIs R	LTIs R	Total remuneration R
<b>Executive directors</b>						
MDM Mgojo	<b>2021</b>	7 901 087	180 482	4 079 336	15 062 971	27 223 876
	2020	7 533 816	141 586	3 415 080	15 040 578	26 131 060
N Tsengwa <sup>1</sup>	<b>2021</b>	6 027 849	5 760	2 840 928	5 406 053	14 280 590
	2020	4 788 451	2 500	1 931 182	5 456 521	12 178 654
PA Koppeschaar	<b>2021</b>	5 997 927	7 760	3 018 760	7 201 992	16 226 439
	2020	5 719 117	2 500	2 306 522	7 061 571	15 089 710
<b>Prescribed officers</b>						
V Balgobind	<b>2021</b>	3 509 586	22 096	1 520 708	3 140 369	8 192 759
	2020	3 419 820	14 338	1 054 332	2 985 199	7 473 689
AS de Angelis <sup>2</sup>	<b>2021</b>	3 263 475	5 760	1 414 066	1 252 206	5 935 507
	2020	2 915 100	2 500	945 100	1 386 371	5 249 071
AW Diedericks <sup>3</sup>	<b>2021</b>	4 057 728	2 500	1 352 442	3 592 398	9 005 068
	2020					
JG Meyer	<b>2021</b>	4 315 962	5 760	1 870 110	3 300 642	9 492 474
	2020	4 205 568	2 500	1 401 716	3 688 320	9 298 104
MI Mthenjane	<b>2021</b>	4 068 234	54 434	1 762 768	3 111 091	8 996 527
	2020	3 964 176	2 500	1 321 260	3 526 283	8 814 219
AT Ndoni <sup>4</sup>	<b>2021</b>	445 858	700 000	81 726		1 227 584
	2020					
SE van Loggerenberg <sup>5</sup>	<b>2021</b>	322 975	2 475 940			2 798 915
	2020	2 263 300	2 500	595 928	1 503 093	4 364 821
M Veti	<b>2021</b>	4 012 608	5 760	1 738 666	3 399 275	9 156 309
	2020	3 909 972	2 500	1 303 196	3 477 996	8 693 664
R Tatnall <sup>7</sup>	<b>2021</b>	5 657 129				5 657 129
	2020					

<sup>1</sup> Appointed to the board on 16 March 2021.

<sup>2</sup> Appointed on 1 April 2020.

<sup>3</sup> Not a prescribed officer in 2021.

<sup>4</sup> Appointed on 1 November 2021.

<sup>5</sup> Resigned on 18 February 2021.

<sup>6</sup> Includes leave encashment, fatality-free and LTIFR recognition, long service awards, recognition awards, retention allowance and exit payment.

<sup>7</sup> Appointed on 10 March 2021 in terms of a fixed-term employment contract. STI payment for 2021 will be based on his performance period from 10 March 2021 to 9 March 2022. Value still to be approved.

The STIs are inclusive of the voluntary individual deferral made for 2021. The LTI reflects 76.54% award that will vest on 1 April 2022 based on a share price of R152.87 which prevailed on 31 December 2021.

#### For 2021<sup>6</sup>

The amount of R3 000 for fatality-free recognition and R2 760 for LTIFR recognition were paid for all directors and prescribed officers in 2021.

Leave encashment is included for MDM Mgojo: R130 721, V Balgobind: R16 336, MI Mthenjane: R44 974 and SE van Loggerenberg: R37 970.

Long service awards are included for MDM Mgojo: R44 000 and PA Koppeschaar: R2 000.

Recognition award is included for MI Mthenjane: R3 700.

Retention allowance is included for AT Ndoni: R700 000.

Exit payment is included for SE van Loggerenberg: R2 437 970.

#### For 2020

DBP matching shares are not included under the 2020 LTIs.

An amount of R2 500 includes fatality-free recognition payment.

Leave encashment amounts are included for MDM Mgojo: R139 086 and V Balgobind: R11 838.

## Non-executive directors' remuneration

	2021			2020		
	Fees for services R	Benefits and allowances R	Fees for services rendered to subsidiaries R	Total R	Fees for services R	Benefits and allowances R
<b>Non-executive directors</b>						
GJ Fraser-Moleketi	1 348 895			1 348 895	1 162 496	1 162 496
IN Malevu <sup>1</sup>	264 307			264 307		
L Mbatha	667 102		61 184	728 286	582 337	582 337
VZ Mntambo	694 100		108 012	802 112	728 933	728 933
MJ Moffett <sup>2</sup>	306 340		188 100	494 440	933 861	933 861
LI Mophatlane	923 897		46 234	970 131	819 174	819 174
MLB Msimang <sup>3</sup>	438 671			438 671		
EJ Myburgh	1 217 809			1 217 809	1 229 321	1 229 321
V Nkonyeni	991 677		236 500	1 228 177	959 545	2 059
CJ Nxumalo <sup>4</sup>	616 741			616 741		
MG Qhena (chairperson) <sup>5</sup>	1 267 377			1 267 377		
J van Rooyen <sup>6</sup>	878 214			878 214	2 128 588	2 128 588
A Sing <sup>7</sup>					294 136	294 136
PCCH Snyders	1 012 324			1 012 324	879 159	1 067
<b>Total non-executive directors' remuneration</b>	<b>10 627 454</b>		<b>640 030</b>	<b>11 267 484</b>	<b>9 717 550</b>	<b>3 126</b>

<sup>1</sup> Appointed on 22 June 2021.

<sup>2</sup> Resigned on 11 May 2021.

<sup>3</sup> Appointed on 15 March 2021.

<sup>4</sup> Appointed on 1 February 2021.

<sup>5</sup> Appointed on 19 April 2021.

<sup>6</sup> Retired on 27 May 2021.

<sup>7</sup> Retired on 28 May 2020.



# GRI index

Exxaro has reported in accordance with the GRI standards for the period from 1 January to 31 December 2021. We have used GRI 1: Foundation 2021 and will use the applicable GRI sector standards for coal, mining and renewable energy in the next reporting period. Indicators in this index are cross-referenced to the integrated report, ESG report and tax report, and marked externally assured where applicable.

