



exxaro

POWERING POSSIBILITY

Exxaro Resources Limited
United Nations Global Compact
Communication on Progress 2021

Reporting scope and boundary

This report outlines our progress against the United Nations Global Compact (UNGC) principles. It is supplemented by the published reports in our 2021 reporting suite available at www.exxaro.com

Our reports cover material financial and non-financial information about our strategic decisions and operational performance for the period 1 January 2021 to 31 December 2021 (the 2021 financial year) of our wholly owned and joint operations in South Africa, Europe and Australia. The reporting boundary now incorporates material information about Cennergi Proprietary Limited (Cennergi) following our 100% acquisition of this business in 2020. Unless stated otherwise, information on Tronox is no longer included following the disposal of this investment in March 2021.

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, a subsidiary of Kumba Iron Ore Limited, or joint control, namely Mafube Coal Proprietary Limited (joint venture) and the Moranbah coal project.

The quantitative data in this report is as at 31 December 2021 unless stated otherwise.

 Details on qualitative data included in this report can be found in our annual reports at <https://www.exxaro.com/investor-centre/integrated-reports/>



CONNECT WITH US

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

Malusi Buthelezi
Manager: Integrated reporting and ESG
Tel: +27 12 307 3174
Mobile: +27 83 460 3723
Email: Malusi.Buthelezi@exxaro.com

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.

Contents

- 1 CEO's statement of continued support
- 2 Human rights principles
- 3 Labour principles
- 8 Environmental principles
- 15 Anti-corruption principles
- 16 Our alignment with the SDGs
- IBC Administration

Overview

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 an existing coal business and acquisitive growth prospects in minerals and renewable energy solutions.

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

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

Our success lies in the strength of our culture and values embodied in our Sustainable Growth and Impact strategy. This strategy aims to strengthen our resilience and ensure we deliver sustainable stakeholder value.

The UNGC principles are embedded in our Sustainable Growth and Impact strategy, values, operations and stakeholder engagements in alignment with our endeavours to make a measurable positive impact on the UN Sustainable Development Goals (SDGs). The UNGC is the world's largest corporate sustainability initiative. It is committed to mobilising a global movement of sustainable companies and stakeholders to create the world we want.

In this annual communication on progress, we describe our actions to continuously improve the integration of the UNGC principles into our business strategy, culture and daily operations.

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CEO's statement of continued support

Our Sustainable Growth and Impact strategy is anchored on measurable and multi-stakeholder value creation. At the core of this strategy is our proactive diversification from carbon-based commodities, reducing our own carbon footprint and developing alternative economic opportunities that will support the livelihoods of communities that depend on our operations.

DEAR STAKEHOLDERS

I am pleased to confirm that Exxaro Resources Limited (Exxaro) continues to support the 10 UNGC principles on human rights, labour, environment and anti-corruption.

I believe our voluntary participation in the UNGC since 2007 advances the case for responsible business practices and encourages our stakeholders to do the same. It holds us accountable to a global standard as we strive to become a catalyst for economic growth and environmental stewardship.

We are committed to sharing this information with our stakeholders using our primary communication channels.

Yours sincerely



Dr Nombasa Tsengwa
Chief executive officer (CEO)

5 October 2022



Dr Nombasa Tsengwa
CEO

Human rights principles

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
Principle 2	Make sure that they are not complicit in human rights abuses

ASSESSMENT, POLICY AND GOALS

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

Cennergi has human resources policies to 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.

Goals

In 2022, we will 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 advance the design and implementation of our human rights framework, using an independent consultant to assess our internal gap analysis. Further, rigorous community interviews will assess actual and potential human rights impacts to inform the framework design. The framework will enable us to specify formal remedies to address human rights complaints and grievances.

In the meantime, we uphold section 24 of the Bill of Rights, which states that everyone has the right to an environment that is not harmful to health or wellbeing.

IMPLEMENTATION

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.

