



exxaro

POWERING POSSIBILITY

Exxaro Resources Limited
Integrated report 2021



exxaro
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Integrated report 2021

NAVIGATING THIS REPORT

We use icons to show:

Detailed disclosure and further reading



Read more online at
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.



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

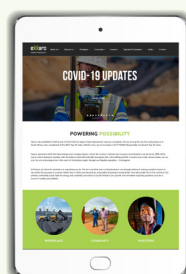


Group and company annual financial statements



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:

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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 Cennergis's windfarm photographs, and all contributors who supplied the photographs used in our reporting suite.

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About our integrated report

Exxaro's integrated report for the year ended 31 December 2021 is our value creation story to our stakeholders, particularly our shareholders and other providers of financial capital.

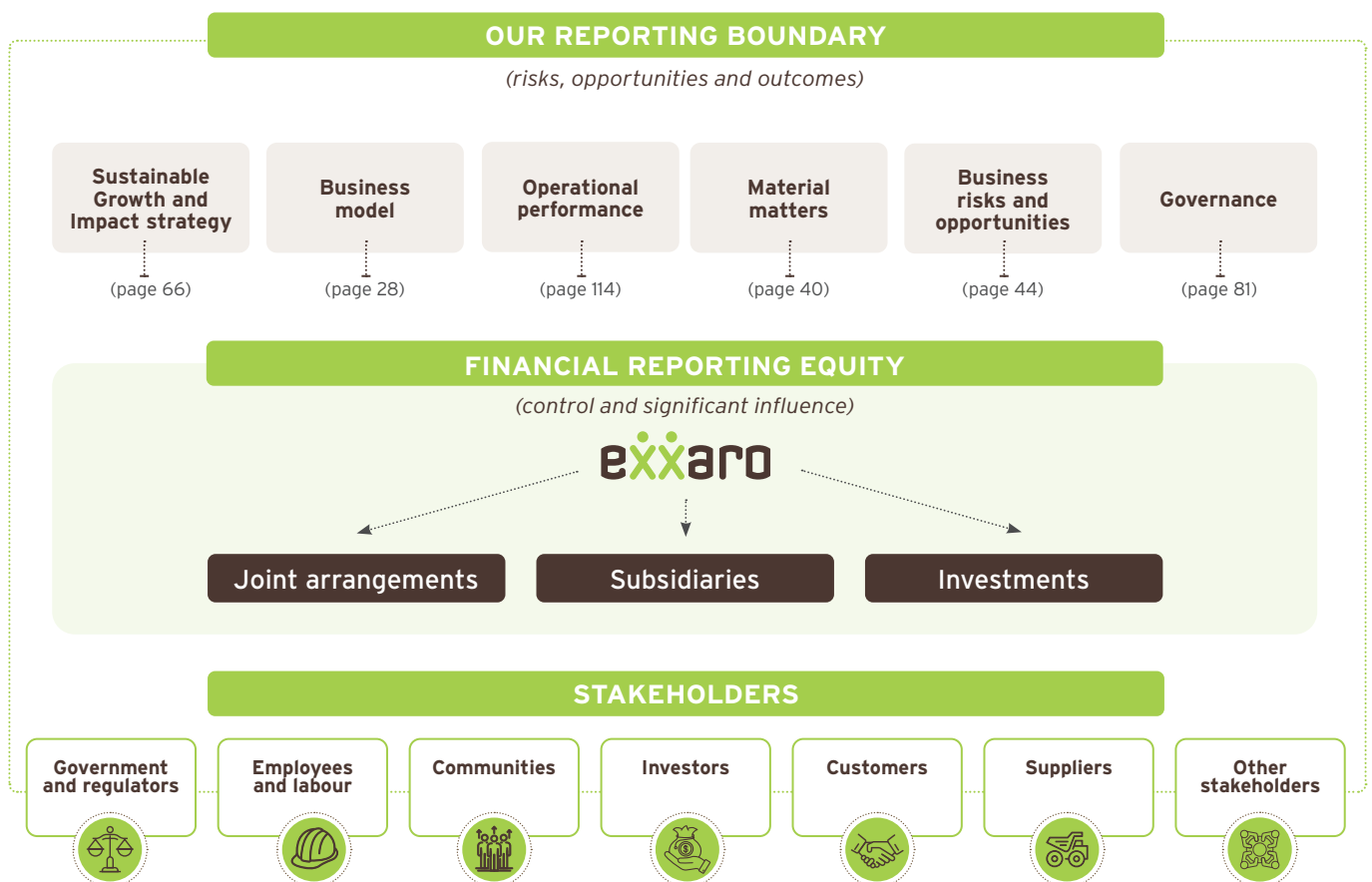
SCOPE AND BOUNDARY

This report contains material information about our strategic decisions and operational performance for the period 1 January 2021 to 31 December 2021 (the 2021 financial year). It covers the financial and non-financial information of our wholly owned and joint operations in South Africa, Europe and Australia. The reporting boundary now incorporates some 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 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.

The 2021 integrated report includes a summary of the most material information in the ESG report and CMRR report. Further detail on our financial performance can be found in our annual financial statements, and historical performance can be found in our previous reports.

 Our reporting suite can be accessed on our website under the investors tab.



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

MATERIALITY

We determine the information to include in this report through a materiality determination process. This process identifies the matters that may affect our ability to create and preserve value over time, guiding what we should report on. We group these material matters into themes that link to the resources we use and affect.

Material themes that guide our integrated reporting



Adapting to the changing context



Helping our people thrive



Building sustainable communities



Executing our strategy



Driving business excellence

For a detailed discussion on this process and the material matters we identified, refer to page 40.

FRAMEWORKS AND GUIDELINES

The content of this report is guided by:

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

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BOARD RESPONSIBILITY

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

Geoffrey Qhena Independent chairperson		Mxolisi Mgojo Chief executive officer (CEO)	
Nombasa Tsengwa CEO designate		Riaan Koppeschaar Finance director (FD)	
Geraldine Fraser-Moleketi Lead independent non-executive director		Isaac Malevu Non-executive director	
Likhapha Mbatha Non-executive director		Zwelibanzi Mntambo Non-executive director	
Isaac Mophatlane Independent non-executive director		Mandlesilo Msimang Non-executive director	
Ras Myburgh Independent non-executive director		Vuyisa Nkonyeni Independent non-executive director	
Chanda Nxumalo Independent non-executive director		Peet Snyders Independent non-executive director	
Phumla Mnganga Independent non-executive director		Billy Mawasha Independent non-executive director	
Karin Ireton Independent non-executive director		Bennetor Magara Independent non-executive director	



Understanding our business

- 6** Chairperson's statement
- 8** Positioning Exxaro for sustainable growth and impact
- 10** About Exxaro
- 16** Our operating context



Our Sustainable Growth and Impact strategy has been designed to transform Exxaro into a diversified company that will transition from a coal base to a minerals and renewable energy business while maximising the value of our coal assets.

TRANSITIONING OUR ASSETS

This chapter provides an overview of our business. It provides insight into the areas we operate and impact, the assets we use to create value and the operating context that impacts us. It explains how we plan to transition our business in consideration of these variables, to ensure our resilience and long-term relevance.

Chairperson's statement

Final dividend declared

1 175 cents
per share

Total ordinary dividends
for 2021

3 252 cents
per share



Geoffrey Qhena
Chairperson

The performance of the business in 2021 was particularly robust against a tough macro-economic context, subdued growth prospects, the ongoing pandemic, logistics constraints and global climate change concerns from a physical and transitional perspective. As we head into 2022, the operating environment continues to be challenging. However, as an organisation, Exxaro embraces these challenges as an opportunity to better reflect on how we do business and support our stakeholders. In this way, we can address their concerns and position ourselves for the future, ensuring we continue to deliver long-term value.

POSITIONED FOR A RESPONSIBLE TRANSITION

Through our Sustainable Growth and Impact strategy, Exxaro is committed to supporting the just transition to a lower-carbon economy. Our strategy is designed to transform Exxaro into a diversified company that will transition from a coal base to a minerals and renewable energy business while maximising the value of our coal assets. Integral to our strategy is the understanding that we must create sustainable impact in the communities where we operate by leveraging Exxaro's Impact at Scale model, which seeks to lead better and bigger development initiatives.

Over the past two years, these goals have materialised with the acquisition of Cennergi – which forms the foundation of our energy business as we seek to become a leading renewable energy solutions provider locally and internationally.

FROM STRATEGIC OVERSIGHT TO IMPLEMENTATION

As a board, we support the strategic direction of the organisation and recognise our role in providing oversight and insight while assuming accountability. The process to develop Exxaro's strategy was robust and involved thorough engagement with leading experts and relevant stakeholders. As we move into the implementation phase, we have reviewed and updated the governance structures that support the delivery of our strategy.

Our board committees' terms of reference and delegation of authority framework were revised to enable agile decision making in the minerals and energy businesses while maintaining decentralised decision making in the coal business. Going forward, we will implement key performance indicators (KPIs) that ensure transparent reporting of measurable outcomes.

True to our commitment to transition at speed and scale, and in accordance with our capital allocation framework, specific actions in 2021 included disposing of our shares in Tronox and our equity interest in Exxaro Coal Central Proprietary Limited (ECC*) to fund our investment in renewable energy projects, to repay debt and return value to shareholders. In addition, we concluded a share buyback of R1.5 billion.

PURPOSE-DRIVEN BOARD

A key enabler of the delivery of our strategy is having the right skills, structure and rigour at board level to support decision making. As such, the board reviewed the focus areas of its committees and subsequently updated their terms of reference and names to reflect their responsibilities more accurately. The sustainability, risk and compliance committee was renamed the risk and business resilience (RBR) committee to include oversight of strategic, financial and operational business resilience. The social and ethics committee was renamed the social, ethics and responsibility committee (SERC) to ensure ESG-related issues receive the appropriate level of focus.

The structure and diversity of our board supports engagement and decision making, and we have succession strategies that address continuity, skills and diversity gaps. With this in mind, we made several changes to our board during the year. On 1 February 2021, we appointed Chanda Nxumalo as an independent non-executive director. Chanda brings 15 years' experience in the renewable energy and power sectors. Mandlesilo (Mandla) Msimang – a seasoned executive with experience in governance,

* Divestment concluded in September 2021.

When I was appointed to Exxaro's board on 19 April 2021, I joined a visionary company with a board dedicated to powering better lives in Africa and beyond. I thank my predecessor, Jeff van Rooyen, for the governance tone and framework he established, and look forward to working with my fellow board members who are committed to sharing their knowledge, skills and experience for the sustainability of the business.

information and communications technology regulations and policy – was appointed as a non-executive director on 15 March 2021. Isaac Malevu, appointed as a non-executive director on 22 June 2021, is a chartered accountant, the current chief financial officer of the Industrial Development Corporation (IDC) and brings a wealth of experience to the board.

Post-year end, we appointed Phumla Mnganga, Karin Ireton, Billy Mawasha and Ben Magara to the board as independent non-executive directors with effect from 7 February 2022. Phumla is experienced in human resource development and change management, and sits on various South African boards. Karin is an international sustainability specialist with exposure to coal power generation, mining and the banking sector. Billy comes with strong operational and technical leadership experience in the mining sector as well as strategic investment and technical leadership skills he shares with other companies. Ben is a highly skilled mining veteran who has led large companies with skills in underground and surface operations management. We look forward to the diversity of thinking and rigour they will bring.



To see our board's detailed curricula vitae, refer to our ESG report on page 150.

SUCCESSION WITH INTENT

Any changes in leadership can often be challenging for a business, and transitions must always be done in a way that is measured and meaningful. The responsible approach Exxaro followed in our CEO succession is designed to ensure smooth progression and continuity of our strategic goals.

We are grateful for the invaluable leadership of Mxolisi Mgojo, our CEO, who has driven the development of our Sustainable Growth and Impact strategy in a challenging time, and ensured the operational success of Exxaro with remarkable resilience.

As part of our carefully considered succession planning, our CEO designate, Nombasa Tsengwa, will assume the CEO role effective 1 August 2022, having headed our coal operations since 2016 and serving as managing director of our minerals business since July 2020, ensuring a smooth and phased handover of duties and responsibilities.

CLOSING

I would like to express my appreciation to our board, management and employees who make Exxaro a leading mining and energy solutions company, especially in the fields of decarbonisation and renewable energy. I would like to thank Mark Moffett, who resigned from the board in May 2021, and Ras Myburgh who retires in 2022. Both Mark and Ras have made an enormous contribution to the Exxaro board, and we wish them well in their future endeavours.

Our board remains committed to implementing Exxaro's Sustainable Growth and Impact strategy, and responsibly managing our transition and expansion into other minerals sectors, commodity markets and territories with our purpose to power better lives in Africa and beyond without value destruction.

Geoffrey Qhena
Chairperson

4 April 2022

Positioning Exxaro for sustainable growth and impact

As we entered the final phase of our previous strategy, successfully concluded in 2020, we reflected on our purpose, prospects and social obligations in our changing operating context. Through this process of reflection and careful consideration, we have clearly identified our future path to achieve our vision for *resources powering a clean world*.

FORCES SHAPING OUR STRATEGY

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

We have long understood the need to balance the country's socio-economic development, which relies on coal generated power, with the need to support the transition towards a low-carbon economy to reduce carbon emissions and the harmful impacts of climate change, thus contributing to humanity's sustainability. These are major changes that will raise future challenges and increase external risks for those who do not adapt but will present significant opportunities for those who are able to evolve.

Climate change

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

Energy transition

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

Just transition

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

Stewardship

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

TRANSITIONING TO A RESILIENT, DIVERSIFIED RESOURCES COMPANY

Minerals business



Coal

Early value coal to maximise our high-quality assets

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

Minerals

Diversify into minerals supporting a low-carbon future

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

Energy business



Renewable energy

Build a leading global renewable energy solutions business by 2030

- Own one of South Africa's leading managers of renewable assets and one of its largest wind asset bases
- Strategy underpinned by three interdependent pillars: utility generation, distribution generation and services
- Long-term stability to Exxaro's cash flow

Sustainable impact is at the core of our purpose and future

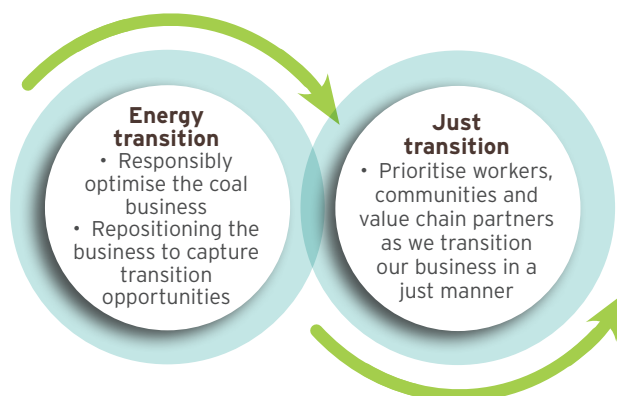
- Commitment to invest in and support the resilience of society in the just transition
- Remain a responsible custodian of the assets entrusted to us, as evidenced in our ESG performance
- Balancing acceptable value distribution to shareholders with investment for the long term for all stakeholders
-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

Our Sustainable Growth and Impact strategy aims to transform Exxaro in a systematic and integrated manner into a diversified company that will transition from a coal base to a minerals and renewable energy business that will thrive in a low-carbon future.

OUR RESPONSE

The transition imperative

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



Sustainable

- Responding to the growing threat of the low-carbon transition by building climate resilience
- Carbon neutrality by 2050
- Reduce climate-related risk and maximise runway of our assets
- Deliver positive social impact
- Resilient and enduring
- Building an enduring business

Growth


- Diversify minerals business towards commodities for a clean world
- Grow renewable energy business and further develop existing capabilities
- Strategic priorities supported by disciplined capital allocation and a robust investment process

Impact

- Use our established ESG performance platform to become a catalyst for sustainable economic and environmental development in our ecosystem
- Delivering social and environmental Impact at Scale
- Minimise environmental harm and provide a just transition for workers and communities

STRATEGIC OBJECTIVES



 For further detail on our strategy, strategic development process and performance against our objectives, please see our strategy section on page 66.

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.