▲ Integrated report

● ESG report

◆ Tax report

NR Not reported

N/A Not applicable

General disclosure	Page	Omission
<b>GRI 2: General disclosures 2021</b>	2-1	Organisational details ▲ Inside front cover and 10-14 ● Inside front cover and 4-9
	2-2	Entities included in the organisation's sustainability reporting ▲ 2-3 I 3
	2-3	Reporting period, frequency and contact point ▲ Inside front cover and 2-3 ● 1-3
	2-4	Restatements of information
	2-5	External assurance ▲ 3, 49, 98-99 and 145 ● 22, 46, 58, 143-144, 180, 187-188 and 231-235
	2-6	Activities, value chain and other business relationships ▲ 10-14, 16-23, 26-27, 28-31, 32-39, 44-58, 114 and 136-141 ● 4-9, 13, 27-37, 53 and 112
	2-7	Employees ▲ 28-31, 123 and 129 ● 82-107
	2-8	Workers who are not employees ▲ 28-31, 123 and 129 ● 83-86, 90-92, 94-95 and 106
	2-9	Governance structure and composition ▲ 78-80 ● 148-164
	2-10	Nomination and selection of the highest governance body ▲ 94 ● 166-167 and 170-171
	2-11	Chair of the highest governance body ▲ 78-80 ● 158
	2-12	Role of the highest governance body in overseeing the management of impacts ▲ 81-96 ● 158
	2-13	Delegation of responsibility for managing impacts ▲ 81-96 ● 162-163
	2-14	Role of the highest governance body in sustainability reporting ▲ 3 ● 180-183 and 186
	2-15	Conflicts of interest ▲ 85 ● 127, 135, 141, 158, 170-171 and 176-179

General disclosure		Page	Omission
<b>GRI 2: General disclosures 2021</b> continued			
	2-16	Communication of critical concerns	▲ 130 ● 128-129, 136 and 176-179
	2-17	Collective knowledge of the highest governance body	● 137
	2-18	Evaluation of the performance of the highest governance body	● 159
	2-19	Remuneration policies	● 189-217
	2-20	Process to determine remuneration	● 189-217
	2-21	Annual total compensation ratio	● 189-217
	2-22	Statement on sustainable development strategy	▲ 26-27 and 28-31 ● Inside front cover and 10-18
	2-23	Policy commitments	▲ 28-31 and 130 ● 128-129
	2-24	Embedding policy commitments	▲ 130 ● 128-129
	2-25	Processes to remediate negative impacts	▲ 130 ● 128-129
	2-26	Mechanisms for seeking advice and raising concerns	▲ 130 ● 128-129
	2-27	Compliance with laws and regulations	▲ 42-43 ● 39 and 62-65
	2-28	Membership associations	▲ Inside front cover, 3, 130 and 116-121 ● Inside front cover, 10-18, 80, 100 and 128-129
	2-29	Approach to stakeholder engagement	▲ 32-39 ● 27, 145, 177-178 and 188
	2-30	Collective bargaining agreements	● 32  Collective bargaining is not mentioned in IR or covered adequately in ESG report. Should report the percentage of total employees covered by collective bargaining agreements; for employees not covered by collective bargaining agreements, report whether the organisation determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organisations.

# GRI index continued

Material topics		Page	Omission
<b>GRI 3: Material topics 2021</b>	3-1	Process to determine material topics	▲ 3, 26-27 and 40-43 ● 2 and 12
	3-2	List of material topics	▲ 40-43 ● 2 and 12
<b>Economic performance</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 66-69 ● 10-18 and 141
<b>GRI 201: Economic performance 2016</b>	201-1	Direct economic value generated and distributed	▲ 102-113
	201-2	Financial implications and other risks and opportunities due to climate change	▲ 8-9, 19-20, 26-27, 37, 42-43, 46, 57, 74 and 137-138 ● 2, 10-18, 20-46-52, 172-175, 178, 186 and 226-230
	201-3	Defined benefit plan obligations and other retirement plans	● 97 and 195
	201-4	Financial assistance received from government	N/A  Exxaro does not receive any financial assistance from government but supports South Africa's socio-economic development with financial contributions in collaboration with government.
<b>Market presence</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 35, 104 and 126-127 ● 166, 139-144, 168-169 and 189-191
<b>GRI 202: Market presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	● 100, 168, 193 and 195
	202-2	Proportion of senior management hired from the local community	● 25, 102 and 105
<b>Indirect economic impacts</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 132 ● 108
<b>GRI 203: Indirect economic impacts 2016</b>	203-1	Infrastructure investments and services supported	▲ 132 ● 111, 117, 121-122 and 131
	203-2	Significant indirect economic impacts	▲ 34 ● 108-109 and 178
<b>Procurement practices</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 27 ● 108-109 and 178
<b>GRI 204: Procurement practices 2016</b>	204-1	Proportion of spending on local suppliers	● 112-119

Material topics	Page	Omission
<b>Anti-corruption</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 130 ● 106, 127, 134, 136, 146, 178 and 186
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption ▲ 58 ● 106, 127-128, 134, 136, 178 and 186
	205-2	Communication and training about anti-corruption policies and procedures ▲ 130 ● 128 and 178
	205-3	Confirmed incidents of corruption and actions taken ● 15, 113 and 134 Need statement in IR/ ESG report stating Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases
<b>Anti-competitive behaviour</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics
<b>GRI 206: Anti-competitive behaviour 2016</b>	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices Need to report: Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant Main outcomes of completed legal actions, including any decisions or judgments
<b>Tax</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ◆ 7-10
<b>GRI 207: Tax 2019</b>	207-1	Approach to tax ◆ 2-4
	207-2	Tax governance, control, and risk management ◆ 5-6
	207-3	Stakeholder engagement and management of concerns related to tax ◆ 3
	207-4	Country-by-country reporting ◆ 7 and 13-17

# GRI index continued

Material topics	Page	Omission
<b>Materials</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 139 ● 62
<b>GRI 301: Materials 2016</b>	301-1	Materials used by weight or volume ▲ 139 ● 63
	301-2	Recycled input materials used ▲ 139 ● 63
	301-3	Reclaimed products and their packaging materials ▲ 139 ● 63
<b>Energy</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 138 ● 53-56
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organisation ▲ 137-138 ● 54
	302-2	Energy consumption outside of the organisation ▲ 138 ● 53-56
	302-3	Energy intensity ▲ 137 ● 54
	302-4	Reduction of energy consumption ▲ 138 ● 54
	302-5	Reductions in energy requirements of products and services ▲ 138 ● 54
<b>Water and effluents</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 138 ● 57-61
<b>GRI 303: Water and effluents 2018</b>	303-1	Interactions with water as a shared resource ▲ 132-134 ● 57-61
	303-2	Management of water discharge-related impacts ▲ 138 ● 10-18, 61, 116-117, 121 and 124
	303-3	Water withdrawal ▲ 28 and 138 ● 57-61
	303-4	Water discharge ● 58
	303-5	Water consumption ▲ 138 ● 58
<b>Biodiversity</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ● 39 and 66-71
<b>GRI 304: Biodiversity 2016</b>	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas ▲ 140-141 ● 11, 15 and 67
	304-2	Significant impacts of activities, products and services on biodiversity ● 10-11, 66-71, 124 and 178
	304-3	Habitats protected or restored ● 17 and 66-71
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations ● 17 and 66-71
<b>Emissions</b>		
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 8-9, 57, 68, 70-71, 74, 137 and 138 ● 17 and 66-71
<b>GRI 305: Emissions 2016</b>	305-1	Direct (scope 1) GHG emissions ▲ 72 and 137 ● 13, 23, 46-50 and 53