Our induction programmes educate employees about human rights and our position against discrimination. We also train our security personnel in human rights aspects relevant to each operation. In addition, our refresher courses include human rights issues.

To align and strengthen our human rights protection mechanisms, we engage with the UNGC and the Minerals Council South Africa (MSCA), which has a guiding framework for the mining industry.

The framework we are developing to guide our approach to human rights issues is guided by the MSCA proposed industry framework, drawing mainly from the UNGC guiding principles on human rights. The MSCA has identified seven human rights priority areas for the South African mining industry:

1. Environmental management and conservation, including climate change
2. Health and safety
3. Governance and ethics
4. Security and human rights
5. Transformation
6. Human rights in the workplace
7. Land use and resettlements

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. This process 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, 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.

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 their rights have been infringed has a right to lodge a grievance without fear of victimisation.

MEASUREMENT OF OUTCOMES

No human rights-related grievances were lodged against Exxaro in 2021.

We conducted a due diligence review of our human rights performance in 2021 to inform our evolving framework and obtain insights on effective human rights practices. 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 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.

 Refer to pages 128 and 129 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/human-rights.php> for details on our human rights performance.

Labour principles

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labour
Principle 5	The effective abolition of child labour
Principle 6	The elimination of discrimination in respect of employment and occupation

ASSESSMENT, POLICY AND GOALS

At a minimum, Exxaro complies with the Basic Conditions of Employment Act, 1997 (Act 75 of 1997), which regulates working hours and labour legislation in South Africa. Our policies are aligned with this and other laws of the country, including the South African Constitution, and we comply with International Labour Organization codes.

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 South Africa's 2030 National Development Plan and integrated development plans of the local municipalities where we operate.

We maintain sustainable human resource governance with comprehensive policies covering employment, diversity and inclusion, racial and sexual harassment, labour relations, occupational health and safety, training and education, among others. Our overarching labour and human rights policy 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 are also guided by our Sustainable Growth and Impact strategy, supported by the following human rights-focused strategies:

- People strategy: Guides our employee engagement approach
- Safety strategy: Drives our commitment to zero harm
- Health and wellness strategy: Emphasises a preventive and employee-driven approach to managing health and wellness
- Employee relations strategy: Guides our approach to managing employee needs and expectations
- Talent management strategy: Ensures we have the right skills and people
- Community strategy: Manages community and socio-economic development activities
- Community development strategy and Impact at Scale approach: Establishes inclusive, collaborative, cross-sectoral platforms, initiatives and partnerships to achieve systemic socio-economic impact
- Enterprise and supplier development strategy: Defines our approach to driving Impact at Scale and enterprise and supplier development

 Refer to page 109 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/communities.php> for details on our Impact at Scale approach.

Our policies and structures that aim to prevent discrimination, harassment and racism also aim to protect employees' human rights. Our diversity, equity 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.

We are also committed to the International Finance Corporation's Performance Standard 2: 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.

Goals

We will continue to pursue employment equity targets while compiling an anti-bullying policy and finalising our employee relationship management strategy in collaboration with unions.

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 professionals-in-training 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

In support of our Sustainable Growth and Impact strategy, we will also be implementing related short-term incentive (STI) targets. The following group-wide policy areas will receive particular attention:

- Together with the social, ethics and responsibility committee (SERC), the remuneration committee will continue to address remuneration disparities as part of the fair pay journey
- Reviewing our human capital strategy to support our business strategy
- Managing implementation of the minimum shareholding requirement policy for executives and prescribed officers approved in 2020
- Formulating a progressive parental leave policy and framework

Labour principles continued

To achieve zero harm, we will continue to work towards eliminating fatalities and high-potential incidents, further reducing our lost-time injury frequency rate (LTIFR), increasing medical offerings (including COVID-19 mitigation measures) for employees at all levels and managing occupational health data.