ASSETS:

R75.7 billion
at 31 December 2021
(2020: R78.6 billion)

Five
Coal mines

Two
Windfarms

30.81%
Black-empowered

COAL PRODUCTION:

42.5Mt
in 2021
(2020: 47.4Mt), including buy-ins of 0.2Mt (2020: 0.3Mt), reflecting contributions from our expanded flagship Grootegeluk mine

Constituent of the JSE Top 40 Index

RENEWABLE ENERGY GENERATION:

724GWh

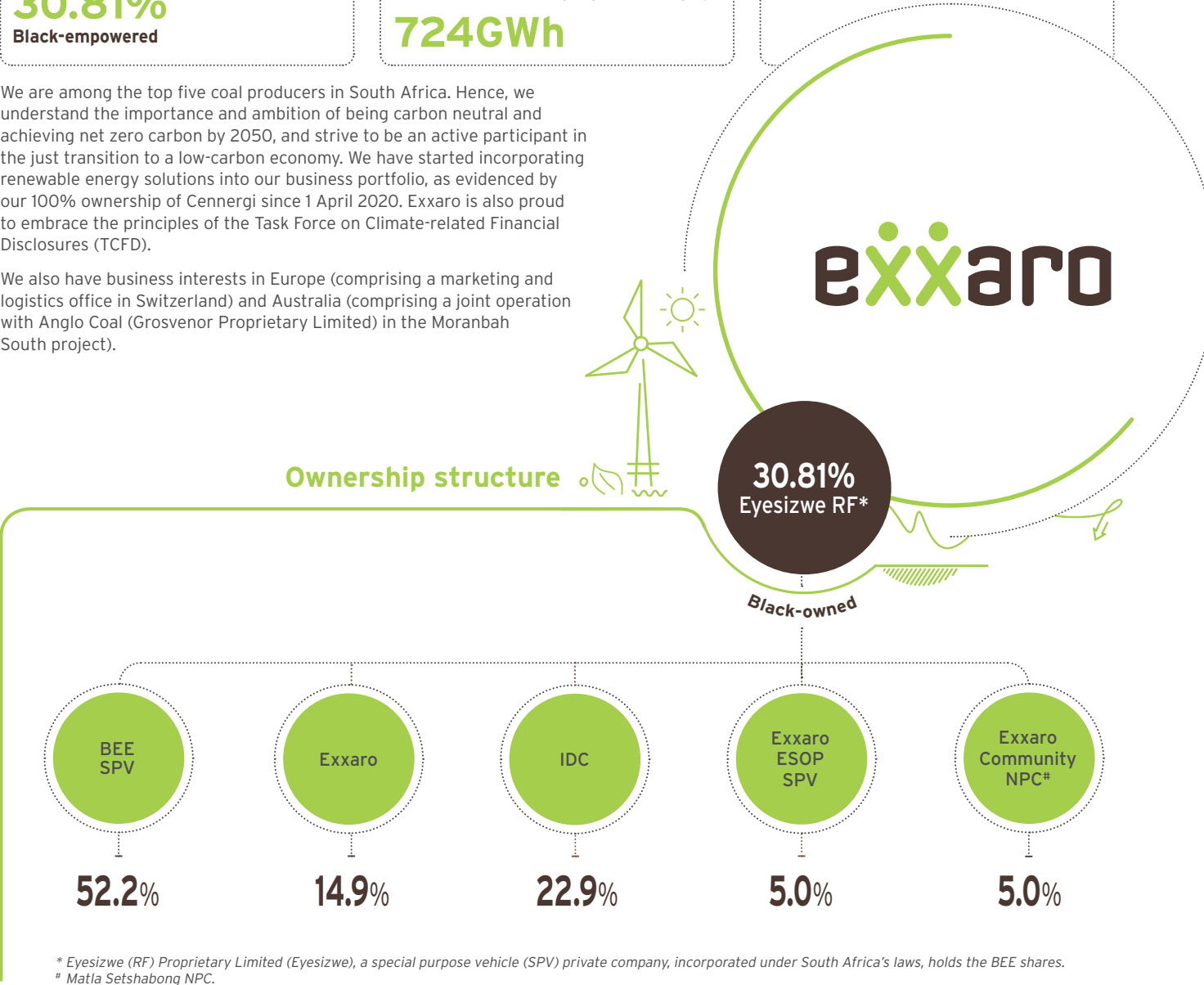
MARKET CAPITALISATION:

**R53.4 billion/
US\$3.4 billion**
in 2021
(2020: R50 billion/US\$3.4 billion)

Among the top 30 in the FTSE/JSE Socially Responsible Investment Index

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).



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

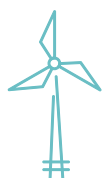
Black Mountain operates two underground mines and a processing plant in the Northern Cape producing zinc and other minerals

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

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 in 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

Mining operations South Africa

Location

1	Belfast	South of Belfast
2	Grootegeluk complex	West of Lephalale
3	Leeuwpans*	South-east of Delmas
4	Mafube (50%)	East of Middelburg
5	Matla	West of Kriel
6	Thabametsi project ¹	West of Lephalale

□ Mine ○ Project

Australia

Location

○ Moranbah South project (50%) ²	Queensland
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* Divestment process underway.

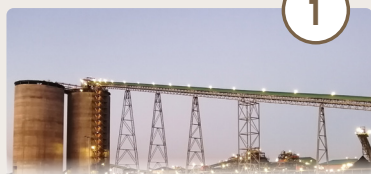
¹ Not undertaken as Thabametsi Coal IPP has been suspended.

² Undertaking pre-feasibility study to inform decision for development prospects.

- 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%)

Only mineral assets with Measured and Indicated Resources are listed. Inferred Resources are reported in the supplementary CMRR report.

1



BELFAST

Location: South of Belfast

Market: Export

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 68.3Mt
- Indicated: 19.9Mt

Coal Reserves:

- Proved: 37.5Mt
- Probable: 2.4Mt

Mining method: Open-cut

Run of mine (RoM): 2.8Mt

Life of mine (LoM): 12 years

2



GROOTGELUK COMPLEX

Location: West of Lephalale

Market: Domestic and export

Product: Thermal and metallurgical coal

Coal Resources (inclusive):

- Measured: 2 481Mt
- Indicated: 1 421Mt

Coal Reserves:

- Proved: 1 682Mt
- Probable: 898Mt

Mining method: Open-cut

RoM: 51.5Mt

LoM: 20+ years*

3



LEEUPPAN

Location: South-east of Delmas

Market: Domestic and export

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 77.9Mt

Coal Reserves:

- Proved: 40.2Mt
- Probable: 3.2Mt

Mining method: Open-cut

RoM: 4.0Mt

LoM: 8 years

4



MAFUBE (50%)

Location: East of Middelburg

Market: Domestic and export

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 104.3Mt
- Indicated: 9.9Mt

Coal Reserves:

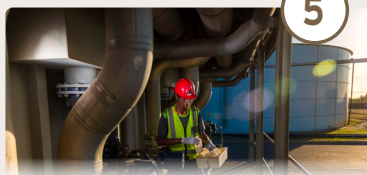
- Proved: 26.7Mt
- Probable: 23.0Mt

Mining method: Open-cut

RoM: 5.2Mt

LoM: 10 years

5



MATLA

Location: West of Kriel

Market: Domestic (Eskom)

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 639Mt
- Indicated: 114Mt

Coal Reserves:

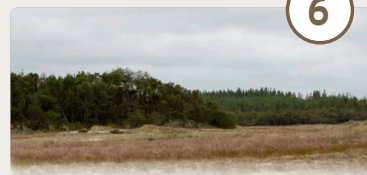
- Proved: 124Mt
- Probable: 38Mt

Mining method: Underground

RoM: 5.9Mt

LoM: 3+ years*

6



THABAMETSI

Location: West of Lephalale

Market: Domestic

Product: Thermal coal

Coal Resources (inclusive):

- Measured: 270Mt
- Indicated: 749Mt

Coal Reserves (inclusive):

- Probable: 130Mt

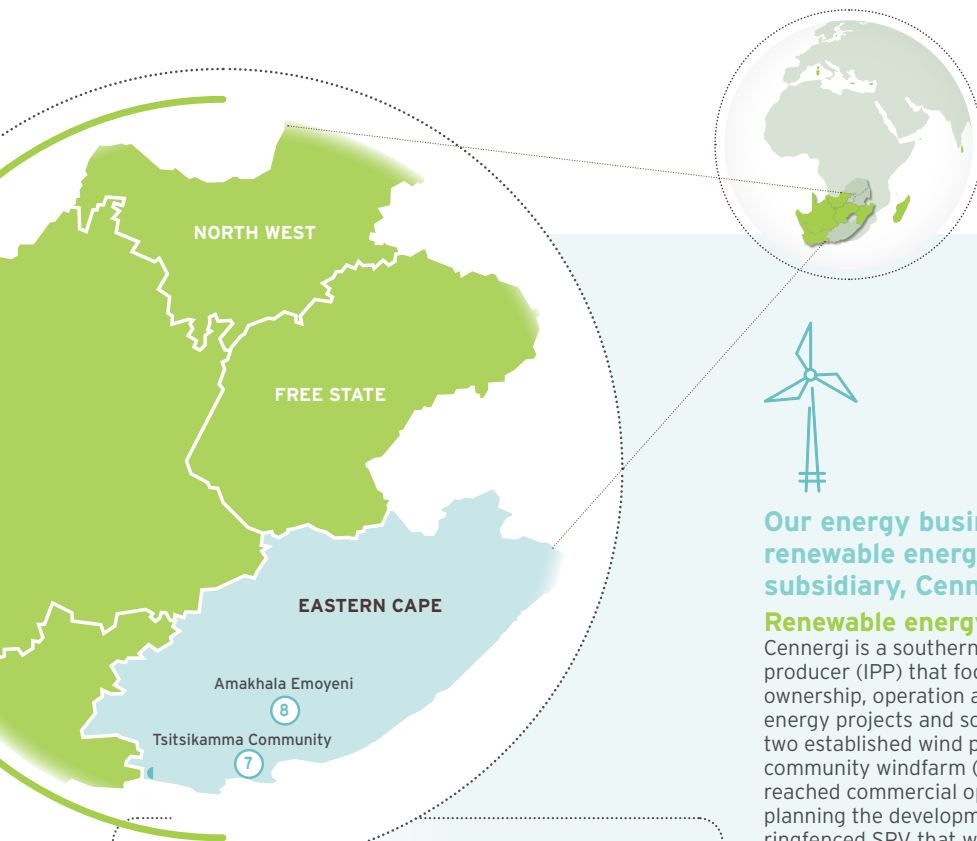
Mining method: Open-cut

RoM: Project

LoM: 25 years

* Adequate Reserves well beyond expiry of mining right.

About Exxaro continued




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 Grootegeluk 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.

	Renewable energy operations South Africa, Eastern Cape	Location
7	Tsitsikamma community windfarm	Tsitsikamma
8	Amakhala Emoyeni	Cookhouse



TSITSIKAMMA COMMUNITY WINDFARM

Location: Near Tsitsikamma in the Eastern Cape

Capacity: 95MW

Number of turbines: 31 x 3.1MW

Performance: Achieved generation output in line with P50 targets since 2016

Customer: Eskom

Power purchase agreement: 20 years

Commercial operation: 2016

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



AMAKHALA EMOYENI

Location: Near Bedford and Cookhouse in the Eastern Cape

Capacity: 134MW

Number of turbines: 56 x 2.4MW


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

Customer: Eskom

Power purchase agreement: 20 years

Commercial operation: 2016

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

 For details about our wind operations, refer to page 13 and 14.



Turbines at the Tsitsikamma windfarm

Our operating context

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

OUR BROADER OPERATING CONTEXT: TRENDS INFLUENCING OUR BUSINESS

GDP growth rates

01

Currency markets

02

Inflation

03

Environment issues

04

Business sentiment

05

Big data and mining

06

Decarbonisation

07

Licence to operate

08

Market-related economic
growth and geopolitics

09

Commodity markets

10

Coal markets

10.1

Coal logistics

10.2

Iron ore market

10.3

01

Gross domestic product (GDP) growth rates

During the second quarter of 2021, global economic activity reached an important milestone, surpassing the pre-pandemic real GDP peak attained in the fourth quarter of 2019. The global economic expansion lost momentum in the third quarter of 2021 as new waves of COVID-19 infections dampened consumer sentiment and halted production. However, after a 3.4% contraction in 2020, global real GDP is projected to increase by 5.8% in 2021; its strongest advance since 1973.

Going into 2022, the post-pandemic economic surge is expected to subside as pent-up demand is exhausted and allows for a downshift in global real GDP expansion. The withdrawal of fiscal and monetary policy stimuli will weigh on growth as governments contain spending and contend with higher debt burdens. COVID-19 vaccination rates are expected to increase further and, barring any renewed infection rate increases, enable affected economies to reopen.

Global GDP: 5.8% (2020: -3.4%)

REAL GDP GROWTH RATE (%)

	2022 forecast	2021	2020
World	3.3	5.8	(3.4)
US	3.3	5.7	(3.4)
Eurozone	2.4	5.4	(6.4)
China	5.1	8.1	2.3
India	6.4	8.8	(7.5)
South Africa	1.7	4.9	(6.4)

Source: IHS Markit, January 2022.

The pandemic has strained South Africa's fiscal position with public sector debt sustainability remaining under threat. Furthermore, South Africa experienced its worst-ever year of rotational power cuts with Eskom continuing to highlight the impact of high debt burdens, illegal connections and weak cash flow. This hampered Eskom's electricity rehabilitation programme. South Africa's electricity constraints are expected to continue impacting its growth prospects into 2022.



Cause

- COVID-19 pandemic and vaccinations
- Global economic recovery and expansion
- Implementation of South Africa's economic reforms
- Global economy surpassing the pre-pandemic real GDP level
- GDP expansion recorded in 2021



Implications for Exxaro

- South Africa's energy mix and demand



Our strategic response

- Eskom as a strategic customer

02

Currency markets

During financial and economic turmoil, two key dynamics of the US dollar normally come to the fore: the continued role of the greenback as the dominant global reserve currency and the corresponding role played by the Federal Reserve as the “world’s central bank”, and the view that dollar assets, especially US Treasury bills and bonds, are regarded as safe havens. This was no different in 2020 and the majority of 2021. However, global risk sentiment has become more volatile during 2021, sensitive to the threat posed by mutating COVID-19 strains, higher inflation and the shifts in international monetary policies.

In South Africa, the rand strengthened remarkably on the back of strong appetite for risky assets, weaker US dollar, robust commodity prices, better-than-expected domestic fiscal outcomes and encouraging signs that the governing political party started to act decisively against corruption allegations within its ranks. Frequent spells of risk aversion throughout the year tended to favour the US dollar. The US\$/R exchange rate is expected to remain volatile in 2022, mainly driven by whether the surge in inflation largely reflects transitory factors.



Cause

- US dollar
- Shifts in international monetary policies



Implications for Exxaro

- Forex volatility



Our strategic response

- Rand-based pricing for certain products
- Limited hedging

03

Inflation

Product price increases continue accelerating as economies recover from the 2020 pandemic-induced recession. Beyond the base effects, several factors accounted for this surge, including increased commodity prices, sharply higher shipping costs, and supply/demand mismatches in multiple segments of the global value chains. Fundamental differences between the producer price index (PPI) and consumer price index (CPI) resulted in weaker pass-through of producer to consumer prices for the period under review.

South Africa's 2021 PPI was 7.1% while CPI was 4.5% with CPI well within the Reserve Bank policy of between 3% and 6%. However, producer prices are expected to reduce while consumer prices edge up slightly, barring any major shocks to the rand, fuel and administered prices.



Cause

- Inflationary pressures
- Supply chain disruptions



Implications for Exxaro

- Cost and revenue escalations



Our strategic response

- Inflation-linked escalations

Our operating context continued

04

Environment issues

Companies need to demonstrate their contribution to a sustainable future and assist with the long-term economic and social growth in their host communities.



Cause

- ESG became a priority for investors, shareholders and other stakeholders
- Global mining companies started integrating ESG into corporate strategies, decision making and stakeholder reporting



Implications for Exxaro

- It is imperative for us to demonstrate our ESG commitments as this impacts shareholders' assessments of our company and our social licence to operate



Our strategic response

- We publish an extensive separate stakeholder ESG report annually



For more information, refer to creating value through stakeholder engagement on page 32.