Material topics		Page	Omission
<b>Emissions</b>			
<b>GRI 305: Emissions 2016</b> continued	305-2	Energy indirect (scope 2) GHG emissions	▲ 72 ● 23, 46, 48-50 and 53
	305-3	Other indirect (scope 3) GHG emissions	▲ 137 ● 46-49, 51 and 62
	305-4	GHG emissions intensity	▲ 30, 72 and 137 ● 23, 46-51
	305-5	Reduction of GHG emissions	▲ 66-69, 70-71, 74 and 137 ● 11, 13-15, 18, 42-56, 54, 174, 201 and 204-205
	305-6	Emissions of ozone-depleting substances (ODS)	N/A
	305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	● 44
<b>Waste</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 136 and 139 ● 62-65
<b>GRI 306: Waste 2020</b>	306-1	Waste generation and significant waste-related impacts	▲ 139 ● 62-65
	306-2	Management of significant waste-related impacts	▲ 139 ● 62-65
	306-3	Waste generated	▲ 139 ● 62-65
	306-4	Waste diverted from disposal	▲ 139 ● 62-65
	306-5	Waste directed to disposal	▲ 139 ● 62-65
<b>Supplier environmental assessment</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	● 14, 17 and 46-56
<b>GRI 308: Supplier environmental assessment 2016</b>	308-1	New suppliers that were screened using environmental criteria	▲ 136 ● 62-65
	308-2	Negative environmental impacts in the supply chain and actions taken	This disclosure informs stakeholders about the percentage of suppliers selected or contracted subject to due diligence processes for environmental impacts.

# GRI index continued

Material topics		Page	Omission
<b>Employment</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 122-130 ● 95	
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover ▲ 123 and 126 ● 24 and 99	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees ▲ 35 ● 100 and 189-217	
	401-3	Parental leave	<p>Employees entitled to parental leave means those employees that are covered by organisational policies, agreements or contracts that contain parental leave entitlements.</p> <p>To determine who returned to work after parental leave ended and were still employed 12 months later, an organisation can consult records from the prior reporting periods.</p>
<b>Labour/management relations</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics ▲ 41-42, 122-123 and 126-127 ● 2, 12, 83 and 96	
<b>GRI 402: Labour/Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	<p>Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.</p> <p>For organisations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.</p>

Material topics		Page	Omission
<b>Occupational health and safety</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 126-127 ● 83-84
<b>GRI 403: Occupational health and safety 2018</b>	403-1	Occupational health and safety management system	▲ 126-127 ● 83-84
	403-2	Hazard identification, risk assessment and incident investigation	▲ 42-43 ● 60, 84 and 86
	403-3	Occupational health services	● 90-91 and 94
	403-4	Worker participation, consultation, and communication on occupational health and safety	▲ 126
	403-5	Worker training on occupational health and safety	● 24, 86 and 94
	403-6	Promotion of worker health	▲ 42-43, 122 and 125-126 ● 2, 31, 82-83, 86, 88, 95-96, 106, 131, 89 and 178
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	▲ 19, 28, 35, 118, 122, 132 and 134 ● 17, 37, 60, 78, 90, 110-111, 117 and 136
	403-8	Workers covered by an occupational health and safety management system	▲ 126 ● 82 and 84
	403-9	Work-related injuries	▲ 72 ● 24
	403-10	Work-related ill health	● 93
<b>Training and education</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 123 and 126 ● 82
<b>GRI 404: Training and education 2016</b>	404-1	Average hours of training per year per employee	● 103
	404-2	Programmes for upgrading employee skills and transition assistance programmes	▲ 26-27, 29 and 127-128 ● 29, 78, 96-97, 101-103 and 109
	404-3	Percentage of employees receiving regular performance and career development reviews	● 190

# GRI index continued

Material topics		Page	Omission
<b>Diversity and equal opportunity</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 28, 35, 42, 70-71, 123, 126-127, 129-130 and 132 ● 100, 105, 129 and 134
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1	Diversity of governance bodies and employees	● 18, 31, 133, 135, 154-157, 166-171 and 177
	405-2	Ratio of basic salary and remuneration of women to men	● 200
			Consider including a statement on average pay of each gender grouping within each employee category.
<b>Non-discrimination</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 130 ● 86, 97, 100 and 128-129
<b>GRI 406: Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	▲ 123 ● 97, 100 and 128-129
<b>Freedom of association and collective bargaining</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 130 ● 32, 96, 128, 166 and 195
<b>GRI 407: Freedom of association and collective bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	196
<b>Child labour</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 130 ● 100 and 128
<b>GRI 408: Child labour 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labour	● 128
<b>Forced or compulsory labour</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 130 ● 128
<b>GRI 409: Forced or compulsory labour 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	● 128
<b>Security practices</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 130 ● 128
<b>GRI 410: Security practices 2016</b>	410-1	Security personnel trained in human rights policies or procedures	p 130 ● 128
<b>Rights of indigenous peoples</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 36 ● 108
<b>GRI 411: Rights of indigenous peoples 2016</b>	411-1	Incidents of violations involving rights of indigenous peoples	● 128-129
<b>Local communities</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 36 ● 108
<b>GRI 413: Local communities 2016</b>	418-1	Operations with local community engagement, impact assessments and development programmes	● 14, 33 and 50
	413-2	Operations with significant actual and potential negative impacts on local communities	● 110

Material topics		Page	Omission
<b>Supplier social assessment</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 39 ● 112-113
<b>GRI 414: Supplier social assessment 2016</b>	414-1	New suppliers that were screened using social criteria	▲ 39 ● 112-113
	414-2	Negative social impacts in the supply chain and actions taken	▲ 39 ● 112-113
<b>Public policy</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 39 ● 28
<b>GRI 415: Public policy 2016</b>	415-1	Political contributions	● 146
<b>Customer health and safety</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	▲ 27 and 38 ● 36
<b>GRI 416: Customer health and safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	● 41 and 47
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	▲ 8 and 19 ● 40 and 65
<b>Marketing and labelling</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	N/A
<b>GRI 417: Marketing and labelling 2016</b>	417-1	Requirements for product and service information and labelling	
	417-2	Incidents of non-compliance concerning product and service information and labelling	
	417-3	Incidents of non-compliance concerning marketing communications	
<b>Customer privacy</b>			
<b>GRI 3: Material topics 2021</b>	3-3	Management of material topics	● 106 and 174
<b>GRI 418: Customer privacy 2016</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Report the total number of substantiated complaints received concerning breaches of customer privacy by complaints received from outside parties and substantiated by the organisation as well as complaints from regulatory bodies.  Include the total number of identified leaks, thefts or losses of customer data.  If the organisation has not identified any substantiated complaints, a brief statement of this fact is sufficient.

# SASB index

## Industry standard: Coal operations (December 2021 update)

For the year ended 31 December 2021

Exxaro is committed to reporting transparently to our stakeholders to build relationships underpinned by trust. In line with this, we strive to continuously advance our reporting to meet the information needs of our stakeholders. This year, we began reporting under SASB's coal standard. We recognise that there are areas where our disclosure needs to be bolstered. We also recognise the opportunity to improve, and noted disclosure will be enhanced in the future suite of reports.