 For more information on our employees refer to page 82 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/people.php>

To negate any negative impacts, we have a robust employee value proposition, supported by our diversity and inclusion strategy, through co-creating an innovative and agile work environment. Value-adding people solutions afford a fulfilling work experience with growth and development.

 Refer to pages 95 to 107 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/people.php> for details on employee engagement and talent management.

IMPLEMENTATION

Accountability and responsibility

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.

Although ultimate accountability for diversity and inclusion resides with our board, the policy stipulates that the board delegates authority to the CEO and executive committee to act on its behalf in matters relating to diversity, equity and inclusion, which the board monitors through the CEO and the executive head: human resources.

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.

 Refer to pages 84 to 94 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/people.php> for details on our commitment to safety, health and wellness

We proactively engage with employees and share information through quarterly and monthly meetings. Other engagements are conducted with unions that have concluded recognition agreements and maintain collective bargaining rights. Our union representation threshold therefore creates a platform for wider representation of union groups across a broad range of employees. 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. Relationships with our union stakeholders thus remain stable even during wage negotiations. We respect unions' objectives to ensure fair labour practices, remuneration, benefits and better working conditions for their members. We value their input in business operations and therefore engage with unions twice a year about our performance and strategic outlook. We meet their expectations in line with our business and people strategies while striving for proactive issue resolution, relationship building, risk management, and maintaining workplace harmony and professional working relationships.

 Refer to pages 82 to 107 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/people.php> for details on the implementation of our strategies, alignment with and commitment to internal policies, and our employee value proposition.

MEASUREMENT OF OUTCOMES

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
	% of		% of		% of		% of		% of		% of		
	Female	workforce	Male	workforce	Female	workforce	Male	workforce	Female	workforce	Male	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
Total	1 307	19.38	4 237	62.82	66	0.97	28	0.41	387	5.73	720	68.92	6 745

 For more information on employee turnover refer to page 99 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/people.php>

No cases of alleged discrimination or grievances were filed (2020: none).

The dashboard below links strategic key performance indicators (KPIs) and material matters to present our sustainable value creation in terms of the relationships between the capitals we impact. Performance indicators 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 strategic objectives.

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						

HUMAN CAPITAL

KPI	Strategy	2021			2020			Trend based on threshold
		Target	Actual	Indicator	Target	Actual	Indicator	
Safety								
Number of fatalities = 0 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		
Health								
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	
Skills								
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%		
Security								
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 four 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%.

Labour principles continued

SOCIAL AND RELATIONSHIP CAPITAL

KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
Employment equity								
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 ⁵ 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%		
Business sustainability								
B-BBEE ⁵ level	Empower people to create impact	Level 1	Level 2		Level 1	Level 2		
Enterprise development (% of NPAT ⁵)	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%		

⁵ Broad-based black economic empowerment (B-BBEE), historically disadvantaged persons (HDP) and net profit after tax (NPAT).

 For more information on strategic KPIs refer to page 22 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/strategic-key-performance-indicators.php>

We are pleased that, in 2021, Exxaro secured long-term wage agreements (three-year duration) across all five employers within the group. The benefit of these long-term agreements is securing labour and operational stability for Exxaro to enable broader operational and strategic delivery. Part of the settlement with Exxaro Coal Proprietary Limited was that medical aid became a compulsory benefit. A thorough independent review and a new medical aid were 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
- Having face-to-face engagements as far as possible within our COVID-19 protocols because they are 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



Environmental principles

Principle 7	Businesses should support a precautionary approach to environmental challenges
Principle 8	Undertake initiatives to promote greater environmental responsibility
Principle 9	Encourage the development and diffusion of environmentally friendly technologies