05

Business sentiment

Overall, business confidence in South Africa is improving. Amid the gradual relaxation of some COVID-19 restrictions during the second quarter of 2021, significant optimism was recorded and rose to well above pre-pandemic levels and the highest level since 2014. The civil unrest and looting in parts of the country was a temporary setback to what otherwise remained a cyclical economic recovery. Additionally, domestic coal producers and exporters were adversely impacted by logistical constraints linked to poor Transnet Freight Rail (TFR) operational performance.



Cause

- Cautious optimism



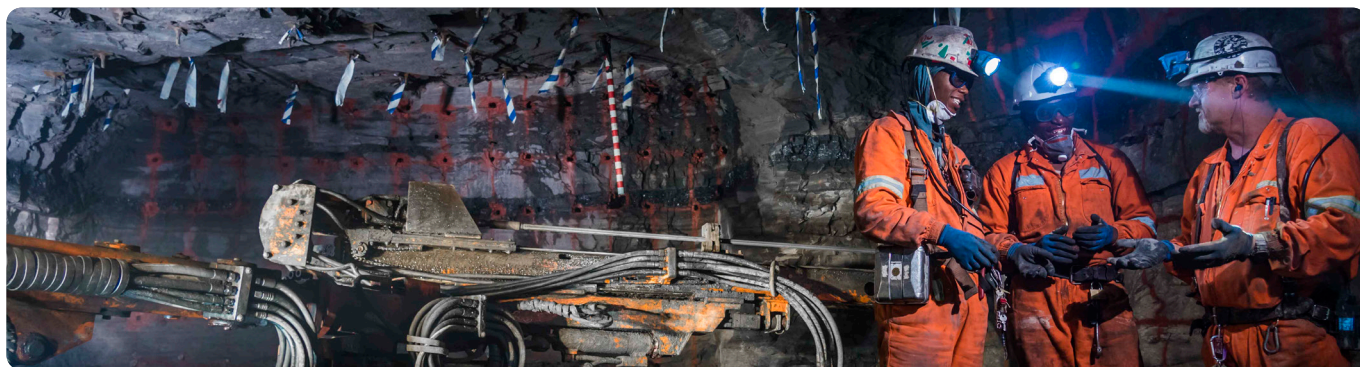
Implications for Exxaro

- Investor sentiment



Our strategic response

- Stakeholder engagement
- Market-to-resource (M2R) optimisation



Underground operations at ECC

06

Big data and mining

Companies are exploring new data-informed methods of mining, assisted by technology. This requires an understanding of the potential future workforce and the necessary skills sets.



Cause

- Digital and technological innovation opens avenues to improve productivity, safety and environmental management in the mining industry



Implications for Exxaro

- Exxaro needs to continue embracing big data to improve efficiencies and remain competitive in our environment



Our strategic response

- The Exxaro digitalisation and innovation journey is a strategic initiative driven by the CEO
- Our award-winning Digital@Exxaro programme is transforming our company culture to ensure we are more open and agile when we engage with stakeholders internally and externally



For more information, refer to Digital@Exxaro on page 121.

07

Decarbonisation

Globally, we are seeing an increase in transitional and physical climate change risks. Under the current trajectory, Exxaro expects the impact of these risks on our business to be medium to high over the next 10 to 20 years.

In response to climate change, global efforts are driving economic reforms, commitments and regulations to steer decarbonisation efforts. These include:

- The 2021 UN Climate Change Conference (COP26) summit where pledges were made to scale up clean power to achieve a transition away from unabated coal generation in support of the Paris Agreement to limit the average increase in global temperatures to below a 2°C warming pathway
- South Africa's Economic Reconstruction and Recovery Plan of October 2020 and just transition journey, which resulted in increased licensing thresholds for small-scale power generation projects (from 1MW to 100MW) to unlock private investment in the renewable energy segment and the country's economy



Cause

- COP26 held in Glasgow, Scotland, in November 2021
- Countries pledged to scale up clean power
- South Africa embarked on the just transition journey



Implications for Exxaro

- Global energy demand and transition



Our strategic response

- Invest in and expand a diversified renewable energy business
- An internal multifunctional task team is developing a decarbonisation strategy and implementation plan using the TCFD recommendations (progress and results will be presented to the market when the review process is complete)



For more information, refer to our environment on page 136.

08

Licence to operate

Stakeholders in global mining companies are expected to contribute to communities and economies, play a role in ethical supply chains and participate in combatting climate change.



Cause

- The gap between high and low-income groups has widened due to the socio-economic impact of COVID-19



Implications for Exxaro

- Companies are expected to drive a shared value framework system and demonstrate their positive contribution (important for our brand and our ability to access new resources, capital and debt)



Our strategic response

- Social investments focusing primarily on enterprise and supplier development (ESD) and community infrastructure projects
- Maintaining mutually beneficial relationships within communities where we operate



For more information refer to social licence to operate on page 132.

OUR MARKETS

During 2021, global markets were affected by fluctuations in COVID-19 infections rates, coupled with increased vaccination rates, high commodity prices, supply chain disruptions, economic recovery with inflationary pressures and a shift in energy transition policy.



Tshikondeni community members celebrate the hand-over of a new crèche

09

Market-related economic growth and geopolitics

The combined effects of COVID-19 on supply chains, the global energy crunch and inflationary pressures have impacted prices and demand in global markets while demand for sized product in the domestic market remained stable. Notable events included:

- China implemented import restrictions on Australian coals
- China had a shortfall in domestic thermal coal
- China's direct price intervention softened international prices
- Europe experienced gas, carbon and coal price shocks
- The seaborne thermal coal market remained very tight with Argus/McCloskey's Coal Price Index (API4) price at a record level of US\$247/t in mid-October

**Cause**

- COVID-19 infection rate fluctuations
- COVID-19 vaccinations gaining significant momentum
- Affected economies reopening
- Global supply chain disruptions

**Implications for Exxaro**

- For more information, refer to operational performance on page 114.

**Our strategic response**

- Our interests in Black Mountain and Chifeng NFC Zinc Co Limited's refinery remain non-core
- Completed the divestment in ECC
- Formal disposal process of the Leeuwpan operation is in advanced stages
- Exxaro and Anglo American are reassessing the Moranbah South coking coal project

10

Commodity markets

Exxaro's commodity markets recorded strong performances in 2021 as market fundamentals remained tight before softening towards the end of the year. Key drivers during the year were COVID-19 infection rate fluctuations, supply disruptions, the global energy crunch, implementation of China's domestic policy and continued energy transition themes.

API4 coal export price averaged US\$124/t
(2020: US\$65/t)

Commodity prices (US\$/t)

Commodity	2022 forecast	2021	2020
Thermal coal (RB1)	105.00	124.12	65.20
Thermal coal (RB3)	81.57	93.08	48.88
Hard coking coal	178	227.29	123.43
Iron ore fines	86.25	159.89	109.03
Lump premium	15.00	22.58	9.68

Source: Various commodity market intelligence reports, Nov 2021 & Jan 2022.

**Cause**

- Strong performance
- China's domestic policy
- Global energy crunch

**Implications for Exxaro**

- Performance of commodity markets

**Our strategic response**

- Portfolio management

Our operating context continued

10.1

Coal markets

As the world economy recovered from the pandemic-induced slowdown and COVID-19 vaccinations gained significant momentum, global energy demand increased but disrupted thermal coal supply chains struggled to catch up. COVID-19 restrictions, wet weather, mine accidents, licence disputes, rail underperformance, protests and strikes contributed to supply disruptions.

China's ban on Australian coal imports continued to disrupt the global thermal coal market and further fuelled China's domestic thermal coal shortfall in the process.

In Europe, the price of coal, gas and liquefied natural gas (LNG), as well as Europe-specific carbon prices, increased strongly for the better part of the year. Markets were also affected by continued cold weather during April and May, lower LNG import levels, declining gas production and higher demand for thermal generation as wind power dropped to low levels. Although gas storage was required to rebalance the market, the gas supply deficit impacted Europe's coal power markets, enabling a switch from gas to coal power.

Globally, natural gas markets experienced strong demand and supply shortages. Any relief from high gas prices relies on the availability of increased gas pipeline supplies into Europe.

The factors mentioned above resulted in record thermal coal prices at one point during the year.

The demand and pricing in the domestic market for sized coal remained relatively stable in 2021. The domestic unsized coal market continued to be oversupplied due to export rail performance challenges.

Turning to hard coking coal, strong purchasing by Indian steel mills was a major contributing factor to the record premium hard coking coal spot prices in 2021. With improving supply from Mongolia and expected supply improvements from Australia, the market is anticipated to moderate into 2022, barring any La Niña-related supply disruptions.



Cause

- China's domestic thermal coal shortfall
- Chinese import restrictions on Australian coal
- European gas, carbon and coal price shocks



Implications for Exxaro

- Fluctuating market demand and lower commodity pricing
- Market demand evolving and dynamic



Our strategic response

- M2R optimisation

10.2

Coal logistics

TFR railed 58.12Mt to RBCT from January to December 2021, compared to 70.1Mt for the same period in 2020. Rail remained constrained throughout the year due to security-related incidents and locomotive availability.

Given these challenges, TFR has informed industry that coal line capacity has reduced from 81Mt to 70Mt for the 2022/2023 period.

Export rail performance from Grootegeluk dropped drastically from 6.32 trains per week in 2020 to 4.61 per week in 2021. Exxaro is evaluating all strategic options in a drive to improve the Waterberg export logistics performance in the medium and longer term.



Cause

- Security-related downtime (cable theft, vandalism and sabotage)
- Locomotive availability



Implications for Exxaro

- Performance of export potential



Our strategic response

- TFR engagement

10.3

Iron ore market

During 2021, iron ore prices traded at record levels on the back of strong Chinese steel production, supported by the rest of the world's robust demand conditions, before concerns about China's economy slowing, pollution-related steel output cuts and relatively low steel mill profitability triggered a change in sentiment, followed by significant price declines towards the end of 2021.

The Chinese property sector slowdown was cyclical and structural as housing demand peaked and property is no longer used as a countercyclical policy instrument. The rapid deterioration in the financial condition of Evergrande, a large property developer in China, raised significant market risks around the activity outlook and therefore steel consumption.

For 2022, lower steel production is anticipated in China due to power shortages, a property sector slump, emission controls in the lead up to the winter Olympics, and a broad-based economic slowdown. Global iron ore supply growth remains a further downside risk to the expected softer market.



Cause

- Strong Chinese steel production
- Chinese property sector slowdown



Implications for Exxaro

- Performance of SIOC investment



Our strategic response

- Exposure to higher-value iron ore lump product



Coal train near Exxaro's Leeuwpan siding



Drivers of value creation

- 26** Our value creation
- 28** Our business model
- 32** Creating value through our stakeholder engagement
- 40** Our material matters
- 44** Our business risks and opportunities



02

We have a clear duty to consider how the assets we operate can continue to create value for a broad range of stakeholders.

TRANSITIONING TO CREATE SUSTAINED VALUE

This chapter outlines the drivers of our value creation. It considers the value we create, preserve and erode in our business practices, and how we understand and respond to each of these. It unpacks the methods we use to interrogate the risks and opportunities our business model faces and what is material to our stakeholders and our long-term success.

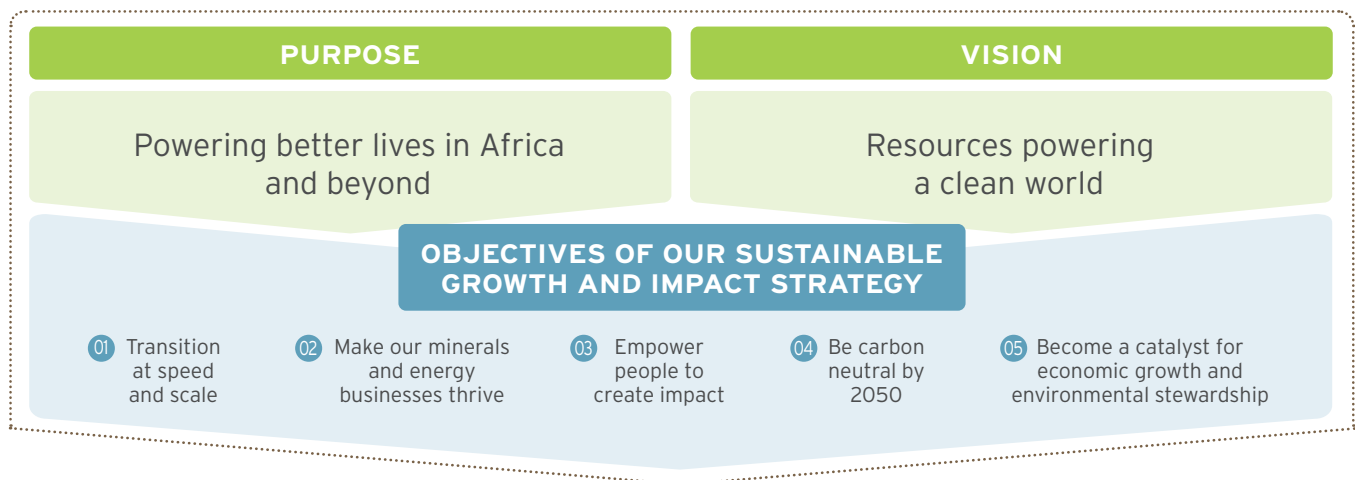
Our value creation

Powering better lives through value creation.

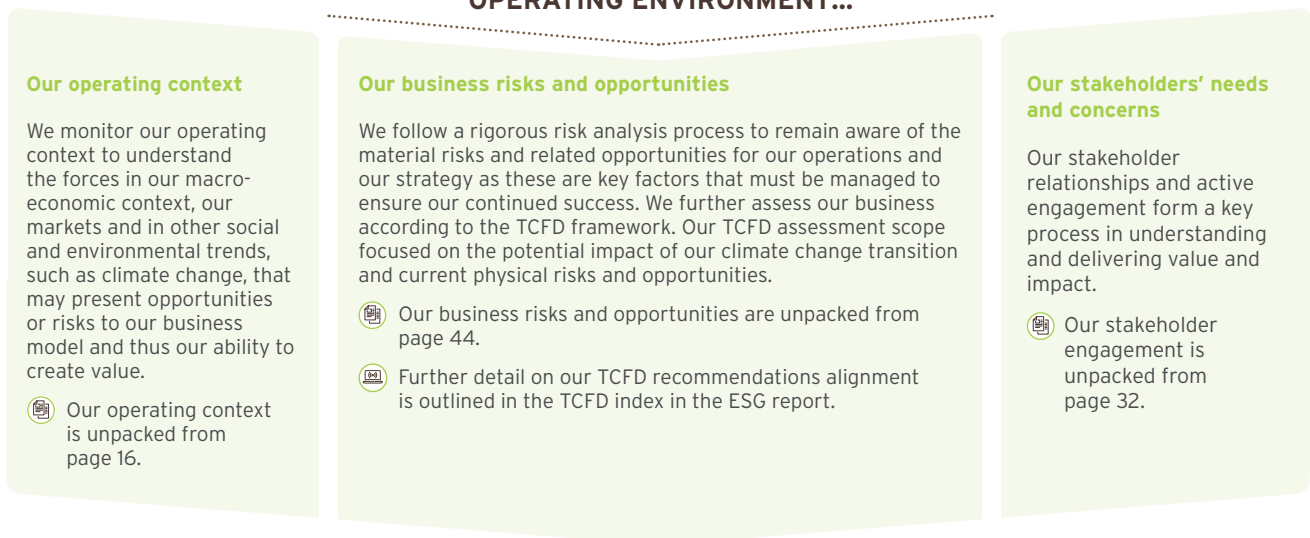
Our purpose is the motivation that has informed everything that we have done since our inception and will continue to drive our direction in the future. Value creation is central to our purpose and our vision as we aim to have a direct and positive impact through our business on external challenges such as climate change and socio-economic development.

Our overarching approach to value creation is driven by stewardship and a responsibility to minimise our negative impact, preserve value and, where possible, create value for our stakeholders and the natural environment on which we rely.

OUR VALUE CREATION IS DRIVEN BY OUR...



IT IS INFLUENCED BY FACTORS IN THE OPERATING ENVIRONMENT...



Material matters

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



(Icon: Document with magnifying glass) Our material matters determination process and key material themes are outlined from page 40.

ACHIEVED DIRECTLY AND INDIRECTLY THROUGH OUR BUSINESS ACTIVITIES...