Topic	Code	Accounting metric	Disclosure
GHG emissions	EM-CO-110a.1	Gross global scope 1 emissions, percentage covered under emissions-limiting regulations	2021 ESG report, climate change section.  Please note: <ul style="list-style-type: none"><li>Exxaro reports in terms of the Kyoto Protocol</li><li>Exxaro reports in terms of kilo tonnes of carbon dioxide equivalent, not metric tonnes</li><li>Exxaro reports on gross GHG emissions emitted into the atmosphere before accounting for offsets, credits, or other similar mechanisms that have reduced or compensated for emissions</li></ul> No emissions are covered under emissions limiting regulations.
	EM-CO-110a.2	Discussion of long-term and short-term strategy or plan to manage scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	2021 ESG report, climate change section.
Water management	EM-CO-140a.1	(1) Total fresh water withdrawn (2) Percentage recycled (3) Percentage in regions with high or extremely high baseline water stress	2021 ESG report, water security management section. Please note that Exxaro reports in terms of ML not m <sup>3</sup> .  The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-140a.2	Number of incidents of non-compliance associated with water quality permits, standards and regulations	No incidents of non-compliance associated with water quality permits, standards and regulations.
Waste management	EM-CO-150a.2	Total weight of non-mineral waste generated	Total weight of non-mineral waste generated is not disclosed. While the non-mineral waste (scrap metal, used oil and waste tyres) is recorded for internal purposes, the disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-150a.3	Total weight of tailings produced	Total weight of tailings produced is not disclosed. The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-150a.4	Total weight of waste rock generated	Total weight of waste rock generated is not disclosed. The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-150a.5	Total weight of hazardous waste generated	2021 ESG report, waste management section.
	EM-CO-150a.6	Total weight of hazardous waste recycled	Total weight of hazardous waste recycled is not disclosed. The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-150a.7	Number of significant incidents associated with hazardous waste management	2021 ESG report, waste management section. There were no environmental fines and penalties issued for waste.
	EM-CO-150a.8	Description of waste management policies and procedures for active and inactive operations	2021 ESG report, waste management section.  Please note that this has been identified as an area of improvement going forward and the updated environmental policy will support this improvement process.

<b>Topic</b>	<b>Code</b>	<b>Accounting metric</b>	<b>Disclosure</b>
<b>Biodiversity impacts</b>	EM-CO-160a.1	Description of environmental management policies and practices for active sites	2021 ESG report, biodiversity section. Please note that we continue to enhance our disclosure and will look at how to enhance this section going forward.
	EM-CO-160a.2	Percentage of mine sites where acid rock drainage is: (1) Predicted to occur (2) Actively mitigated (3) Under treatment or remediation	Not applicable to Exxaro.
	EM-CO-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Not applicable to Exxaro.
<b>Rights of indigenous peoples</b>	EM-CO-210a.1	Percentage of (1) proved and (2) probable reserves in or near indigenous land	Exxaro does not have any proven and probable Reserves in or near areas considered to be indigenous peoples' land.
	EM-CO-210a.2	Discussion of engagement processes and due diligence practices with respect to the management of indigenous rights	Our process for managing cultural heritage sites begins with the identification of the project and areas for disturbance as well as a review of existing laws, ownership and possible cultural heritage impacts. This information is shared with key stakeholders and an assessment of the environmental impacts and cultural heritage impacts is conducted. Any areas to be disturbed must first go through an internal review and approval process. Once mining has concluded, a post-mining survey is conducted.
<b>Community relations</b>	EM-CO-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	2021 ESG report, communities section. Please note that we continue to enhance our disclosure and will look at how to enhance this section going forward.
	EM-CO-210b.2	Number and duration of non-technical delays	During 2021, there was one work stoppage at Matla for one day, with only one shift affected. This was swiftly resolved in a respectful manner through constructive engagement.
<b>Labour relations</b>	EM-CO-310a.1	Percentage of active workforce covered under collective bargaining agreements, broken down by US and foreign employees	Not applicable to Exxaro.
	EM-CO-310a.2	Number and duration of strikes or lockdowns	There were strikes and lockdowns during 2021. During 2021, there was one work stoppage at Matla for one day, with one shift affected. This was swiftly resolved in a respectful manner through constructive engagement.

# SASB index continued

Topic	Code	Accounting metric	Disclosure
<b>Workforce health and safety</b>	EM-CO-320a.1	(1) MSHA all-incidence rate (2) Fatality rate (3) Near miss frequency rate	(1) MSHA all-incidence rate: While this is not disclosed, the incident rates and fatality rate are disclosed in the 2021 integrated and ESG reports as calculated in terms of the South African MHSA (2) Fatality rate: This is disclosed in the 2021 ESG report (3) Near miss frequency rate: While this is not disclosed, the LTIFR and fatality rate are disclosed in the 2021 integrated and ESG reports as calculated in terms of the South African MHSA  We will review all disclosure going forward as part of our reporting improvements project.
	EM-CO-320a.2	Discussion of management of accident and safety risks and long-term health and safety risks	2021 ESG report, safety performance and management, and health and wellness sections. In line with Exxaro's commitment to zero harm, this is an area of ongoing improvement and disclosures will be aligned to TCFD going forward.
<b>Reserves valuation and capital expenditures</b>	EM-CO-420a.1	Sensitivity of Coal Reserve levels to future price projection scenarios that account for a price on carbon emissions	Exxaro aligns with the recommendations of TCFD. Exxaro has not performed this analysis; however, it discloses in alignment with the recommendations of TCFD with scenario analysis disclosed in the 2020 CCRS, page 12 and 13. In addition, the disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-420a.2	Estimated carbon dioxide emissions embedded in proven Coal Reserves	Exxaro aligns with the recommendations of TCFD. In addition, the disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-420a.3	Discussion of how price and demand for coal and/or climate regulation influence the capital expenditure strategy for exploration, acquisition and development of assets	Exxaro aligns with the recommendations of TCFD. As part of the company's ERM system, management discusses the potential impact of price, demand and any regulatory changes on our business. The disclosure in this regard will be enhanced in the future suite of reports.
<b>Tailings storage facilities management</b>	EM-CO-540a.1	Tailings storage facility inventory table: (1) Facility name (2) Location (3) Ownership status (4) Operational status (5) Construction method (6) Maximum permitted storage capacity (7) Current amount of tailings stored (8) Consequence classification (9) Date of most recent independent technical review (10) Material findings (11) Mitigation measures (12) Site-specific emergency preparedness and response plan	2021 ESG report, tailings storage facilities section. The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-540a.2	Summary of tailings management systems and governance structure used to monitor and maintain the stability of tailings storage facilities	2021 ESG report, tailings storage facilities section. The disclosure in this regard will be enhanced in the future suite of reports.
	EM-CO-540a.3	Approach to development of emergency preparedness and response plans for tailings storage facilities	2021 ESG report, tailings storage facilities section. The disclosure in this regard will be enhanced in the future suite of reports.