ASSESSMENT, POLICY AND GOALS

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

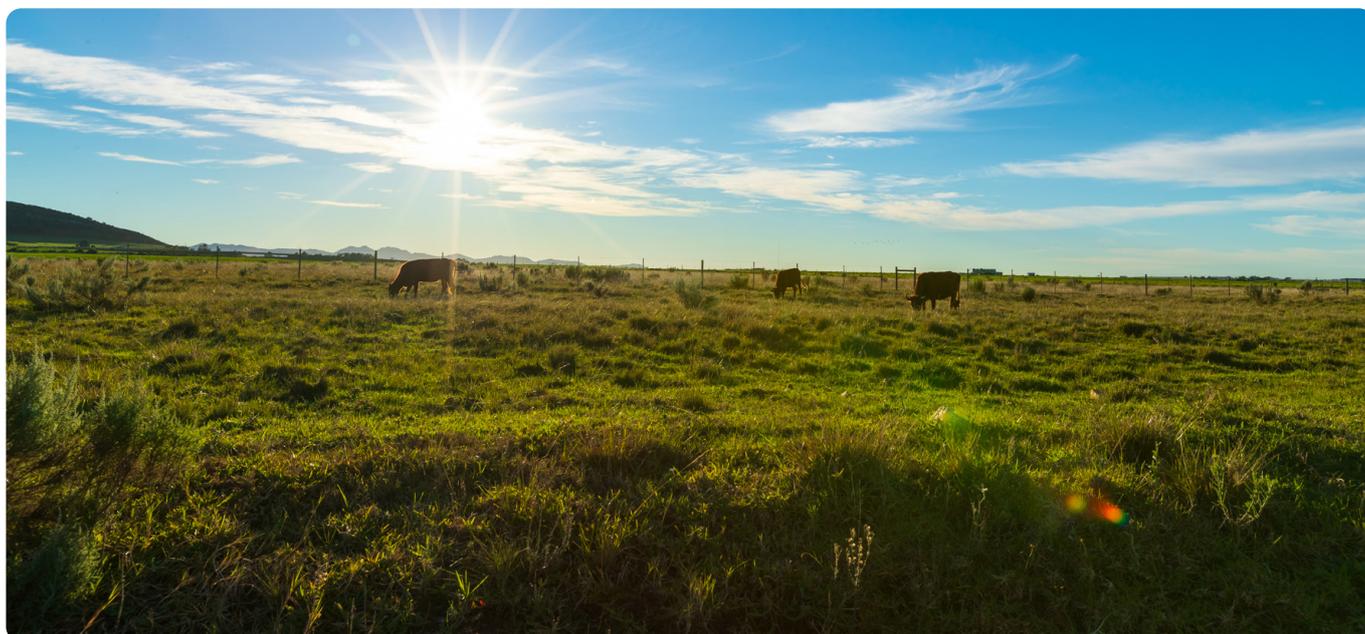
- Committing to environmental stewardship
- Incorporating environmental performance principles in all our management systems, policies and practices
- Adhering to local and international environmental standards and future-based best practices
- Participating in voluntary benchmarks such as the global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

Our environmental approach is guided by our Sustainable Growth and Impact strategy and our goal to proactively transition our business to a 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. Our all-encompassing group standards support this for air quality, water, energy, rehabilitation and mine closure as well as environmental incident management and reporting. Each business unit (BU) embeds these standards and maintains ISO 14001 certification for effective environmental management requirements.

Our operations in South Africa have environmental management programmes as required by the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) and the National Environmental Management Act, 1998 (Act 107 of 1998), and have the required integrated water use licences. The defined precautionary principle as per the National Environmental Management Act 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 Performance Standard and the World Bank's Environmental, Health and Safety Guidelines, among other international requirements.

South African mining companies and mining-related activities are strictly regulated. Our environmental management challenges include constraints experienced by government departments like the Department of Mineral Resources and Energy and the Department of Water and Sanitation. We are exposed to significant risks when permits are delayed. These permits include integrated water use licences 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.



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 (below) that ensures 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.