Mining responsibly	Delivering renewable energy products and services	Strategising for future relevance and a just transition	Delivering sustainable impact and responsible practices
---------------------------	--	--	--

These activities and our strategy are key to our business creating value as we pursue a just transition to a sustainable new operating model that seeks to achieve carbon neutrality by 2050, while balancing our financial performance, South Africa's economic development needs, ecosystem protection and societal adaptive capacity in the face of a changing climate.

 Our business activities are unpacked in our business model on page 28.

RESULTING IN AN IMPACT ON VALUE ACROSS EACH OF THE FOLLOWING AREAS...

The six capitals

We are mindful of our impact on each of the capitals we utilise to conduct our business activities and aim to enhance each capital where possible.



NATURAL CAPITAL



HUMAN CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL




MANUFACTURED CAPITAL



INTELLECTUAL CAPITAL



FINANCIAL CAPITAL

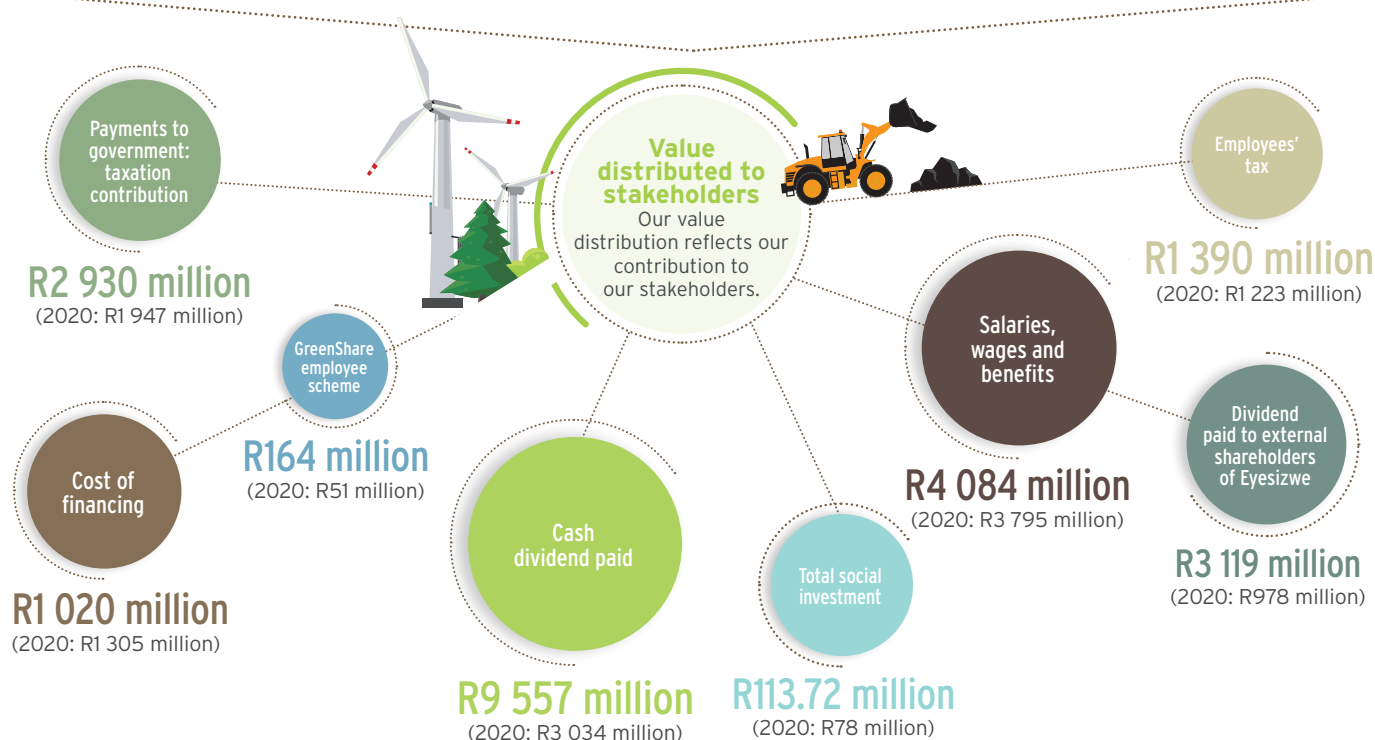
 Our use of and effect on the capital is unpacked in our business model on page 28.

DELIVERING VALUE TO OUR STAKEHOLDERS

- **Government (regulators):** supporting South Africa's socio-economic development
- **Employees:** growing skills and protecting livelihoods
- **Labour unions:** relationships to better serve employees
- **Communities:** responsible community participant, invested in local development and job opportunities
- **Investors:** delivering returns as a trusted ESG performer
- **Customers:** safely providing a reliable and continuous supply of coal
- **Suppliers:** fair and transparent procurement

ENSURING BROADER IMPACT

We are committed to driving a positive impact on the SDGs we have identified as being areas where we can make a difference, and to fulfilling our commitment to the TCFD principles.



Our business model

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

Our inputs*

The resources and relationships we rely on



NATURAL CAPITAL

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

- **RoM:** 69.4Mtpa (2020: 81.0Mtpa)
- **Land managed for six mining operations**
- **Water withdrawal:** 10.28Mm³ (2020: 10.92Mm³)
- **Diesel:** 84 852kL (2020: 96 131kL)
- **Electricity:** 60 171MWh (2020: 605 770MWh)
- Biodiversity



HUMAN CAPITAL

The people who manage our business and perform our operational activities

- **Employees:** 6 745 (2020: 6 739)
- **Contractors:** 12 068 (2020: 15 726)
- **Investment in skills development and talent management:** R276 million (2020: R227 million)
- **Investment in employee remuneration:** R4.1 billion (2020: R3.8 billion)
- **Culture:** connect2NEXT



SOCIAL AND RELATIONSHIP CAPITAL

The relationships that provide our social licence to operate

- **Investments in social and labour plan (SLP) projects:** R56.44 million (2020: R27.53 million)
- **Investments in ESD:** R127.7 million (2020: R79.8 million)
- **Corporate social investment (CSI) (including COVID-19 relief funds):** R57.28 million (2020: R78 million)
- Stakeholder relationship growth

The capital constraints and trade-offs we face

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

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

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

Our activities

What we do

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

* Inputs are measured at closing year-end balances for consistency.



Our activities comprise:

RESPONSIBLE MINING

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

RENEWABLE ENERGY OPERATIONS

- Deliver renewable energy products and services
- Build a leading global renewable energy solutions business by 2030

In line with our purpose of powering better lives in Africa and beyond, we aim to manage and mitigate any negative impact we may have on the capitals and drive value creation overall.



MANUFACTURED CAPITAL

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

- **Four mines, one coal project and two windfarms**
- **Sustaining capital:** R1.6 billion (2020: R2.2 billion)
- **Expansion capital:** R0.8 billion (2020: R1.0 billion)
- **Investment in property, plant and equipment:** R2.5 billion (2020: R3.2 billion)

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



INTELLECTUAL CAPITAL

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

- Continued investment in world-class digitalisation
- Business excellence integrated into the business
- Leadership and management training: 322 (2020: 184) people attended
- Significant investment in updating and aligning our strategy to our purpose and long-term goals
- Continued investment in leading governance structures: changes in board and engagement with investors

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



FINANCIAL CAPITAL

The financial assets that enable us to deliver on our strategy

- **Core equity-accounted income:** R9.8 billion (2020: R6.5 billion)
- **Core EBITDA:** R10.7 billion (2020: R7.3 billion)
- **Cash dividend paid (including special dividend):** R9.6 billion (2020: R3 billion)
- **Revenue:** R32.8 billion (2020: R28.9 billion)
- Balance sheet strength

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

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

STRATEGISING FOR FUTURE RELEVANCE AND A JUST TRANSITION

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

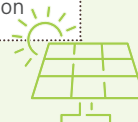
DIVERSIFIED EQUITY INVESTMENTS

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

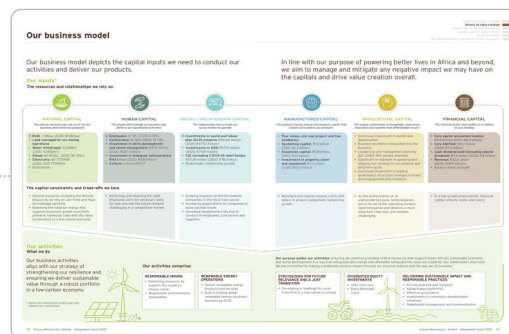


DELIVERING SUSTAINABLE IMPACT AND RESPONSIBLE PRACTICES

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



Our business model continued



Our outputs

What we produce



COAL

42.5Mt product volumes
(2020: 47.4Mt)



RENEWABLE ENERGY

724GWh wind energy
(2020: 727GWh)

We recognise that, although we strive to create value through our business activities and our Sustainable Growth and Impact strategy, we have a negative impact on some capitals.

Our outcomes

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



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



As part of ensuring we have the right people to drive us forward, we invest in, upskill and offer our employees an attractive value proposition, thereby increasing our overall human capital. This investment extends to potential future employees and the communities who provide labour to our operations.

We preserve the value of our human capital by being mindful of the safety and health of our employees and host communities, and striving to achieve zero harm through collective responsibility, commitment and risk awareness.



We deliver value to our host communities through our impact at scale initiatives, SLP commitments, stakeholder engagements, attracting participation from black-owned suppliers and our commitment to the UNGC principles.

We are aware of the impact mining operations have on host communities, now and at the end of a mine's lifecycle. We aim to mitigate this by ensuring a just transition of our operations and our communities' long-term sustainability.

How we are improving our outcomes

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

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

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

- ▲ Carbon intensity: 13% increase (2020: down 9%)
- ▲ Water intensity: 9% increase (2020: 38% increase)
- Environmental incidents: zero level 3 (2020: zero level 3)
- Valid mining rights: 100% (2020: 100%)
- ✓ Stoppage directives: two (2020: three)

- Employee and contractor fatalities: zero (2020: zero)
- ▲ Lost-time injury frequency rate (LTIFR): 0.08 (2020: 0.05)
- ✓ Occupational health incident frequency rate (OHIFR): 0.16 (2020: 0.19)
- Scarce skills retention: 3.7% (on target)

- ▲ Community incidents: 14* (64% at Matla LoM project. (2020: three)
- ▲ Top-quartile mining performer in ESG
- ✓ Governance structure ESG analyst rating: 3.7 out of 5 (2020: 4.6)
- BEE level 2 (2020: level 2)

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

Affected SDGs



Impact on value: + Net increase in value
○ Net value preservation
- Net value erosion

Year-on year change: ▲ Positive increase
○ Unchanged
▲ Negative increase
○ Positive decrease
✓ Negative decrease

Our business model does not operate in isolation. It impacts and is impacted by our:

- **Risks and opportunities:** page 44
- **Strategy and resource allocation:** page 66
- **Performance:** page 114
- **Stakeholders:** page 32



IRON ORE (SIOC)

R9 billion core equity-accounted income
 (2020: R6.1 billion)



WASTE

520t hazardous waste (2020: 1 511t)
 995ktCO₂e emissions (2020: 1 035ktCO₂e)

We remain committed to negating these negative impacts while creating positive impacts beyond compliance using our recognised ESG, brand and culture.

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



Our investment in our portfolio of quality assets to meet changing market demands increases our manufactured capital.



However, these investments decrease our financial capital and natural capital.



We continue increasing our competencies across mining and renewable energy. Our focus on business resilience, investments in innovation, digitalisation and technology – for example, our renewable energy risk and opportunity domain analysis (RRODA) tool/platform – increase intellectual capital.



Our collective knowledge, skills and resources positively impact human, social and relationship, and manufactured capital.



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



We invest and distribute our financial resources to support our strategy, increase efficiency, expand operations and maximise value.

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

- Marginal cost overruns in mega-projects
- Implementation timelines for mega-projects on target

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

- Core system availability: 99.55% (2020: 98.86%)
- Cyberintrusions: zero (2020: zero)

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

- Core EBITDA margin: 33% (2020: 25%)
- Return on capital employed (ROCE): 45% (2020: 25%)
- Core headline earnings per share (HEPS): 4 683 cents per share (2020: 2 973)
- Market capitalisation: R53.4 billion (2020: R50 billion)



Creating value through stakeholder engagement

We engage proactively with our stakeholders to create shared value from facilitating business activities and demonstrate our purpose, to power better lives in Africa and beyond.


Our stakeholder environment was largely stable during 2021, which enabled us to produce the results we achieved and reported. The following highlights are elaborated on in this section:

- Our employee engagements were consistent and remained heightened from the prior year given the prevailing context of COVID-19. Engagements with recognised labour unions were constructive.
- We had no regulatory stoppages, particularly in relation to safety performance following the record breaking five-year fatality-free achievement and adhering to our 0.08 LTIFR target
- We experienced some community unrest at some of our operations, but these did not result in production stoppages or incidents to people
- We had several engagements with shareholders regarding the future of Exxaro in a low-carbon future, outlining our strategy, short to medium-term capital allocation outlook and expected results
- From a customer perspective, Eskom, our largest customer, continued to take volumes
- We had more engagements with TFR through the Minerals Council on the issue of rail availability for our export sales volumes



EXXARO'S STAKEHOLDER UNIVERSE

We utilise a holistic approach to stakeholder engagement, which recognises the interconnectedness of stakeholders in our operating environment. Our stakeholders have varying degrees of influence on executing our strategy and whilst we categorise stakeholders into four main clusters, as illustrated in the image above, we acknowledge that in reality stakeholders interact and the boundaries are constantly traversed, hence our key account management approach.

 For more information about engagements with our key stakeholders, please see page 27 of our ESG report.

Exxaro's approach to stakeholder management

Our 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, better enabling us to 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, and provide insights on possible opportunities and risks to the business strategy that may arise from individual or a combination of stakeholder relationships.

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

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.

GOVERNMENT

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- We collaborate to find solutions for socio-economic challenges, participate in shaping policies at all levels of government and invest for South Africa's socio-economic development. Proactive engagement supports our efforts to drive business resilience and manage country risk
- Government requires us to engage and partner in socio-economic development regarding employment creation, community development, capacity building and, more recently, to support government's COVID-19 response strategies

Outcomes and value delivered to stakeholders in 2021

- We made contributions of R61 million through our SLP projects, particularly infrastructure, skills, local procurement and small, medium and micro-enterprises (SMMEs) development
- We made contributions of R15 million to the Solidarity Fund and practical support for the Department of Health's COVID-19 vaccination initiatives
- We committed R1.5 million over three years to government's anti-gender-based violence fund
- We made tax payments of R4.320 billion comprising PAYE of R1.390 billion and company tax contributions of R2.930 billion



Our response to stakeholder needs and expectations – important conversations during 2021

- We consult and partner with local government in municipal Integrated Development Plans for the implementation of our SLP projects
- We explored and started capacity building opportunities in the Waterberg district municipality in partnership with the Department of Cooperative Governance and Traditional Affairs (COGTA) and NBI in the Technical Assistance, Mentorship and Development programme
- Exxaro participated in the Department of Mineral Resources and Energy's (DMRE) call to action for the coal industry's active voice in South Africa's response to climate change
- Over the past two years, we have engaged extensively with the health departments in Limpopo and Mpumalanga, supporting COVID-19 response strategies, including the vaccine and booster vaccine roll-out programme at mine level
- We are engaging with COGTA and the South African Local Government Association to find innovative responses to address service delivery challenges at local government level
- We engage regularly with the provincial leadership of Limpopo and Mpumalanga to discuss development priorities and provide feedback on Exxaro's socio-economic development initiatives
- We engaged with the Presidential Climate Change Commission regarding our just transition response strategy to positively manage the transition of communities who will be affected by the energy transition
- Exxaro commissioned a pilot assessment of the quality of our relationships with three key departmental stakeholders in government. Generally, the survey shows that Exxaro enjoys good to high levels of relational capital, which enables effective engagement and mutual value creation

Engagement outlook for 2022

- We are planning the next five-year SLP programmes for Grootegeluk and Belfast, incorporating impact principles to include combined social, environmental and economic returns
- We will continue with the municipal capacity building programme for the Waterberg district, building on the success of the first phase of the programme and enhance the potential impact of the District Development Model, thus improving service delivery and attracting investment to the region
- We intend to increase engagements about our strategic response to climate change and the transition to a lower-carbon environment to foster an understanding of and collaboration on our Sustainable Growth and Impact strategy