# Task Force for Climate-Related Financial Disclosures (TCFD)

This is Exxaro's second year of reporting in line with the recommendations of the TCFD. Our ability to report in line with these recommendations reflects Exxaro's internalised and proactive position on climate change and our ESG commitments.

The table below provides an overview of our responses and provides links to relevant coverage in this report, our ESG report and other supporting documents available online. In 2020 we published a separate Climate Change Response strategy (CCRS) report and our Climate Change Positioning statement, which provides additional detail on some areas of our response to climate change and is available at <https://www.exxaro.com/assets/files/climate-change-position-statements.pdf>.

## RESPONDING TO THE TCFD REPORTING REQUIREMENTS

Aspect	Recommended disclosure	Indicator	Guidance and response
Governance	a Describe the board's oversight of climate-related risks and opportunities.	In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: <ul style="list-style-type: none"><li>• processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues</li><li>• whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures</li><li>• how the board monitors and oversees progress against goals and targets for addressing climate-related issues</li></ul>	The Board has oversight on climate-related risks and opportunities through the Risk and Business Resilience (RBR) subcommittee of the board. Governance section from page 130 of the ESG report outlines the process of oversight Contained in the RBR report from page 172 of the ESG report Contained in the RBR report from page 172 of the ESG report Contained in the RBR report from page 172 of the ESG report
	b Describe management's role in assessing and managing climate-related risks and opportunities.	In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: <ul style="list-style-type: none"><li>• whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues</li><li>• a description of the associated organizational structure(s)</li><li>• processes by which management is informed about climate-related issues; and</li></ul> how management (through specific positions and/or management committees) monitors climate-related issues.	The interface between the Board and Executive management on climate change matters is through the office of the CEO and Executive Head: Sustainability. The CEO provides leadership on all strategic climate change initiatives (decarbonisation project management office). The EH Sustainability attends the RBR meetings to report on progress climate change performance Executive team composition and roles and responsibilities from page 160 on the ESG report Executive team composition and roles and responsibilities from page 160 on the ESG report Executive team composition and roles and responsibilities from page 160 on the ESG report ESG report: Environmental management section from page 30

# Task Force for Climate-Related Financial Disclosures (TCFD) continued

Aspect	Recommended disclosure	Indicator	Guidance and response
Strategy	a Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. Organizations should provide the following information:</p> <ul style="list-style-type: none"> <li>• a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms;</li> <li>• a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization; and</li> <li>• a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.</li> </ul>	<p>Climate-related risks and opportunities are widely integrated into the organisation from strategy to operational activities</p> <p>RBR report climate change section from page 172 of the ESG report</p> <p>Climate change and Decarbonisation program from 46 of the ESG report</p> <p>Integrated Report material matters section from page 40</p>
	b Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<p>Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:</p> <ul style="list-style-type: none"> <li>Products and services</li> <li>Supply chain and/or value chain</li> <li>Adaptation and mitigation activities</li> <li>Investment in research and development</li> <li>Operations (including types of operations and location of facilities)</li> <li>Acquisitions or divestments</li> <li>Access to capital</li> </ul> <p>Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time</p> <p>Organizations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities). If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.</p>	<p>Integrated Report: Our business risk and opportunities section from page 44</p> <p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p> <p>ESG report section on Managing climate change-related risks from page 15</p> <p>Integrated Report: Our business risk and opportunities section from page 44 (specific section page 57)</p>
Risk		<p>Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.</p>	<p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p> <p>ESG report section on climate change resilience and decarbonisation from page 46</p>

Aspect	Recommended disclosure	Indicator	Guidance and response
Strategy	c Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. Organizations should consider discussing:</p> <ul style="list-style-type: none"> <li>• where they believe their strategies may be affected by climate-related risks and opportunities;</li> <li>• how their strategies might change to address such potential risks and opportunities;</li> <li>• the potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities); and</li> <li>• the climate-related scenarios and associated time horizon(s) considered.</li> </ul>	<p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p> <p>ESG report section on Managing climate change-related risks from page 15</p> <p>ESG report Climate Resilience section from page 46</p>
	a Describe the organisation's processes for identifying and assessing climate-related risks.	<p>Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.</p> <p>Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following:</p> <ul style="list-style-type: none"> <li>• processes for assessing the potential size and scope of identified climate-related risks and</li> <li>• definitions of risk terminology used or references to existing risk classification frameworks used.</li> </ul>	<p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p> <p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p>
	b Describe the organisation's process for managing climate-related risks.  c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<p>Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.</p> <p>Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.</p> <p>Organizations should provide the key metrics used to measure and manage climate related risks and opportunities. Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.</p> <p>Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.</p>	<p>ESG report section on Managing climate change-related risks from page 15</p> <p>ESG report: Environmental management, Land, Biodiversity and Rehabilitation management section from page 30</p> <p>ESG report Climate Resilience section from page 46</p> <p>ESG report Energy management section from page 53</p> <p>ESG report: Water management section from page 57</p> <p>ESG report: Waste management section from page 62</p>

# Task Force for Climate-Related Financial Disclosures (TCFD) continued

Aspect	Recommended disclosure	Indicator	Guidance and response
Metrics and Targets	<p>a Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management.</p>	<p>Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.</p> <p>Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy.</p> <p>Metrics should be provided for historical periods to allow for trend analysis. Where appropriate, organizations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories, consistent with their business or strategic planning time horizons. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics</p>	<p>Integrated Report: Section on Our strategy: Positioning Exxaro for enduring success from 66 with specific reference on the Sustainable Growth and Impact strategy performance and future focus from page 69</p> <p>ESG report: Environmental management, Land, Biodiversity and Rehabilitation management section from page 30</p> <p>ESG report Climate Resilience section from page 46</p>
	<p>b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>Organizations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organizations should consider disclosing Scope 3 GHG emissions.</p> <p>GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.</p> <p>GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.</p>	<p>ESG report: Water management section from page 57</p> <p>ESG report: Waste management section from page 62</p>
	<p>c Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organizations should consider including the following</p> <ul style="list-style-type: none"> <li>• whether the target is absolute or intensity based;</li> <li>• time frames over which the target applies;</li> <li>• base year from which progress is measured; and</li> <li>• key performance indicators used to assess progress against targets.</li> </ul> <p>Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.</p> <p>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.</p>	

# Assurance report

## INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN EXXARO RESOURCES LIMITED'S ESG REPORT

### To the Directors of Exxaro Resources Limited

We have undertaken a reasonable assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2021 ESG Report of Exxaro Resources Limited (the 'Company', "Exxaro" or "you") for the year ended 31 December 2021 (the Report). This engagement was conducted by a multidisciplinary team including health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

### Subject Matter

We have been engaged to provide a reasonable assurance opinion in our report on the following selected sustainability information. The selected sustainability information described below have been prepared in accordance with the Company's reporting criteria that accompanies the sustainability information on the relevant pages of the Report (the accompanying Company reporting criteria).