For more information on environmental stewardship refer to page 38 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/environment.php>

Environmental principles continued

Goals

<p>Decarbonisation</p>	<p>Our decarbonisation project management office is assessing our value chain emission profile and determining quick wins that we can implement in 2022 and beyond. 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.</p>
<p>Task Force on Climate-Related Financial Disclosures</p>	<p>To align with the Task Force on Climate-Related Financial Disclosures recommendations on metrics and targets, water and energy intensity targets will be included in the revised group-wide short-term incentives (STIs) in 2022 to link climate change outcomes to organisational risks and performance. This will ensure that we can implement strategic projects to mitigate water security risk and transition our energy use to cleaner fuels.</p>
 <p>Air quality</p>	<p>In 2022, we will 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.</p> <p>We will also review our air quality management system at Leeuwan based on changes in mining operations. At Belfast, we will investigate alternative dust control measures (wind breakers and 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, sulphur oxide and nitrogen oxide in real time.</p> <p> For more information on air quality refer to page 43 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/air-quality.php</p>
 <p>Climate change resilience</p>	<p>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 by raising awareness about climate change and the just transition required to support South Africa's development.</p> <p>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, and 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.</p> <p> For more information on climate change resilience refer to page 46 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/climate-change-resilience.php</p>
 <p>Energy management</p>	<p>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.</p> <p>In line with our renewable energy strategy, we will begin construction of the Grootegeluk solar photovoltaic 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.</p> <p> For more information on energy management refer to page 53 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/energy-management.php</p>
 <p>Water security management</p>	<p>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 Task Force on Climate-Related Financial Disclosures process, the financial and business resilience implications of water security will be effectively quantified.</p> <p>We are 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.</p> <p>We will continue our efforts to improve our water efficiency through various infrastructure projects and enhancements.</p> <p> For more information on water security management refer to page 57 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/water-security-management.php</p>

Goals continued

 <p>Waste management</p>	<p>Our focus remains on:</p> <ul style="list-style-type: none"> • 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 as well as access to funding <p> For more information on waste management refer to page 62 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/waste-management.php</p>
 <p>Biodiversity</p>	<p>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.</p> <p>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.</p> <p> For more information on biodiversity refer to page 66 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/biodiversity.php</p>
 <p>Environmental liabilities and rehabilitation</p>	<p>We will aim to:</p> <ul style="list-style-type: none"> • 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 <p>Develop engagement and management plans with the decarbonisation team to incorporate rehabilitation into carbon-neutrality initiatives</p> <p> For more information on environmental liabilities and rehabilitation refer to page 72 of our 2021 ESG report or online at https://investor.exxaro.com/integrated-reports2021/esg/environmental-liabilities-and-rehabilitation.php</p>

 For more information on environment refer to page 38 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/environment.php>