Further reading

-  Refer to our outcomes in our business model for information on how we are creating or preserving value
-  See the stakeholder management section in the ESG report

Creating value through stakeholder engagement continued

REGULATORS

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- We engage to manage compliance with regulatory requirements, align with government initiatives and collaborate in shaping policies. Maintaining effective regulatory compliance ensures the success of our current and future businesses
- The JSE expects us to protect a broad range of stakeholder interests, particularly those of investors

Outcomes and value delivered to stakeholders in 2021

- Good compliance performance
- No regulatory stoppages
- Engagements with SARS led to new standard operating procedures, the appointment of a new service provider and ultimately a reduction in the number of disallowed diesel rebate claims from 20% to 2%
- Since the introduction of the internal section 54 standard, there has been a decline in the number of safety stoppages from seven in 2019 to three in 2020 and two in 2021

Our response to stakeholder needs and expectations – important conversations during 2021

- We have adopted new internal auditing processes and strategies as well as implemented management controls that improve our compliance and mitigate risks
- We engaged the dtic to lessen the impact of a significant increase in the revised NPAT forecast on our overall B-BBEE performance (used to determine ESD and socio-economic development contributions). The dtic agreed that funding commitments signed off before 31 December 2021 could count towards spend recognition, and payment will be made in the first quarter of 2022
- We engaged with the DMRE to address authorisation delays for Leeuwpan and Matla mine SLPs
- We engaged with SARS to better understand issues around our diesel rebate submissions and the high number of disallowed claims.
- We work closely with our sponsors to ensure we fully comply with JSE Listing Requirements, make inputs into changes and engage proactively on areas of concern

Engagement outlook for 2022

We will continue:

- Proactive internal auditing for continuous compliance improvement
- Monitoring the process towards the finalisation of the Companies Amendment Bill
- Engaging with SARS to clarify uncertain draft regulations on diesel rebates
- Monitoring developments in the implementation of voluntary global standards for ESG reporting

Further reading

 Tax report



Water quality monitoring at ECC in accordance with our licence to operate

EMPLOYEES

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- We ensure that our employees' focus, profile and development efforts are aligned with our strategy and culture, empowering them with information to manage change and uncertainty, and identify opportunities for skills development as we embark on a business transformation and transition
- Our employee engagement and culture survey in 2020 indicated that we must focus on improving diversity across the organisation and ensure fairness in promotion processes, including effective reward systems
- Engagement with employees contributes to strengthening business culture, distinguishing competitive advantage and promotes resilient business performance

Outcomes and value delivered to stakeholders in 2021

- We paid employment benefits to the value of R4.084 billion, including salaries, a housing scheme for qualifying employees, medical aid and a GreenShare, an employee share ownership plan (ESOP) payment of R164 million
- In line with Exxaro's integrated health and wellness strategy, which focused on diagnosis, management and prevention of diseases, the company's response to the pandemic prioritised avoiding, reducing and managing COVID-19 infections
- We achieved five years without a fatality (as at 3 March) and our LTIFR target of 0.08
- We provided COVID-19 care such as constructing two on-site testing facilities, group-managed quarantine facilities and vaccination programmes
- As at 2 March 2022, 81.45% of employees and contractors have been vaccinated, with no loss of life recorded during the fourth wave


Our response to stakeholder needs and expectations – important conversations during 2021

- In 2021, action plans for each business unit (BU) addressed the outcomes of the employee engagement and culture survey
- Our 2021 internal communication strategy addressed our evolving strategy, ESG priorities (climate change, social justice and diversity, equity and inclusion), the CEO transition, the new group STI scheme, our community and ESD initiatives and mental health and wellbeing during the pandemic
- Safety is one of the most important conversations we have with our employees. Senior management regularly engages at operations and the board, union and executive leadership annually engage on the issue at our Sustainability Summit

Engagement outlook for 2022

- In 2022, we will follow up on the results of our employee engagement and culture survey

Further reading

-  Our people (page 122)

LABOUR UNIONS

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- We have a policy of freedom of association, and have entered into recognition agreements with several labour unions. Employees are free to be part of any union
- We strive for proactive issues resolution, relationship building and collaboration to maintain workplace harmony and professional working relationships with labour unions. This ultimately minimises the risk of labour unrest
- We value input in business operations and community engagement and therefore engage with unions at least twice a year about our performance and strategic outlook and more regularly during wage negotiations
- We respect unions' objectives to ensure fair labour practices, remuneration, benefits and better working conditions for their members

Outcomes and value delivered to stakeholders in 2021

- Well-established engagement and communication structures
- Union input on business growth strategies
- Training and development
- Regulatory compliance ensures unions are able to negotiate fairly and equitably with Exxaro on behalf of their members
- Recognition agreements are forever green

Our response to stakeholder needs and expectations – important conversations during 2021

- All wage negotiation processes were concluded peacefully without industrial action, thus securing labour stability for the next three years

Engagement outlook for 2022

- We will continue:
- Engaging with unions through structures created and contained in recognition agreements
 - Delivering sub-committees' agendas emanating from wage agreements
 - Engaging on union procedural agreements as necessary
 - Monitoring other issues, including the Climate Change Response strategy

Creating value through stakeholder engagement continued

COMMUNITIES

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- We engage through the delivery of our SLP projects, affirmative procurement and ESD programmes to address community challenges in infrastructure development (roads, water, health and education infrastructure), employment creation, skills development and small business development. These needs have deepened since the onset of the COVID-19 pandemic
- Our objective is to understand community needs and how we can respond better and overcome challenges in local employment, procurement opportunities and community development initiative
- Our engagements go beyond regulatory requirements and aim to maintain good relationships that provide for success for our current and future businesses and thriving communities

Our response to stakeholder needs and expectations – important conversations during 2021

- Exxaro employed 18 813 people during the year, consisting of permanent and contractor employees
- During the execution of our R17 billion coal capital expansion programme, we employed 6 901 people, with 7% being from local communities
- Our ESD programme enabled participation in our supply chain through procurement and enterprise development opportunities, supporting SMMEs in business development and creating local employment
- In our continuing support to the national economic recovery plan, all SMMEs have been placed on immediate early payment terms and are paid within 14 days of invoicing. We increased local procurement by 11.3% of total procurement spend on local SMMEs to R1.05 billion – exceeding the company's target of 10% and more than doubling the 4.5% achieved in 2020. Through this focus on local businesses, Exxaro empowered 241 local black-owned SMMEs
- In a virtual engagement with our board, led by our SERC over three days, community members in Mpumalanga and Limpopo expressed their concerns about the negative effects of the current economic climate, called for greater empowerment of, and employment and business opportunities, for youth and women, and called for the provision of land for both subsistence and commercial farming, among other local needs

Outcomes and value delivered to stakeholders in 2021

- An evergreen NPC with section 18A status was implemented for the benefit of Exxaro communities in areas surrounding our operations in the Waterberg and Nkangala districts, and the Eastern Cape
- Infrastructure projects to the value of R52 million benefited 196 people through temporary construction jobs and 50 946 people through the provision of water, sanitation, sports facilities, etc
- Education projects and support programmes to the value of R29.39 million benefited 8 512 learners

Engagement outlook for 2022

- We aim to increase engagement with communities and traditional authorities around the implementation of government's District Development Model
- We will continue addressing and responding to issues raised during board stakeholder engagement sessions
- We have commenced engagement with local government regarding the next five-year SLP projects at Grootegeeluk and Belfast

Further reading

 Social licence to operate: enabling our legitimacy (page 132) and our environment: stewardship and compliance (page 136)

INVESTORS

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- Exxaro has been on a transformation process since 2015/16, guided by our objectives and key priorities, including portfolio optimisation, operational excellence (cost management), growth (strategy) and capital allocation (dividends versus future investment)
- We have refined our objectives in response to climate change, This led to the development of our Sustainable Growth and Impact strategy with embedded key ESG principles
- Investor interests in Exxaro's ESG performance has heightened, especially regarding the energy transition and its social impact (employees and communities)
- These strategic shifts require consistent engagement with shareholders to provide information and insights on our progress in implementing these objectives and priorities, governance processes in place for risk management and implications arising from challenges and achievements of executing our strategy
- We report our operational and financial performance twice a year. Each report is preceded by the FD's preclose letter to sell-side analysts (and financial media) to share expected operational performance which will impact financial results. This minimises unexpected developments to the financial results

Our response to stakeholder needs and expectations – important conversations during 2021

- We held more than 60 meetings with shareholders through investor conferences, solicited meetings, and non-deal roadshows following results presentations
- We have maintained our momentum on portfolio optimisation, completing the ECC disposal and remained on track with the sale of Leeuwpun by the second half of 2022
- We remain intent on the sale of Black Mountain and await the results of the prefeasibility study to inform our decision regarding Moranbah South in Australia
- We continue to guide for our cost performance to be in line with mining inflation, which we achieved for the 2021 financial year
- The poor performance of TFR and resulting impact on our coal exports is of concern to investors. The resolution of the TFR issues will take time. Exxaro and the industry (through the MCSA) is engaging, among others, TFR, Transnet, Department of Public Enterprises and Office of the President
- We will not be investing further growth capital into the coal business – rather, we will be harvesting the completed R17 billion investment (and completing the Matla LoM projects), thus maximising the value of the coal business through the early value coal strategy to prevent stranded assets, and ensuring continued energy security from the Eskom coal (base load) power stations we supply; executing the Sustainable Growth and Impact strategy through acquisitive growth in minerals and renewable energy solutions; and developing just transition investment opportunities for the benefit of communities who will be affected by the energy transition
- We have further modified our executive remuneration policy and structures following investor engagements in 2019. A new STI structure is in place, effective 1 January 2022, aligned to the strategy, incorporating shared value/risk principles and material business sustainability targets to ensure long-term shareholder and stakeholder value creation

Outcomes and value delivered to stakeholders in 2021

- We expect the revised export outlook to be lower and in line with export capacity, assuming that TFR will perform to this minimum level given interventions implemented to date
- We hosted a Capital Markets Day where we presented our Sustainable Growth and Impact strategy and expected targets to 2030 (EBITDA contribution of 45%, 30% and 25% from coal, energy and minerals respectively) – shareholder interests and enquiries on further details is encouraging
- We delivered a record dividend pay-out of R9.557 billion (the total dividend distribution for the year is R32.52/share)
- Exxaro received several acknowledgements of our ESG performance, including the Sunday Times Top 100 company (13th) and leading mining company in the FTSE Russell index

Engagement outlook for 2022

- We aim to increase investor engagements through investor conferences, non-deal roadshows. Meetings will continue as Exxaro implements the Sustainable Growth and Impact strategy
- We are planning a governance roadshow, led by the board chairperson, during the second half of 2022 to share board priorities and engage on changes made to Exxaro's remuneration policy in response to investor concerns voiced during our last engagement

Further reading

-  Chairperson's statement (page 6), CEOs' reports (page 62) and FD's overview (page 102)

Creating value through stakeholder engagement continued

CUSTOMERS

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- Our domestic and offshore customers have enabled the performance of the business during 2021
- Eskom remains our largest customer, taking 71% of our sales (66% in 2020). AMSA remains critical to our metallurgical coal sales. These are translated to high-value thermal coal sales when the opportunity arises
- Export sales were 37% down due to poor rail performance
- We maintain expectations on quality products (coal and ferro-silicon), consistent and reliable supply of product, and responsive service (renewable energy supply)

Our response to stakeholder needs and expectations – important conversations during 2021

- As we started communicating our Sustainable Growth and Impact strategy to stakeholders – customers in particular have sought clarity on what gradual divestment means for the coal business
- Key conversations included logistics and its challenges in the domestic market and exports
- Our rail logistics partner, TFR, is experiencing numerous challenges, resulting in poor rail performance, which continue to negatively impact our ability to move coal to customers and ports. These issues include security-related challenges (cable theft, sabotage, vandalism and community interruptions) as well as challenges related to the availability and reliability of locomotives. The latter is a function of challenges to procure critical spare parts for locomotives. The industry, Minerals Council and Exxaro are engaging extensively at ministerial level with Transnet and TFR to understand these challenges and offer support


Outcomes and value delivered to stakeholders in 2021

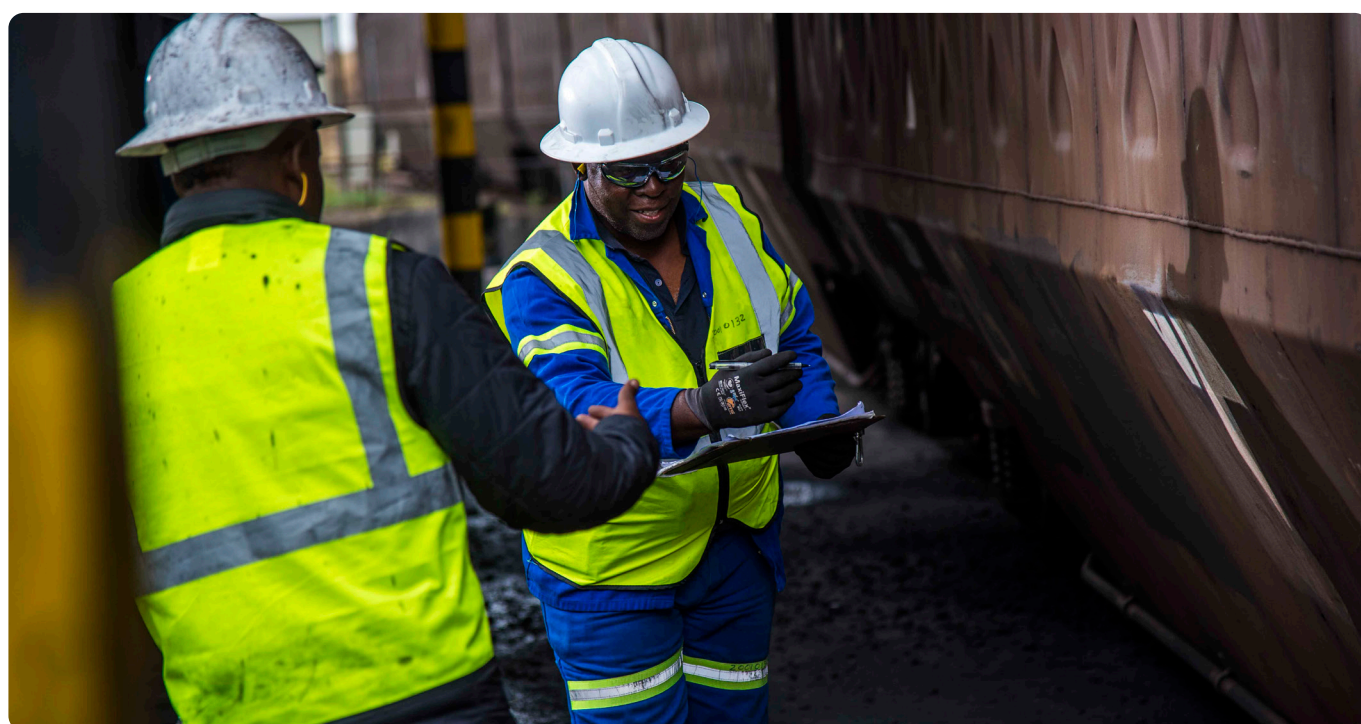
- Safe production
- Reliable and continuous supply of coal to all customers in terms of quantity/volumes, quality and affordability

Engagement outlook for 2022

- As restrictions ease and where possible, we hope to have more in-person engagements with our customers to maintain the current relations and establish new relationships,
- To have closer collaborations with rail and road transporters, and port owners for more capacity in 2022

Further reading

 Operational performance (page 114)



Coal loading at our Leeuwpan coal mine siding

SUPPLIERS

Quality of relationship: 2/3

Why we engage – stakeholder needs and expectations

- 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 business sustainability through cost savings, supplier diversity and transformation (black ownership and participation), 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
- Suppliers look to Exxaro for business opportunities, timeous and full payment and collaboration for shared value (risk and opportunity management)

Outcomes and value delivered to stakeholders in 2021

- We were able to place all black-owned SMMEs on immediate payment terms
- Achieving R1.05 billion procurement or over 11% of our procurement spend with local SMMEs
- We are constantly looking at ways to improve our systems and processes to improve the ease of doing business with Exxaro
- We are investing money in creating infrastructure and policies to make easier for emerging suppliers to work with Exxaro

Our response to stakeholder needs and expectations – important conversations during 2021

- Exxaro's sourcing strategies set out to concurrently optimise for performance and supply risk, financial and fraud risk and supply chain sustainability through agile strategic and group sourcing, contract negotiation and innovation discussions
- We constantly review and update 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, our supply chain activities are aimed at increasing the participation of black-owned suppliers and those from host communities, reducing the environmental impact of our 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
- We remain committed to working with our supply chain partners to ensure our annual input costs remain below inflation
- In 2021, we tested the readiness of our strategic suppliers for climate change and we are now working with our top 10 up and downstream suppliers to reduce our scope 3 emissions
- We are engaging suppliers to encourage transformation and promote industrialisation and local economic development

Engagement outlook for 2022

- We want to work with our supply chain partners to build climate change resilience within our supply chain
- We continue collaborating with suppliers to achieve cost savings and reduce fraud
- We continue increasing beneficial participation of black youth-owned and women-owned SMMEs. This is increasingly critical given the negative social impact of youth unemployment in our host communities

Further reading

-  ESD programme (page 112 of our ESG report))

Our material matters

Our material matters reflect those risks and opportunities that impact our ability to deliver sustainable value creation and preservation. These matters are reflective of our context, constraints, strategy and stakeholders, and act as a guide to our integrated reporting.