Selected Sustainability Information	Unit of measurement	Boundary	Page number
Number of fatalities	Number	Exxaro Group including Cennergi	24
Number of lost time injuries (employees and contractors)	Number	Exxaro Group including Cennergi	24
Lost Time Injury Frequency Rate (LTIFR) (employees and contractors)	Rate	Exxaro Group including Cennergi	24
Occupational health incident frequency rate (OHIFR)	Rate	Exxaro Group	24
Number of accepted occupational health cases	Number	Exxaro Group	24
Carbon Intensity - Scope 1	kt CO <sub>2</sub> e/TTM	Exxaro Group	49
Carbon Intensity - Scope 2	kt CO <sub>2</sub> e/TTM	Exxaro Group	49
Carbon footprint - Scope 1	kt CO <sub>2</sub> e	Exxaro Group	49
Carbon footprint - Scope 2	kt CO <sub>2</sub> e	Exxaro Group	49
Carbon footprint - Scope 3	kt CO <sub>2</sub> e	Exxaro Group	49
Number of level 2 and 3 environmental incidents	Number	Exxaro Group	23
Water intensity - total tonnage mined	Water withdrawn/ROM tonnes	Exxaro Group	23
Skills provision (% of appointment from within)	%	Exxaro Group	24
Scarcity skills retention (% turnover)	%	Exxaro Group	24
Number of stoppage directives (includes section 54 ito MHSA)	Number	Exxaro Group	23
Number of stoppage directives (includes directives ito NWA, NEMA and MPRDA)	Number	Exxaro Group	23
Talent bench - % of clusters (DL to DU) that have at least two EE candidates in the 3A/3B/2A category	%	Exxaro Group	101
Talent bench - % of clusters (EL and above) that have at least two EE candidates in the 3A/3B/2A category	%	Exxaro Group	101

We refer to this information as the selected sustainability information for Reasonable Assurance.

### Your responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on pages 237 to 239 of the Report (the "Reporting Criteria").

This responsibility includes:

- the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance, and
- the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the Report users.

# Assurance report continued

## Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practices on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

In particular, where the information relies on carbon and other emissions conversion factors derived by independent third parties, or internal laboratory results, our assurance work will not include examination of the derivation of those factors and other third party or laboratory information.

## Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our responsibility

Our responsibility is to express a reasonable assurance opinion on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform our engagement to obtain reasonable assurance about whether the selected sustainability information is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised), and ISAE 3410, involves performing procedures to obtain evidence about the measurement of the selected sustainability information and related disclosures in the Report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected sustainability information, whether due to fraud or error.

In making those risk assessments we have considered internal control relevant to the Company's preparation of the selected sustainability information. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by the Company;
- Assessing the suitability in the circumstances of the Company's use of the applicable reporting criteria as a basis for preparing the selected sustainability information; and
- Evaluating the overall presentation of the selected sustainability performance information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Reasonable Assurance Opinion

In our opinion and subject to the inherent limitations outlined elsewhere in this report, the selected sustainability information as set out in the Subject Matter paragraph above for the year ended 31 December 2021 are prepared, in all material respects, in accordance with the reporting criteria.

## Other Matters

The maintenance and integrity of Exxaro's website is the responsibility of Exxaro's directors. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on Exxaro's website.

## Restriction of liability

Our work has been undertaken to enable us to express a reasonable assurance opinion on the selected sustainability information to the directors of the Company in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Company, for our work, for this report, or for the conclusion we have reached.



PricewaterhouseCoopers Inc.

Director: Jayne Mammatt

Registered Auditor

Johannesburg

5 April 2022

# Appendix A: Criteria

KPI/Subject Matter	Definition/Criteria
<b>Number of Lost time injuries (employees and contractors)</b>	<p><b>KPI:</b> Number of Fatalities</p> <p><b>Definition:</b> A fatality includes all incidents that resulted in a fatality.</p> <p>Lost time injury (LTI) occurs when a person is injured in the execution of this/her duties and as a result of this injury is unable to perform his/her regular duties for one full shift or more on the day following the day on which the injury was incurred, whether a scheduled work day or not. The following notes apply:</p> <ul style="list-style-type: none"> <li>• Days lost are calendar days regardless of whether the injured was due at work or not on any of those days and includes scheduled time off.</li> <li>• Regular duties are those duties associated with the job description of the injured.</li> <li>• Normal daily travel to and from work is only considered as being work related if the transportation is owned, hired or contracted by the Company.</li> <li>• Restricted work (of light duties) which may follow on from lost time will normally be counted as lost time.</li> <li>• If a BU chooses to continue to use restricted work cases (RWCs) and RWC days the definition of Restricted Work Cases will apply.</li> </ul> <p>Irrespective of whether BUs record RWCs or not, the calculation of the LTIFR will include both LTI's and RWCs and the sum of lost days and restricted days.</p> <p>The employee lost time injury frequency rate shall be calculated whenever the lost time injury is reported and communicated.</p>
<b>Lost Time Injury Frequency Rate (LTIFR) - Employees and Contractors</b>	<p>Lost time injury (LTI) occurs when a person is injured in the execution of this/her duties and as a result of this injury is unable to perform his/her regular duties for one full shift or more on the day following the day on which the injury was incurred, whether a scheduled work day or not. The following notes apply:</p> <ul style="list-style-type: none"> <li>• Days lost are calendar days regardless of whether the injured was due at work or not on any of those days and includes scheduled time off.</li> <li>• Regular duties are those duties associated with the job description of the injured.</li> <li>• Normal daily travel to and from work is only considered as being work related if the transportation is owned, hired or contracted by the Company.</li> <li>• Restricted work (of light duties) which may follow on from lost time will normally be counted as lost time.</li> <li>• If a BU chooses to continue to use restricted work cases (RWCs) and RWC days the definition of Restricted Work Cases will apply.</li> </ul> <p>Irrespective of whether BUs record RWCs or not, the calculation of the LTIFR will include both LTI's and RWCs and the sum of lost days and restricted days.</p> <p>The employee lost time injury frequency rate shall be calculated whenever the lost time injury is reported and communicated.</p> <p>It is calculated as follows:  <math display="block">\text{LTIFR: } (\text{Number of LTI's X 200,000}) / \text{Total man-hours worked}</math></p> <p>Total man-hours should include visitor Hours</p>
<b>Occupational health incident rate</b> <b>• Reported cases of TB;</b> <b>• Reported cases of COAD;</b> <b>• Reported cases of Pneumo;</b> <b>• Reported cases of Noise;</b> <b>• Reported cases of Silicosis;</b> <b>per 200,000 hours</b>	<p>An occurrence of a medically diagnosed occupational disease by an Occupational Medical Practitioner, which is reported to MBOD, DMRE and/or RMA during the reporting period. However, no immediate decision for compensation is made until results of investigations are submitted.</p> <p>These Occupational Diseases include:</p> <ul style="list-style-type: none"> <li>• Reported cases of Occupational Tuberculosis</li> <li>• Reported cases of Chronic Obstructive Airway Disease</li> <li>• Reported cases of Pneumoconiosis</li> <li>• Reported cases of Noise Induced Hearing Loss</li> <li>• Reported cases of Silicosis</li> <li>• Reported cases of Occupational Asthma, etc.</li> </ul> <p>Occupational diseases are monitored and reported for employees and contractors.</p> <p>The Occupational Health Incident Frequency Rate is calculated as follows:  <math display="block">\text{OHIFR: } (\text{Number of reported occupational diseases X 200,000}) / \text{Total man-hours worked}</math></p> <p>Total man-hours worked include hours for employees, contractors and visitors.</p>