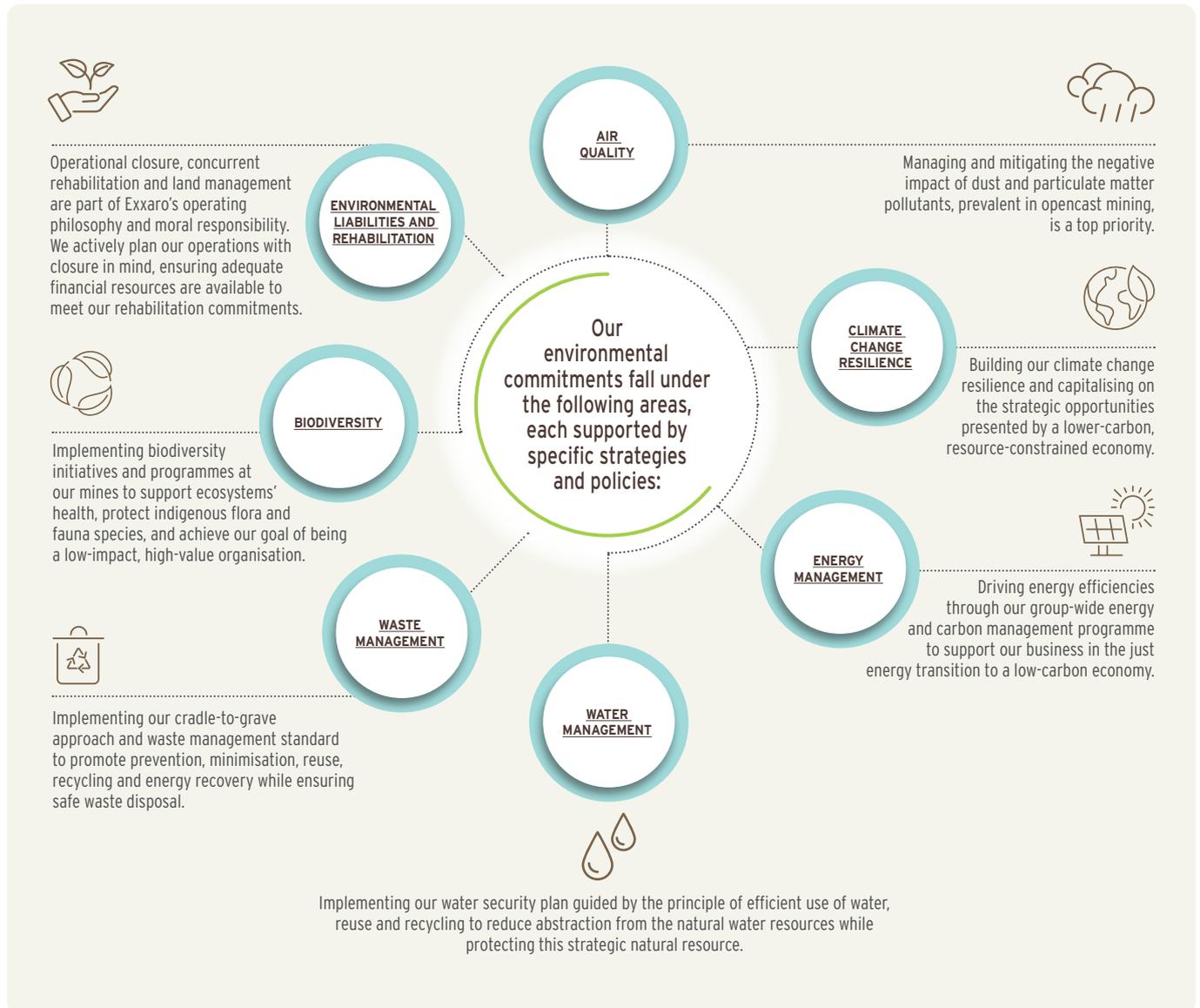


Environmental principles continued

IMPLEMENTATION

Accountability and responsibility

The board, supported by the risk and business resilience 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.



Performance indicators in the dashboard below show whether KPIs are within our risk appetite thresholds.

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

NATURAL CAPITAL

KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
Incidents								
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		
Compliance								
Stoppage directives (includes section 54 in terms of MHSA*)	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		
Valid authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	100%		
Projects		100%	100%		100%	100%		
Compliance to valid licences/authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)								
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%		
Environmental liability provisions in place								
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%		
Environmental management								
Carbon intensity scope 1 emissions (ktCO ₂ 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 ₂ 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) (MHSA).

** National Water Act, 1998 (Act 36 of 1998) (NWA), National Environmental Management Act, 1998 (Act 107 of 1998) (NEMA) and Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) (MPRDA).

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

**** Run of mine (RoM).

For more information on strategic KPIs refer to page 22 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/strategic-key-performance-indicators.php>

Environmental principles continued

MEASUREMENT OF OUTCOMES

We recorded zero significant environmental incidents across the group in 2021.

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 with zero environmental impact but posing potential risks.