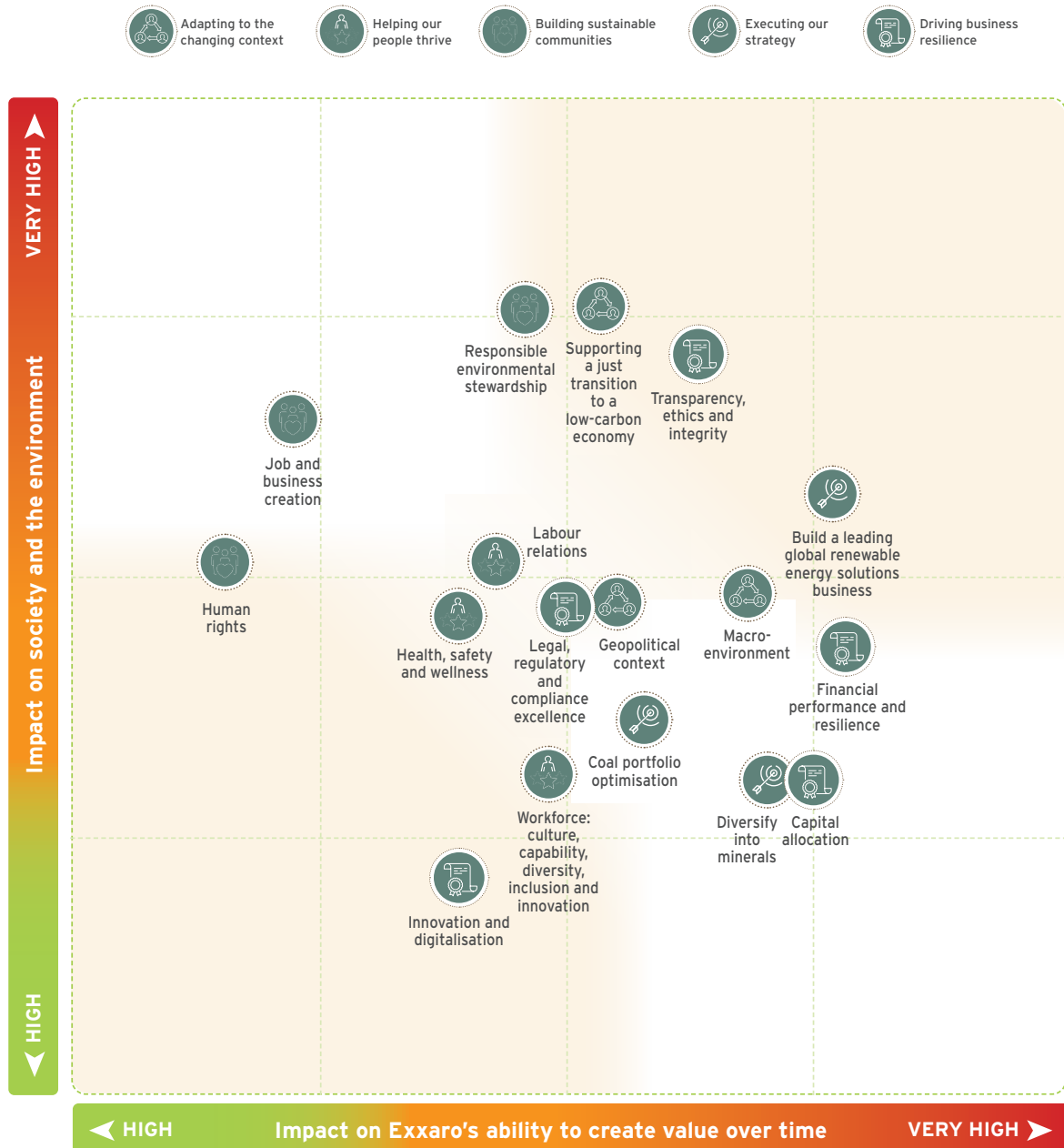
DETERMINING MATERIALITY

We determine these matters through a detailed materiality determination process. We enhanced our materiality process this year by applying a double materiality lens. The approach considers our impact on society and the environment as well as those matters that impact our ability to create and preserve value over time. These material matters have been prioritised and grouped into themes that link to the resources we use and affect.



Materiality matrix

Our materiality determination process identified 17 material matters, grouped into five broad themes. These are shown in the matrix that follows, reflecting their impact on Exxaro, and Exxaro's impact on society and the environment.



Our material matters continued

OUR MATERIAL THEMES



ADAPTING TO THE CHANGING CONTEXT

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

Material matters

- Geopolitical context
- Macro-environment
- Supporting a just transition to a low-carbon economy

Related risks

- Eskom systemic risk
- COVID-19 concerns
- Cost competitiveness of products
- Climate change concerns
- Country risk (political)

Strategic response

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

Related capitals



Related SDGs



Refer to our operating context on page 16 and our business resilience on page 116 for more information.



HELPING OUR PEOPLE THRIVE

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

We are deeply committed to protecting our people's health, safety and wellness, and building relationships based on trust.

Material matters

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

Related risks

- COVID-19 concerns
- Inability to achieve financial targets
- Community unrest
- Employee safety and health concerns

Strategic response

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

Related capitals



Related SDGs



Refer to our people on page 122 for more information



BUILDING SUSTAINABLE COMMUNITIES

We operate in an environment of stakeholder capitalism[#] and where our business activities impact our stakeholders who respond to these impacts. Our social licence to operate is dependent on how we look after our communities and the natural world around us.

We are committed to a just transition that is executed in a manner that is socially just and sensitive to the potential impacts for Exxaro, its communities, South Africa and the planet.

[#] Where organisations are oriented to serve the interests of all their stakeholders.

Material matters

- Human rights
- Job and business creation
- Responsible environmental stewardship
- Supporting a just transition to a low-carbon economy

Related risks

- Unavailability of rail capacity
- Community unrest
- Cost competitiveness of products
- Climate change concerns

Strategic response

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

Related capitals



Related SDGs



Refer to our social licence on page 132 for more information.



EXECUTING OUR STRATEGY

Climate change is no longer a refutable occurrence. We are committed to the Paris Agreement and have established business objectives to respond to the risks and opportunities presented by climate change.

Material matters

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

Related risks

- Unavailability of rail capacity
- COVID-19 concerns
- Employee safety and health concerns
- Climate change concerns

Strategic response

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

Related capitals



Related SDGs



Refer to our strategy on page 66 for more information.



DRIVING BUSINESS RESILIENCE

Underpinning our strategic goals is the drive to enhance our business resilience through 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.

Material matters

- Financial performance and resilience
- Legal, regulatory and compliance excellence
- Capital allocation
- Innovation and digitalisation
- Transparency, ethics and integrity

Related risks

- Unavailability of rail capacity
- Eskom systemic risk
- COVID-19 concerns
- Inability to achieve financial targets
- Community unrest
- Cybersecurity concerns
- Cost competitiveness of products
- Country risk (political)

Strategic response

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

Related capitals



Related SDGs



Refer to our business resilience on page 116 for more information.

Our business risks and opportunities

As a company, we faced many challenges in 2021, including COVID-19-related risks, macro-economic volatility and logistical constraints.

THE ENTERPRISE RISK MANAGEMENT PROCESS AND GOVERNANCE

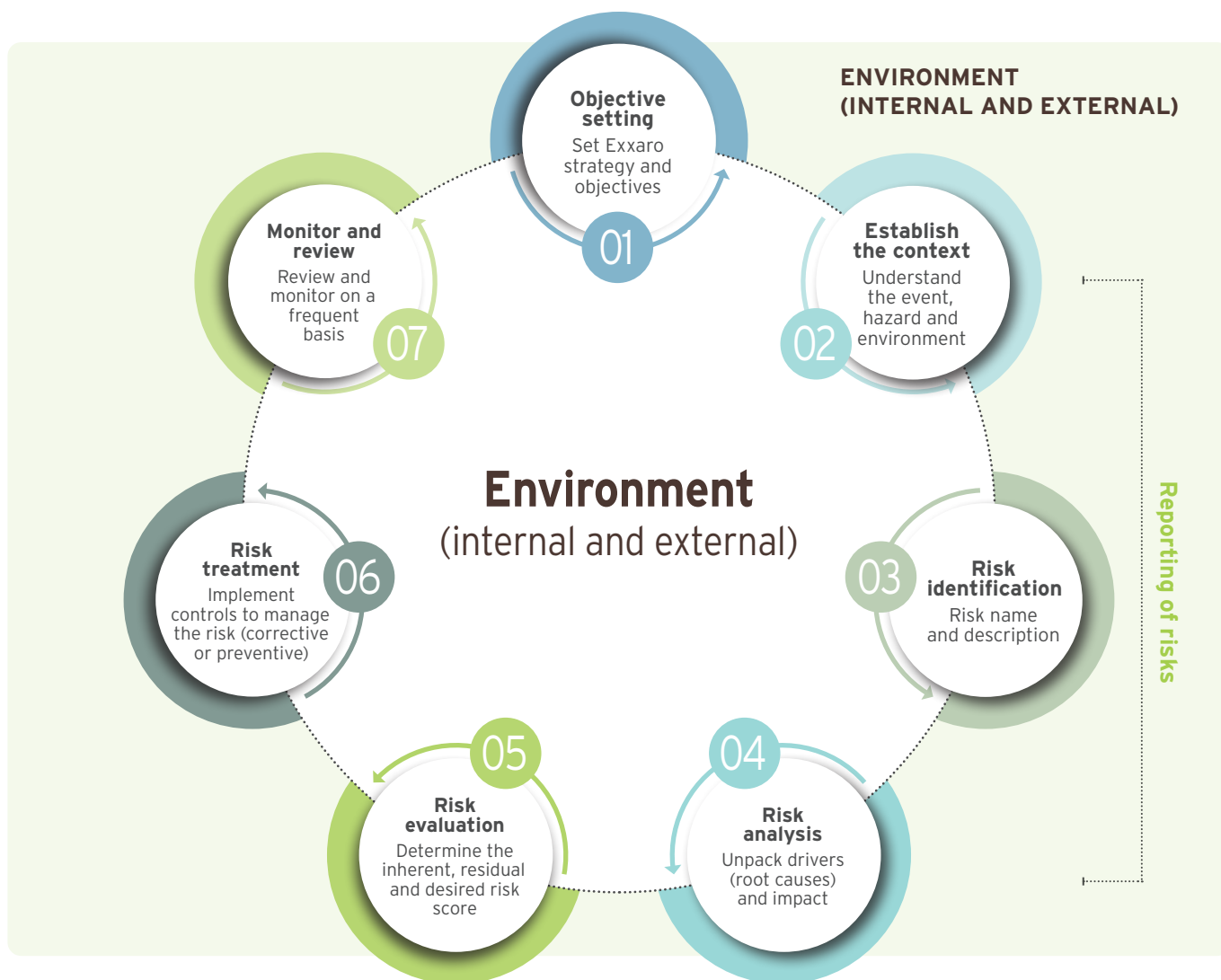
In a volatile economic environment characterised by change and uncertainty, risk management is a critical success factor for us to achieve strategic and business objectives. Embedding risk management into existing processes is key to making informed decisions and proactively planning for possible future events stemming from internal and external sources.

Our enterprise risk management (ERM) process is a strategic initiative fully supported by the board and executive management.

The ERM framework provides a proactive, systematic and integrated approach to risk management. The principles outlined in the framework form the foundation for the risk management philosophy, mission and vision.

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 is regularly reviewed to ensure it remains relevant and effective.



We were able to manage these risks to be within our risk appetite due to our mature risk and crisis management process. We contained costs, focused on M2R and leveraged opportunities to create and preserve shareholder value.

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

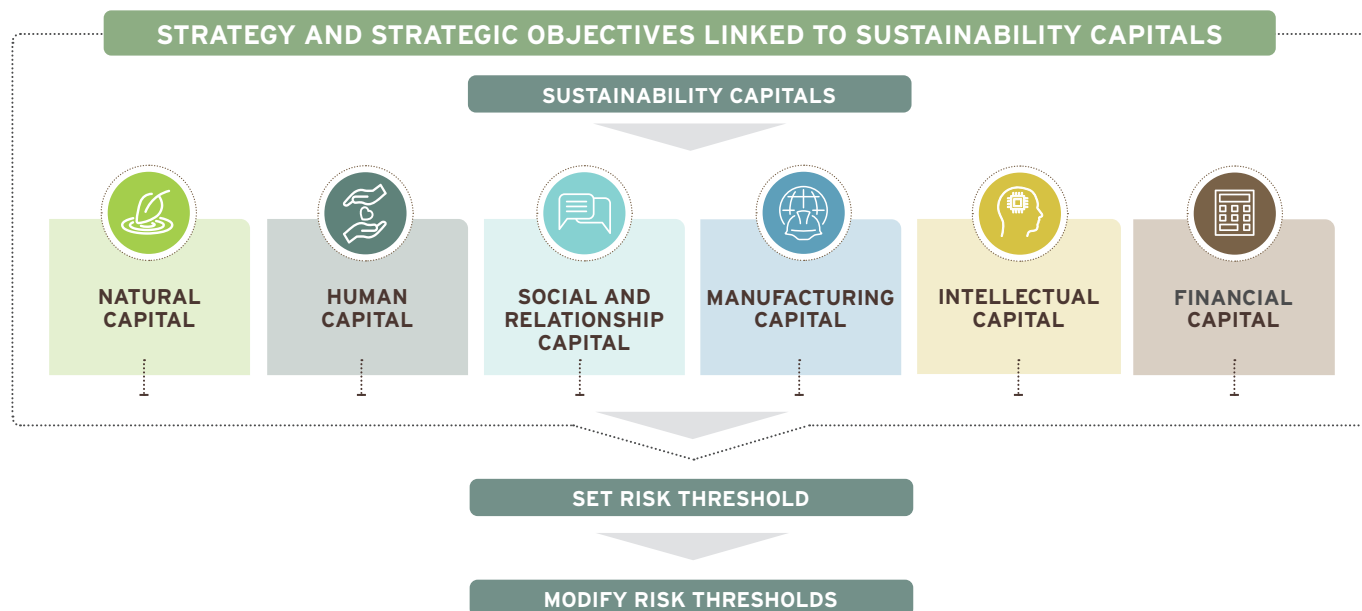


Our business risks and opportunities continued

RISK APPETITE AND THRESHOLDS

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

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



 For details, please refer to performance against our strategy on page 70.