# Appendix A: Criteria continued

KPI/Subject Matter	Definition/Criteria
<b>Number of accepted cases of occupational diseases</b>	An accepted case is an approved case for compensation by the MBOD/RMA. An approved certificate is sent to the Occupational Medical Practitioner.  These Occupational Diseases are: <ul style="list-style-type: none"> <li>• Accepted cases of Occupational tuberculosis;</li> <li>• Accepted cases of Chronic Obstructive Airway Disease;</li> <li>• Accepted cases of Pneumoconiosis;</li> <li>• Accepted cases of Noise Induced Hearing Loss;</li> <li>• Accepted cases of Silicosis.</li> </ul>
<b>Carbon intensity (kt CO<sub>2</sub>e/TTM)</b>	Total emissions from Scope 1 and Scope 2 in (KtCO <sub>2</sub> e per Kton) Total Tonnes Mined
<b>Carbon footprint - Scope 1</b>	Total emissions from Exxaro operations these include total litres of diesel oil used for primary production activities, fugitive emissions from mining activities and limestone emissions created through mining activities converted to Kilo-tonnes CO <sub>2</sub> e.  The above are all combined and the total Scope 1 calculation is performed at head office.
<b>Carbon footprint - Scope 2</b>	Total emissions from the consumption of purchased electricity converted to Kilo-tonnes CO <sub>2</sub> e
<b>Carbon footprint - Scope 3</b>	Total indirect emissions that are a consequence of our operations, but are not directly owned or controlled by the Exxaro. These are the CO <sub>2</sub> emissions from the following categories, calculated in Kilo-tonnes-CO <sub>2</sub> e: 1. Use of Sold Products
<b>Number of Level 2 and 3 environmental incidents</b>	<b>Level 0 Environmental Incidents</b> - Where a potential environmental impact was avoided simply due to a 'moment in time' or an 'immediate clean up' it would be expected that the incident would be rated as a Level 0.  Any environmental observations noted during inspections or site visits can be also classified as a Level 0.  Minor environmental incidents are not reportable to the authorities, since they should not result in significant pollution or pose a risk to the public if remedied within the set period.  <b>A Minor Environmental Incident (Level 1)</b> is an internally reportable incident or sequel of incidents, whether immediate or delayed, that results in a minor negative impact on the environment.  However, should the minor environmental incident/s trigger a non-compliance to any of the Environmental Authorizations the incident must be reported according to the timeframes stated in the said authorization/s.  <b>A Medium Environmental Incident (Level 2)</b> is an internally reportable incident or sequence of incidents, whether immediate or delayed, that results, or has the potential to result, in widespread or localized, short-term, reversible, significant, negative impact on the environment and/or has a moderate risk of legal liability.  In this regard a medium environmental incident may be reportable to the local authorities depending on the applicable legislation, can result in significant pollution, may entail risk of public danger, but is not limited to the above.  <b>A Major Environmental Incident (Level 3)</b> is an internally and externally reportable incident or sequel of incidents, whether immediate or delayed, that result, or has the potential to result, in widespread, long-term, irreversible, significant, negative impact on the environment and/or has a high risk of legal liability.  In this regard it must be noted that a major environmental incident usually should be reported to authorities depending on the applicable legislation, usually result in significant pollution and may entail risk of public danger but is not limited to the above. Major environmental incidents usually remain an irreversible impact even with the involvement of long-term external intervention.
<b>Water intensity - ROM (tons)</b>	Water intensity refers to the total water withdrawals (excluding supply to third party, game, farmers) from a resource (not recycled/re-claimed water) divided by ROM, and is expressed as:  Water intensity = $\frac{\text{water withdrawal (m}^3\text{)}}{\text{ROM (tons)}}$

KPI/Subject Matter	Definition/Criteria
<b>Skills provision (% of appointment from within)</b>	<p><b>New Definition:</b> External is: All new engagements and re-engagements Internal is: Temporary to Permanent, Learnership to Permanent, Transfer to Artisan and Non-permanent employees appointed permanent. Transfer within same BU, Transfer between BU, Transfer between Company, Promotion within same BU, Promotion between Company.</p> <p>The Percentage is calculated as Number of external or internal appointments/Total number of appointments.</p>
<b>Scarcity skills retention (% turnover)</b>	Turnover %: Last 12 month's separations (excluding Retrenchment and Divesting)/an average of the last 12 months' manpower.
<b>Talent bench - % of clusters (DL to DU) that have at least two EE candidates in the 3A/3B/2A category</b>	<p><b>Measures the percentage of EE employees on D band that are immediately ready or medium term ready for the next higher level - against the target of 15%</b></p> <ul style="list-style-type: none"> <li>Count number of D band clusters that have at least 2 Black Individuals with 3A, 3B and 2A rating on immediately ready and medium-term cluster</li> <li>Count total number of clusters on specific D Band level Divide number of clusters with individuals on 3A,3B and 2A by total number of clusters</li> </ul>
<b>Talent bench - % of clusters (EL and above) that have at least two EE candidates in the 3A/3B/2A category</b>	<p><b>Measures the percentage of EE employees on E band that are immediately ready or medium term ready for the next higher level - against the target of 10%</b></p> <ul style="list-style-type: none"> <li>Count number of E band clusters that have at least 2 Black candidates with 3A, 3B and 2A rating on immediately ready and medium-term cluster</li> <li>Count total number of clusters on specific E Band level Divide number of clusters with individuals on 3A,3B and 2A by total number of clusters</li> </ul>
<b>Number of stoppage directives (includes section 54 i to MHSA)</b>	<p><b>Stoppage (directive) Instruction</b> A stoppage instruction is an instruction issued by an inspector from the Department of Mineral Resources or Department of Labour in terms of Section 54.(a) and (b) of the Mine Health and Safety Act, Act 29 of 1996 or Section 30.(1) - (5) of the Occupational Health and Safety Act, Act 85 of 1993 for occurrences, practices or conditions that, in the opinion of the inspector, pose a threat to the safety or health of employees.</p>
<b>Number of stoppage directives (includes directives i to NWA, NEMA and MPRDA)</b>	<p><b>Stoppage (directive) Instruction</b> A right/authorisation/permission/approval/licence under which has been placed under notice as per a) sections 93 and/or 47 of MPRDA; section 54 of NWA; and Section 31L of NEMA, and/or Regulation 38 of the NEMA EIA Regs.</p>

### Updated Definition

An occurrence of a medically diagnosed occupational disease by an Occupational Medical Practitioner, which is reported to MBOD, DMRE and/or RMA during the reporting period. However, no immediate decision for compensation is made until results of investigations are submitted.