 Refer to a record of our environmental incidents over the past three financial years on page 41 of our 2021 ESG report or online at <https://investor.exxaro.com/integrated-reports2021/esg/environment.php>



Anti-corruption principles

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery

ASSESSMENT, POLICY AND GOALS

Our anti-bribery and anti-corruption policy supports our code of ethics, which confirms our ethical principles that 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. Recognising that our public reputation is one of our most important assets, we are committed to achieving the highest ethical standards in our business operations.

Our ongoing anti-bribery and anti-corruption programme encompasses the identification and combating of different forms of bribery-related activity especially when engaging with government as one of our stakeholders, and suppliers or vendors of goods and services. Contractors, vendors and third parties are also made aware that they are expected to report corrupt activity when identified. The mechanisms to do so are written into contracts, and published on our website and visible posters.

Goals

Our focus areas in 2022 will include compulsory group-wide anti-bribery and anti-corruption training on MyNexxt (Exxaro's cloud-based learning management system).

We will also continue reviewing anti-bribery and anti-corruption programme implementation, including rolling out of the conflict of interest programme to ensure an ethical culture.

In addition, the SERC will consider the ethics strategy and management plan to be approved by the board.

IMPLEMENTATION

Accountability and responsibility

Our board assumes responsibility for ensuring that organisational ethics are managed effectively and governs the group's ethics to support the establishment of an 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).

During 2021, we 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.

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.

A group-wide ethical risk assessment conducted by The Ethics Institute in 2021 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, open and transparent ethics accountability and responsibility, increasing ethics talk at every level of the business, and commitment to ethics by all levels of the organisation.

MEASUREMENT OF OUTCOMES

The 26 cases of corruption reported against employees in 2021 (2020: 69) were mitigated through disciplinary inquiries, cases registered with the South African Police Service and arrests. All disciplinary enquiries returned a guilty verdict and resulted in nine cases of dismissal. One dismissal case went to the Commission for Conciliation, Mediation and Arbitration, which ruled in Exxaro's favour.



Our alignment with the SDGs



Exxaro voluntarily endorses the 17 SDGs. We also participate in the National Business Initiative in South Africa to align the 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 through:

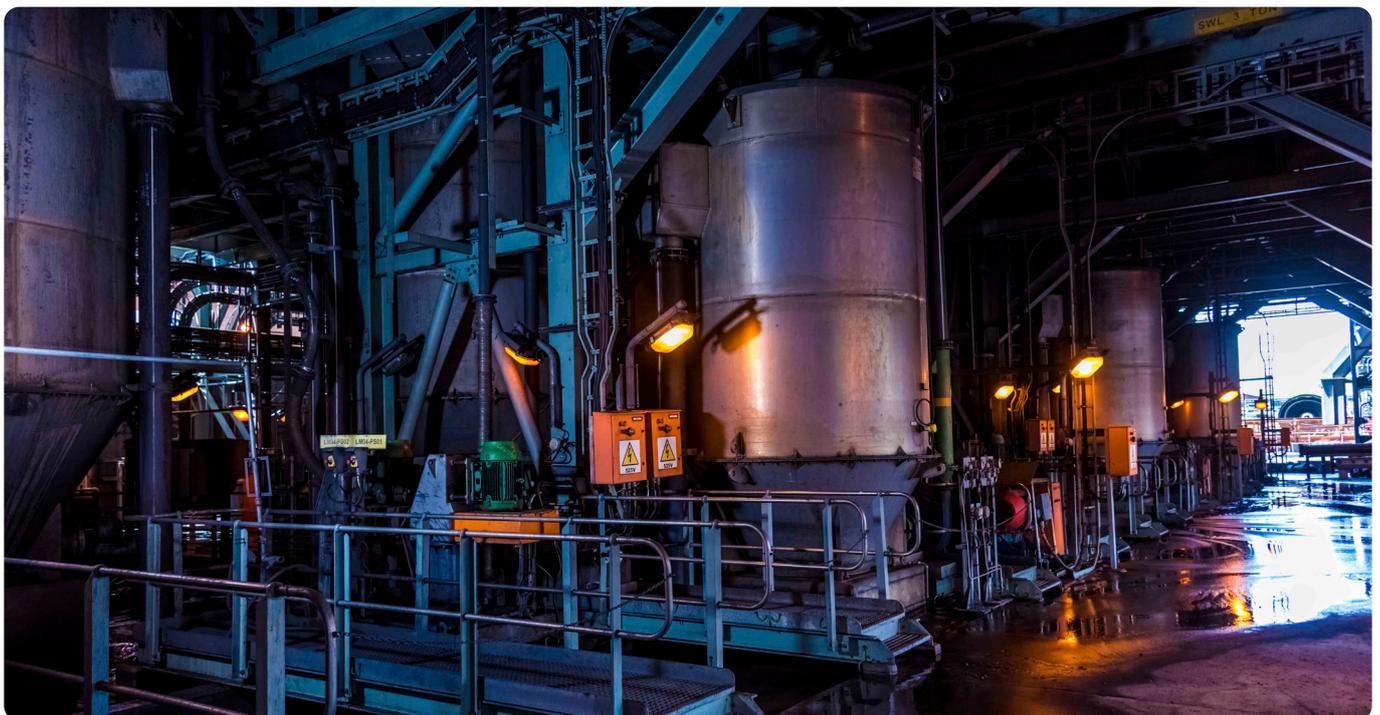
- Our purpose acknowledging the challenges and opportunities on our continent and our role in overcoming them
- Our strategic objectives designed to ensure that, as we transition our business to meet our vision, we do so in a just manner that balances South Africa's economic development needs, ecosystem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