OPPORTUNITIES

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

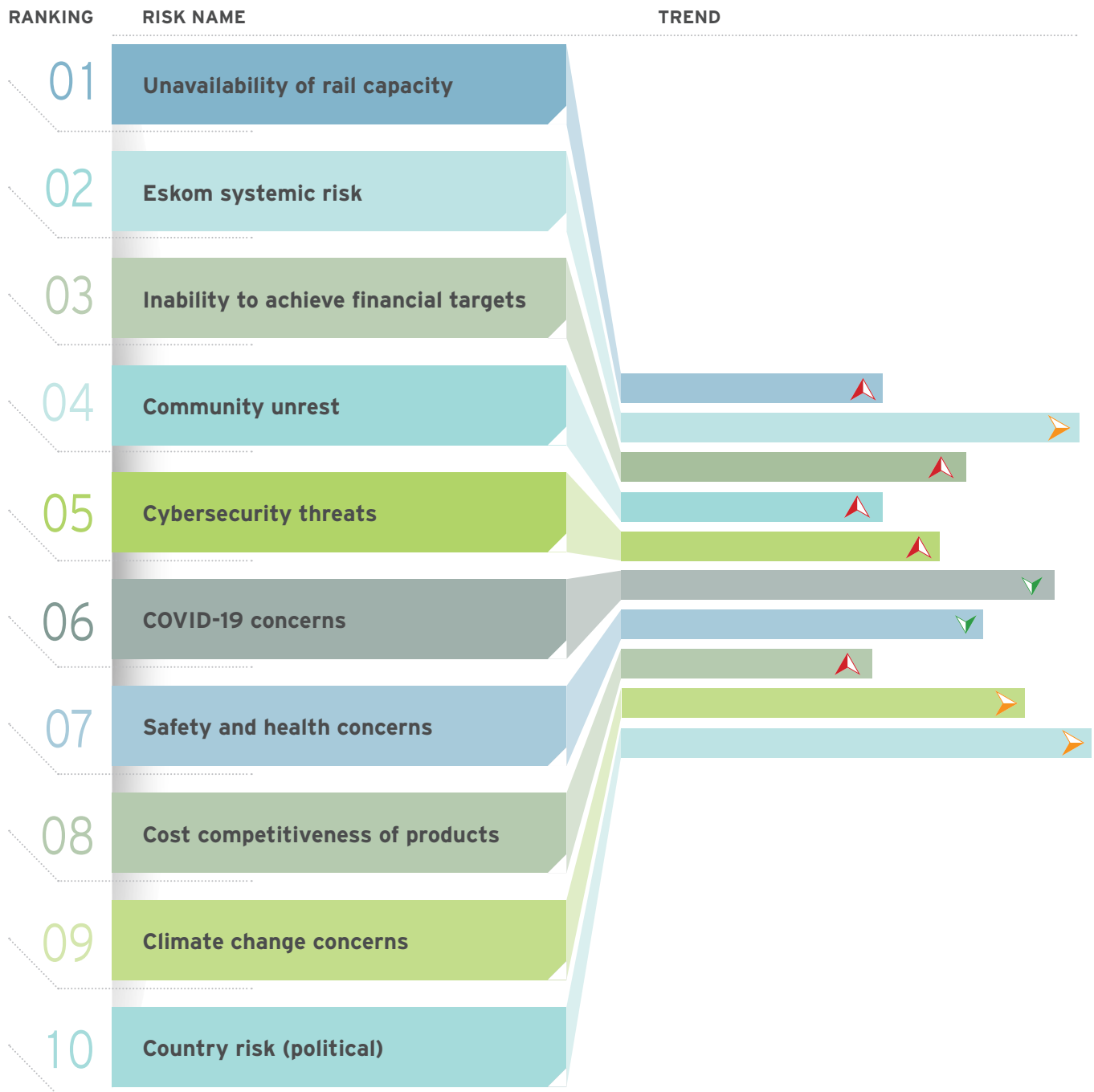
The opportunities we identified in 2021 informed our Sustainable Growth and Impact strategy.

Opportunity	Strategic objective
The early value coal strategy and our ability to maximise resource to market opportunities by leveraging the low cost and flexibility of our coal assets and Reserves.	Make our minerals and energy businesses thrive
Accelerated expansion into renewable energy will support our low-carbon transition.	Be carbon neutral by 2050 Make our minerals and energy businesses thrive
Impact investments provide an opportunity for Exxaro to leverage this financing market to support our just transition ambitions and align with our Sustainable Growth and Impact strategy.	Empower people to create impact
The hydrogen economy was identified as a strengthening signal through our foresight process and market analysis conducted in 2021. Following this analysis, we concluded that hydrogen provides tailwind opportunities for our energy business and is not of significant interest to necessitate a horizon 2 shift at this stage.	Make our minerals and energy businesses thrive
Nature-based solutions to mitigate the impacts of climate change were identified as an opportunity, especially in lieu of the vast amount of viable land that Exxaro has at its disposal. We intend to maximise this opportunity through our Sustainable Growth and Impact strategy.	Be carbon neutral by 2050
Investing in self-generation facilities is an opportunity we are leveraging, which aligns with our renewable energy growth strategy. A memorandum of understanding was signed with Eskom and Seriti Resources in 2021.	Make our minerals and energy businesses thrive
The global energy transition provides opportunity to mine and supply the minerals that support green technologies. Through a rigorous screening process, Exxaro identified copper, manganese and bauxite as being most aligned to our experience, capabilities and market forecasts.	Make our minerals and energy businesses thrive




2021 RISK TREND

The trend report indicates changes in the residual risk score when comparing the 2020 and 2021 financial years.

Our risk scores are derived from the product of the likelihood and the impact of the unwanted event*. The top 10 risks are arranged from highest to lowest risk score.



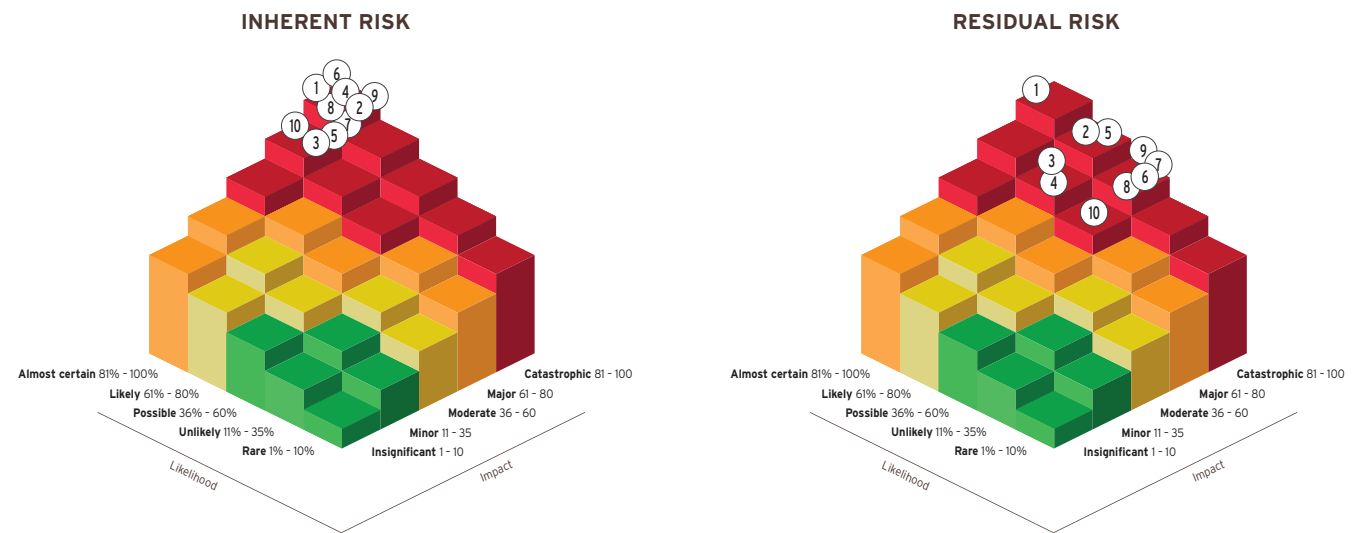
* Risk = f (Likelihood of risk occurring x Impact of the risk)

Legend:  Residual risk increased compared to previous year
 Residual risk remained unchanged compared to previous year
 Residual risk decreased compared to previous year

Our business risks and opportunities continued

TOP 10 HEAT MAP

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




Coal beneficiation plan at our Grootegeluk BU in the Waterberg

MANAGING OUR RISKS

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

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

Lines of defence	Risk trend
1 Management of risk (risk owner)	 Residual risk increased compared to previous year
2 Management support and oversight	 Residual risk decreased compared to previous year
3 Independent assurance	 Residual risk remained unchanged compared to previous year
	 New

1. UNAVAILABILITY OF RAIL CAPACITY (2020: 3)

Drivers

- Cable theft and derailments
- Transnet's locomotive availability
- Inadequate fleet maintenance due to lack of spares at TFR

Treatments

- Marketing and logistics team exploring options to evacuate export-bound coal
- Continuous engagement with TFR to understand issues and provide assistance

Strategic KPIs

- Core operating margin
- Annualised ROCE
- Annual core HEPS and net debt to annualised EBITDA

Impacts

- Operational stoppages
- Financial loss
- Unable to meet contractual agreements and 2021 budget
- Unable to grow and execute the value extraction strategy
- Shareholder dissatisfaction

Outlook

Operational and maintenance challenges are expected to continue to have a significant impact. Sustainable solutions to current challenges will be explored through proactive engagement with Transnet and the industry.

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Line of defence 1

Risk score trend



Our business risks and opportunities continued

2. ESKOM SYSTEMIC RISK (2020: 2)

Drivers

- Inadequate environmental financial provision at tied operations
- Environmental rehabilitation fund shortfall at Matla
- Realisation of approved funding for capital requirements (Matla capital project programme)
- Further delays in Eskom's Medupi power station operating at full capacity
- Eskom not honouring commercial rights and obligations as per coal supply agreements (Eskom liquidity)

Treatments

- Enforce coal supply agreements and award arbitration in terms of environmental funding
- Allocate capital expenditure to build siding to evacuate coal at Matla
- Actively participate in moving coal from Waterberg to Mpumalanga
- Engage with top management and interact with ministers when required
- Continue evaluating and discussing Matla's future

Strategic KPIs

- Core operating margin
- Annualised ROCE
- Annual core HEPS and net debt to core EBITDA

Impacts

- Cost of coal production becomes uncompetitive at Matla (lack of capital)
- Loss of revenue
- Reputational damage
- Cash flow constraints at Eskom resulting in late or no payment to Exxaro
- Operational constraints

Outlook

Eskom's financial challenges will remain a concern in the short to medium term as government continues to reform South Africa's electricity sector and Eskom implements its turnaround strategy and restructuring.

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capital impacted



Lines of defence 1 and 2

Risk score trend



Part of the coal beneficiation plant at Grootegeluk with the Medupi power station in the background

3. INABILITY TO ACHIEVE FINANCIAL TARGETS (2020: 9)

Drivers <ul style="list-style-type: none">• Macro-economic factors• Disaster Management Act, 2002 (Act 57 of 2002) directives issued• Critical input supplies not available• Counterparties not meeting contractual obligations (TFR, Eskom and AMSA)• Claims from contractors due to the impact of COVID-19 on timelines• Reduced rail capacity for exports in 2021		Impacts <ul style="list-style-type: none">• Cash flow constraints• Increased cost of production	
Treatments <ul style="list-style-type: none">• Disposal of ECC* and the Leeuwpans operations (high on the cost curve)• Ability to refinance loan facilities• Focus on current operating excellence and digitalisation initiatives to reduce rand per tonne impacts• Proactively draw down available borrowing facilities• Evaluate claims from contractors in terms of process (supply chain and projects)• Detailed daily cash flow management• Monitor supplier financial status (critical and strategic suppliers)		Outlook <p>Unavailability of TFR capacity is one of the main drivers that contributed to an increase in the risk rating. The focus still remains on the M2R strategy and to maximise value with our available capacity.</p> <p>The coal portfolio is continuously reviewed to focus on robustness of assets and drive value maximisation strategy.</p>	
Strategic KPIs <ul style="list-style-type: none">• Core operating margin• Annualised ROCE• Annual core HEPS and net debt to annualised EBITDA		Strategic objective impacted <p>Make our minerals and energy businesses thrive</p>	
Material theme 	Capital impacted 	Lines of defence <p>1, 2 and 3</p>	Risk score trend 

* Divestment concluded in September 2021.



Results presentation


Our business risks and opportunities continued

4. COMMUNITY UNREST (2020: 4)

Drivers

- Dissatisfaction with local economic development initiatives
- Political agitation
- High unemployment rate
- Poor/lack of service delivery by local government
- High demand for skills development, employment and local procurement
- Instability at most municipalities post-2021 municipal elections
- Perceived slow transformation at operations
- Conduct of contractors (employment practices) that Exxaro is seen as endorsing
- Fractured communities and competing interests
- Manipulation of information/community against Exxaro
- Lack of employment opportunities (worsening since COVID-19)
- Economic recession resulting in job losses during the pandemic
- Lack of procurement opportunities

Treatments

- Emergency response and crisis management plans
- Municipal capacity building programme
- Impact Catalyst projects (refer to the ESG report, page 110) 
- ESD programme (including contractors)
- Build local, provincial and national government relationships
- Invest in non-mining skills development programmes
- Roll out bursaries/skills development programmes
- Transparent and ongoing communication with communities
- Effective local procurement strategy
- Certified COVID-19 testing facilities in Mpumalanga and Limpopo for community members in place

Strategic KPIs

- B-BBEE contribution level
- Black ownership
- SLP project delivery
- Community benefit initiatives
- ESD performance

Impacts

- Production interruptions
- Negative media reports (reputation)
- Jobs/opportunities for sale (misrepresents Exxaro)
- Potential harm to mine employees and contractors
- Potential damage to mine equipment and property

Outlook

We drive long-term sustainable economic and social growth in the regions where we operate to ultimately leave a positive legacy beyond LoM.

The implementation of the Sustainable Growth and Impact strategy to expected expand on positive impact created in the communities we operate and beyond.

Strategic objective impacted

Empower people to create impact

Material theme



Capital impacted



Lines of defence 1 and 2

Risk score trend



5. CYBERSECURITY THREATS (2020: 8)

Drivers

- Large number of devices connected to the corporate network increase our vulnerability, especially in operational systems (Internet of Things)
- Vulnerability due to lack of awareness
- Limited technology resources to accommodate remote working
- Most employees worked remotely during lockdown
- New ransomware models

Treatments

- Ensure we have security governance in place and that it is monitored
- Prevent data loss
- Stricter security practices
- Ensure regular and ongoing security awareness
- Monitor compliance with POPIA
- Business continuity management plan and disaster recovery testing

Strategic KPIs

- Microsoft Secure Score

Impacts

- Production and financial loss
- Information loss – Protection of Personal Information, 2013 (Act 4 of 2013) (POPIA) implications
- Business interruption
- Legal and regulatory impacts (POPIA implications)

Outlook

The prevalence of cybersecurity attacks, with ransomware the most prevalent, is expected to increase. Proactive action improves the robustness of the cybersecurity posture. Exxaro continues to benchmark its cybersecurity profile to enhance our efforts on vulnerability identification and management.

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme



Capital impacted



Line of defence 1, 2 and 3

Risk score trend



Digital operation centre at our captive coal mine, Matla

Our business risks and opportunities continued

6. COVID-19 CONCERNS (2020: 1)

Drivers

- Commodity price volatility
- Disengaged and anxious workforce (permanent employees and contractors)
- Rapid spread of COVID-19
- Increased risk of cyberattacks due to remote working
- Deterioration of employee health (mental and physical)
- Uncontrollable cost of goods and services
- Unavailability of critical goods and services
- Community unrest due to loss of livelihoods impacting Exxaro's operations
- Counterparty risk (contractors/suppliers/customers)
- Productivity decline (operations not operating at full capacity and not complying with disaster management guidelines, among others)
- Possible resistance to vaccination and boosters
- Perpetual cycles of COVID-19

Treatments

- Implement strict security processes and tools, and increase monitoring
- Certified testing facilities in Limpopo and Mpumalanga to conduct mass testing
- Mental wellness programmes in place
- Monitor compliance with contractual agreements (cost of goods and services)
- Monitor critical goods stock levels and services required
- Ongoing engagement with Minerals Council, and provincial and local governments
- Ongoing monitoring of messaging and continuous updates of critical information
- Roll out and continuously update COVID-19 business continuity management plan at operations
- Human resource guidelines in line with government's lockdown regulations
- Activation of crisis management plan

Strategic KPIs

- Core operating margin
- Annualised ROCE
- Annual core HEPS and net debt to annualised EBITDA
- LTIFR
- Fatalities
- Project delivery KPIs including SLPs
- Mining Charter III and B-BBEE targets not achieved

Impacts

- Safety impacts (fatalities and incidents)
- Health and mental wellbeing impacts
- Financial losses
- Unable to meet financial targets
- Legal and regulatory non-compliance with the Disaster Management Act, 2002 (Act 57 of 2002)
- Production stoppages
- Delay in implementation of strategy
- Inability to obtain lines of credit

Outlook

The COVID-19 management plan will continue to be implemented with focus on disease management protocols given the anticipated wave of infections during winter.