These Occupational Diseases include:

- Reported cases of Occupational Tuberculosis
- Reported cases of Chronic Obstructive Airway Disease
- Reported cases of Pneumoconiosis
- Reported cases of Noise Induced Hearing Loss
- Reported cases of Silicosis.
- Reported cases of Occupational Asthma, etc.

Occupational diseases are monitored and reported for employees and contractors.

The Occupational Health Incident Frequency Rate is calculated as follows:  
OHIFR: (Number of reported occupational diseases X 200,000)/Total man-hours worked

Total man-hours worked include hours for employees, contractors and visitors.

# Glossary

<b>&lt;IR&gt; Framework</b>	International Integrated Reporting Council's Integrated Reporting <IR> Framework 2021
<b>AECFT</b>	Amakhala Emoyeni Community Fund Trust
<b>AEL</b>	Atmospheric emissions licence
<b>B-BBEE</b>	Broad-based black economic empowerment
<b>BU</b>	Business unit
<b>Cennergi</b>	Cennergi Proprietary Limited
<b>CEO</b>	Chief executive officer
<b>Companies Act</b>	Companies Act, 2008 (Act 71 of 2008), as amended
<b>COAD</b>	Chronic obstructive airways disease
<b>COGTA</b>	Department of Cooperative Governance and Traditional Affairs
<b>COP26</b>	2021 United Nations Climate Change Conference
<b>CSA</b>	Control self-assessment
<b>CSI</b>	Corporate social investment
<b>CSIR</b>	Council for Scientific and Industrial Research
<b>DBP</b>	Deferred bonus plan
<b>DEL</b>	Department of Employment and Labour
<b>DFFE</b>	Department of Forestry, Fisheries and Environment
<b>DMRE</b>	Department of Mineral Resources and Energy
<b>DoH</b>	Department of Health
<b>dtic</b>	Department of Trade, Industry and Competition
<b>DWS</b>	Department of Water and Sanitation
<b>EAP</b>	Employee assistance programme
<b>ECC</b>	Exxaro Coal Central
<b>ECD</b>	Early childhood development
<b>ECF</b>	Exxaro Chairman's Fund
<b>EERF</b>	Exxaro's Environmental Rehabilitation Fund
<b>EF</b>	Exxaro Foundation
<b>EIA</b>	Environmental impact assessment
<b>EME</b>	Exempt micro-enterprise
<b>EPDI</b>	Exxaro People Development Initiative
<b>ERM</b>	Enterprise risk management
<b>ESD</b>	Enterprise and supplier development
<b>ESOP</b>	Employee share ownership plan
<b>EVP</b>	Employee value proposition
<b>EWP</b>	Employee wellness programme
<b>FD</b>	Finance director

<b>GBV</b>	Gender-based violence
<b>GHG</b>	Greenhouse gas
<b>GIBS</b>	Gordon Institute of Business Science
<b>G-MIRM</b>	Global Minerals Industry Risk Management
<b>GRI</b>	Global Reporting Initiative
<b>HPIs</b>	High-potential incidents
<b>ICT</b>	Information and communications technology
<b>IDC</b>	Industrial Development Corporation of South Africa Limited
<b>IFC</b>	International Finance Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IPP</b>	Independent power producer
<b>JSE</b>	JSE Limited
<b>KAM</b>	Key account management
<b>King IV</b>	King IV Report on Corporate Governance for South Africa, 2016
<b>KPI</b>	Key performance indicator
<b>LoM</b>	Life of mine
<b>LTI*</b>	Long-term incentive
<b>LTI*</b>	Lost-time injury
<b>LTIP</b>	Long-term incentive plan
<b>LTIFR</b>	Lost-time injury frequency rate
<b>MHSA</b>	Mine Health and Safety Act, 1996 (Act 29 of 1996)
<b>Mining Charter III</b>	Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018
<b>Mol</b>	Memorandum of incorporation
<b>MPRDA</b>	Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002)
<b>MSR</b>	Minimum shareholding requirement
<b>NBI</b>	National Business Initiative
<b>NCOE</b>	Notional cost of employment
<b>NDC</b>	Nationally determined condition
<b>NEMA</b>	National Environmental Management Act, 1998 (Act 107 of 1998)
<b>NIHL</b>	Noise-induced hearing loss
<b>NPAT</b>	Net profit after tax
<b>NWA</b>	National Water Act, 1998 (Act 36 of 1998)
<b>OHIFR</b>	Occupational health incident frequency rate
<b>PIT</b>	Professionals in training
<b>PPE</b>	Personal protective equipment

\* The abbreviation is context-specific.

# Glossary continued

<b>POPIA</b>	Protection of Personal Information Act, 2013 (Act 4 of 2013)
<b>PV</b>	Photovoltaic
<b>PWD</b>	People with disabilities
<b>QSE</b>	Qualifying small enterprise
<b>RBCT</b>	Richards Bay Coal Terminal Proprietary Limited
<b>RBR</b>	Risk and business resilience
<b>ROCE</b>	Return on capital employed
<b>RRODA</b>	Renewable energy risk and opportunity domain analysis
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SDGs</b>	Sustainable Development Goals
<b>SERC</b>	Social, ethics and responsibility committee
<b>SIOC</b>	Sishen Iron Ore Company Proprietary Limited
<b>SLP</b>	Social and labour plan
<b>SMME</b>	Small, medium and micro-enterprise
<b>SOE</b>	State-owned enterprise
<b>SPR</b>	Special performance reward
<b>SPV</b>	Special purpose vehicle
<b>STI</b>	Short-term incentive
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures
<b>TGP</b>	Total guaranteed package
<b>TPI</b>	Transition Pathway Initiative
<b>Tronox</b>	Exxaro's investment in Tronox entities
<b>TSR</b>	Total shareholder return
<b>Tronox SA</b>	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
<b>TWFT</b>	Tsitsikamma Community Windfarm Trust
<b>UNGC</b>	United Nations Global Compact
<b>VARP</b>	Value Appreciation Rights Plan
<b>WUL</b>	Water use licence

## Notes

## Notes

# Administration

## GROUP COMPANY SECRETARY AND REGISTERED OFFICE

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2000/011076/06  
JSE share code: EXX  
ISIN code: ZAE000084992 ADR code: EXXAY  
Bond code: EXX04  
ISIN number: ZAG000160326  
Bond code: EXX005  
ISIN number: ZAG000160334

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