Our vision: Resources powering a clean world
Exxaro is a South Africa-based diversified resources company with a robust coal business and acquisitive growth prospects in minerals and renewable energy solutions.

Our purpose: Powering better lives in Africa and beyond

Our ambition is to provide resources (beyond just commodities) critical to a low-carbon world is driven by our purpose.

Our Sustainable Growth and Impact strategy: Enabling us to deliver on our purpose and vision
Through our Sustainable Growth and Impact strategy, we aim to strengthen our resilience and ensure we deliver sustainable stakeholder value through a robust business portfolio in a low-carbon economy.



Administration

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

Andiswa Ndoni

Exxaro Resources Limited
The conneXXion
263B West Avenue
Die Hoewes
Centurion
0163
(PO Box 9229, Pretoria 0001)
South Africa
Telephone: +27 12 307 5000

LEAD EQUITY SPONSOR AND DEBT SPONSOR

Absa Bank Limited (corporate and investment bank division)
15 Alice Lane
Sandton
2196
Telephone: +27 11 895 6000

JOINT EQUITY SPONSOR

Tamela Holdings Proprietary Limited
Ground Floor
Golden Oak House
Ballyoaks Office Park
35 Ballyclare Drive
Bryanston
2021
Telephone: +27 11 783 5027/4907

COMPANY REGISTRATION NUMBER

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

INDEPENDENT EXTERNAL AUDITOR

For the financial year ended 31 December 2021
PricewaterhouseCoopers Inc
4 Lisbon Lane
Waterfall City
Jukskei View
Midrand
2090

COMMERCIAL BANKER

Absa Bank Limited

CORPORATE LAW ADVISER

Inlexso Proprietary Limited
Building 3 Summit Place
221 Garsfontein Road
Menlyn
Pretoria
0181
Telephone: +27 12 942 5555

REGISTRARS

JSE Investor Services Proprietary Limited
13th Floor
19 Ameshoff Street
Braamfontein
2017
(PO Box 4844, Johannesburg 2000)
Telephone: +27 86 154 6572/+27 11 713 0800
Facsimile: 086 674 4381
Email: InvestorServices@jseinvestorservices.co.za

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