With more than 80% of the workforce vaccinated, Exxaro will continue to roll out the vaccination programme, including administering booster vaccines.

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence 1 and 2

Risk score trend



7. SAFETY AND HEALTH CONCERNS (2020: 5)

Drivers

- Rapid spread of COVID-19 infections among employees and contractors
- Anxious and disengaged workforce (additional COVID-19 regulations and some companies impacted by COVID-19 having to retrench contractors)
- High/excessive fatigue levels
- Poor procedures for maintenance of equipment and machinery
- Inadequate on-the-job training due to illiteracy
- Lack of awareness of health risks
- Lack of hazard awareness
- Non-adherence to procedures
- Lack of communication between teams working on equipment
- Lack of change management
- Design or modification of equipment without sign-off
- Inadequate supervision
- Perpetual cycles of COVID-19
- Demobilisation and divestment journey

Treatments

- Analyse historical incident data to identify trends and root causes
- Mental wellness programmes
- Certified COVID-19 testing facilities in Mpumalanga and Lephahle
- Ongoing safety, health, environment and community risk management
- Improve safety management with innovation (including wearables)
- Ensure proximity detection systems are implemented and maintained
- Ensure safety improvement plan is communicated and implemented
- COVID-19 response plan developed and rolled out

Strategic KPIs

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

Impacts

- Unwanted health and safety incidents
- Operational stoppages
- High insurance premiums
- Loss of licence to operate
- Decrease in quality of life
- Section 54 and 55 fines and penalties imposed by the DMRE
- Loss of productivity (deaths, medical incapacity or sick leave)

Outlook

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

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence 1, 2 and 3

Risk score trend



Our business risks and opportunities continued

8. COST COMPETITIVENESS OF PRODUCTS (2020: 6)

Drivers

- Limited LoM
- Poor capital project execution
- Not achieving productivity indices (benchmark standards)
- Cost containment discipline not uniform
- Inflationary pressures
- Deteriorating mining conditions (decreasing yield and increasing stripping ratio)
- Not meeting production volumes
- Exchange rate volatility
- Commodity price decline
- Inaccurate financial modelling
- Higher fixed costs (corporate office costs charged to BUs)
- South African geographical constraints
- Frequent changes in legislation (cost of licence to operate)

Treatments

- Embrace technology and innovation initiatives to improve productivity performance
- Ensure BUs comply with concurrent rehabilitation
- Optimise operating model and avoid duplicated activities
- Create strategic partnership to leverage economies of scale
- Ensure balance between capital optimisation and prioritisation
- Investigate and divest non-core and non-robust assets
- Provide for post-production stoppage (rehabilitation cost)
- Review and monitor performance of suppliers and service providers
- Increased awareness of cost management
- Focus on sustainable cost reduction programmes and business improvement initiatives
- Planned reviews by coal operating company
- Rebalancing product chains for better use of infrastructure

Strategic KPIs

- Core operating margin
- Annualised ROCE
- Annual core HEPS and net debt to annualised EBITDA

Impacts

- Reputational damage
- Social impact
- Financial loss
- Margin squeeze
- Premature mine closure and allocation of costs to other operations
- Reduced earnings will impact approval of capital projects

Outlook

Inflationary pressure expected to continue to persist given challenges in the global economy exacerbated by the Russia/Ukraine conflict.

We continue tracking and monitoring initiatives to manage ongoing volatile conditions and cost pressures, focusing on reducing consulting costs and continued focus on production efficiencies.

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence 1, 2 and 3

Risk score trend



9. CLIMATE CHANGE CONCERNS (2020: 7)

Drivers

- Poor plant or operations design unable to withstand extreme weather conditions
- Poor monitoring and reporting of climate change impacts
- Infrastructure vulnerabilities
- Lack of awareness of climate change impacts
- Increased non-governmental organisation activism
- International and local investor negative sentiment towards fossil fuels

Impacts

- Reputational damage
- Loss of licence to operate
- Financial loss (increased carbon tax, among others)
- Environmental impacts (extreme heat and drought)
- Legal claims against heavy polluters
- Health and safety impacts on employees (increased occupational incident rate due to heatstroke and increase in skin cancer, among others)
- Energy security and supply
- Loss of throughput
- Natural disasters (flooding)

Treatments

- Invest in renewable energy initiatives
- Raise awareness about climate change impacts
- Continuously investigate measures to reduce climate change impacts
- Engagement with regulators to anticipate policy changes
- Investigate suitable personal protective equipment for extreme weather conditions
- Link performance reward system to climate change mitigation
- Review conditions of work under extreme weather conditions
- Engage with government and other role players in the industry to align in the transition to a low-carbon future
- Invest in appropriate technology to reduce our emissions
- Embed climate change mitigations in design criteria for existing and new projects
- Plan and embark on our early value coal strategy to reduce stranded assets
- Develop a renewable energy strategy to transition to a low-carbon economy
- Adopt the TCFD framework to engage with stakeholders
- Align with the Paris Agreement
- Develop market intelligence on carbon pricing
- Effective water management processes for water security

Outlook

We will execute our decarbonisation plan and have implemented a process to create baseline measures and planning for decarbonisation initiatives.

Strategic KPIs

- Water intensity
- Carbon intensity

Strategic objective impacted

- Be carbon neutral by 2050

Material themes



Capitals impacted



Lines of defence 1, 2 and 3

Risk score trend



Our business risks and opportunities continued

10. COUNTRY RISK (POLITICAL) (2020: 8)

Drivers

- Lack of investment and low employment creation
- Uncertainty about land ownership and security of tenure
- Limited local government capacity to deliver services
- Potential for nationalisation sentiment
- Continued poor economic performance will influence policy and political outcomes
- Slow implementation of required reforms
- Corrupt practices (private and public sector)
- Rating agencies downgrade South Africa to junk status
- South Africa's real GDP growth forecast to be (3.1%) for 2021
- Limited fiscal capacity
- National party leadership elections every five years
- Nature of influence of opposition parties

Impacts

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

Treatments

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

Outlook

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

Strategic KPIs

- N/A

Strategic objective impacted

- All

Material theme



Capitals impacted



Line of defence 1

Risk score trend





Matla BU stockpile with the Matla power station in the background

A photograph of an industrial facility, likely a coal processing plant, featuring a large green hopper and conveyor systems. The scene is set against a sunset sky with orange and pink clouds. A large, semi-transparent green wave-like graphic overlays the bottom half of the image, containing the title and table of contents.

Positioning the business for growth

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We're building on an existing successful platform leveraging our skills and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company, a leading international renewable solutions provider by the end of the decade.

TRANSITIONING TO SUSTAINABLE GROWTH AND IMPACT

In this strategy-focused chapter, we outline how our business leadership has transitioned as well as our strategy. As we commence the implementation of the strategy, we outline the drivers for our strategic direction, how we will measure our success into the future as well as reflecting on our past strategic performance.

Outgoing and incoming CEOs' reports

Outgoing CEO's report | Mxolisi Mgojo

Reflections on our year and our journey to position our business for sustainable growth



REFLECTING ON 2021

When we returned to work in 2021, we continued to be positive despite the COVID-19 restrictions that remained in place as new variants of the virus extended the pandemic. The year was characterised by ongoing global uncertainty as the bisecting crisis of the pandemic and climate change weighed on the economy.

Locally, social unrest in South Africa flared up as pre-existing inequality and growing unemployment came to a head. The resulting destruction was significant, and came at a tremendous cost to the economy as businesses suffered rampant theft and destruction of property, damaging fragile business and consumer confidence. The intangible damage was equally significant, and included increased unemployment rates, intensified political instability and greater divisions socially, which will take a long time to remedy.

From this destruction, there were also moments that highlight how we will address the underlying causes and outcomes. Moments where ordinary citizens and law enforcement worked together to protect their communities. These acts show how, as a collective, we need to partner and proactively collaborate to acknowledge and address the risks of increased inequality, unemployment and poverty laid bare by the pandemic.

We were pleased to witness the effective roll out of the government's vaccination programme – a critical step in slowing the spread and lessening the impact of COVID-19. We endeavoured to assist our peers and government with the roll out and the critical economic recovery plan.

HOW WE PERFORMED

Despite the challenges faced, we remained focused on leveraging our growth investments, supporting our early value coal strategy and sustaining our businesses by implementing our portfolio of stay-in-business capital projects. As a result, we were able to pay a special dividend of approximately R1 950 million to shareholders in May 2021.

Capital expenditure in our coal business decreased by 22%, mainly due to timing in sustaining capital expenditure and some projects nearing completion, offset slightly by the roll-over of GG6 expansion spend from 2020 due to the pandemic. The construction of GG6 expansion project was completed in the last quarter of the year. Close out of the project is expected in the second half of 2022 with the final cost of completion remaining at R5.3 billion.

We monetised our Tronox investments in March 2021 and received R5 763 million from its disposal. We continue to evaluate our options to also dispose of our 26% shareholding in Black Mountain.

Our capital allocation programme remained prudent while we concluded our share repurchase programme of R1.5 billion in November 2021. The shares bought back between July and November will be cancelled and delisted by the JSE, resulting in issued share capital of 349.3 million shares at year end when the group had net cash of R0.8 billion (excluding Cennerg's net debt of R4.5 billion).

We continued to engage with Eskom for additional funding to complete the Matla Mine 1 relocation project, which began with construction in August 2020. We expect approval in the second quarter of 2022.

The prefeasibility study on determining the way forward for the Moranbah South hard coking coal project in Australia began in the third quarter of 2021 and is expected to be completed early in 2023.

Total coal production (excluding buy-ins) and sales volumes decreased by 10% and 9% respectively, mainly due to logistics constraints and the disposal of the ECC* operation earlier than anticipated. This was mitigated by diverting Belfast's export product to the domestic market and a nominal increase in Waterberg domestic sales.

TFR moved 58.12Mt to RBCT during the year compared to 70Mt during 2020. Grooteegeluk dropped to four (2020: seven) trains per week. Mpumalanga export rail performance decreased

* Divestment concluded in September 2021.

to 15 (2020: 25) trains per week. This poor performance is due to locomotive unavailability, increased cable theft and vandalism of rail infrastructure. The coal industry intervened by appointing a security service provider to reduce cable theft and engaging in initiatives to improve overall operational performance.

In our energy business, the two windfarms ran below planned capacity due to lower than expected wind speeds. This, along with increased maintenance, and the end of five-year warranty inspections, affected electricity generation, which was a combined total of 724GWh for the year.

COMMITTING TO ZERO HARM

Zero harm remains our key business and sustainability objective, and the health and safety of our employees and communities remain a priority. We reached record performance of five consecutive years without a work-related fatality and an LTIFR of 0.08 as at 3 March 2022 in line with our target of 0.08.

We continue to respond to the COVID-19 pandemic through our health and wellness strategy, which prioritises avoiding, reducing and managing infections. The group recorded 5 140 (2020: 2 780) confirmed cases and a recovery rate of 99%. We registered our Grootegeeluk complex and Matla occupational health centres as accredited vaccination sites. As at 16 March 2022, Exxaro had vaccinated 12 671 employees and contractors aged 18 and above, reaching 84.60% and exceeding our 80% target.

On a broader scale, Exxaro worked with the Minerals Council to increase resilience, reduce poverty and enable prosperity, and partnered with Dis-Chem and provincial health departments to vaccinate employees, contractors and their next of kin. We also partnered with World Vision South Africa to continue distributing hygiene and food packs across the country.

Prioritising decarbonisation

Our decarbonisation project office began an assessment to baseline our value chain emission profile and determine immediate solutions we can implement. To ensure we embed climate change outcomes, risks and performance in the organisation, we included water and energy intensity performance in our revised short-term incentive (STI) scheme. This will ensure we implement strategic projects to mitigate water security risk and transition our energy use to cleaner fuels.

Investing in our communities

The primary focus of our social investment and engagement activities was re-establishing relationships after lockdown, funding ESD projects, and implementing community infrastructure projects. We provided total ESD funding of R127.7 million to 15 SMMEs, supported 97 beneficiaries in the Gordon Institute of Business Science contractor development programme and 29 beneficiaries in the South African Institute of Chartered Accountants Enterprise Development (SAICA ED) financial excellence programme.

In 2021, we spent R113 million on our social investment projects, which included SLPs. These projects included school infrastructure and support programmes, delivering the ESD hub and programmes, (excluding funding) and water and sanitation infrastructure projects in Mpumalanga and Waterberg. We estimate that approximately 2 000 000 community members will benefit from services to be provided from these projects. During the implementation, 205 jobs were created.

Three virtual stakeholder days in September 2021 enabled our board members to directly listen to beneficiaries for a balanced reflection on our performance. We were pleased to maintain harmonious engagements with our communities leading up to local government elections.

Securing our future

To transition our business with urgency for a low-carbon future, we divested from ECC*, continued to review the future of the Thabametsi mining right, and applied for an environmental licence for the Belfast expansion project.

The Leeuwpans disposal process continues with definitive legal agreements expected to be signed in the first half of 2022 and regulatory approvals thereafter.

POSITIONING OUR BUSINESS TO SUPPORT THE TRANSITION TO A LOW-CARBON WORLD

Through my involvement with Business Leadership South Africa and Business Unity South Africa, I am acutely aware of crucial conversations on climate change issues and the need to transition to a greener economy without excluding the people who depend on fossil fuels for their livelihoods.

Exxaro has long grappled with the unique challenges South Africa, and indeed many countries in the developing world, face. Balancing the country's economic growth plans and energy requirements with the difficult reality of climate change.

In response, we engaged extensively with leading experts and affected stakeholders, and reassessed our portfolio and direction. Our ambition is to play a pivotal role in the transition to the cleaner low-carbon economy.

Our history and purpose through our robust ESG framework are at the heart of our governance and decision making, and will guide our transition within the context of our local and global realities.

We are deliberately building our capabilities in renewable energy, starting with our investment in Cennergi. By scaling our renewable energy business, we can build on our position as a key anchor of energy security in South Africa and a significant contributor to renewable energy solutions in other markets.

To this end, in 2021, Exxaro, Eskom and Seriti recorded their intent to pursue the development of renewable energy solutions for the cost-plus mines supplying coal to Eskom. Exxaro, acting under the auspices of Cennergi, and Seriti, under its subsidiary Seriti Green, will investigate and propose suitable renewable energy solutions and projects at their respective mines and related Eskom sites in consultation with Eskom.

APPRECIATION

I am proud of the people who are part of the team building Exxaro. The results we have collectively achieved in the past years are a testament to the calibre of our team who work tirelessly to deliver on our strategy.

I am confident that the successes of the past will be taken to even greater heights in the competent and capable hands of my successor, Nombasa Tsengwa, who is supported by the dedicated people of Exxaro.

I'd like to thank our valued stakeholders for their continued support. I believe that the work we have undertaken, together with our clear vision and strategic plans, will enable us to continue to serve our stakeholders and deliver on our purpose to power better lives in Africa and beyond.



Mxolisi Mgojo
Outgoing CEO

4 April 2022

* Divestment concluded in September 2021.

Outgoing and incoming CEOs' reports continued

Reflecting on Mxolisi's tenure at Exxaro

Prior to 2016	<ul style="list-style-type: none"> • 2006: Head of base metals and industrial minerals • 2008: Executive head of coal • Key strategic initiatives: <ul style="list-style-type: none"> – Unlocking value in the Waterberg – Reducing Eskom exposure – TFR and RBCT approach
2016	<ul style="list-style-type: none"> • CEO designate • Holistic coal strategy based on pillars of excellence: <ul style="list-style-type: none"> – Coal of today fuelling the Exxaro of tomorrow strategy – Optimising the portfolio based on scenario robustness and profit maximisation
2017	<ul style="list-style-type: none"> • Executed strategic initiatives for long-term value realisation: • Identified an opportunity to implement digitalisation and innovation to unlock value • Introduced M2R optimisation
2018	<ul style="list-style-type: none"> • Strategy to be in the lowest cost curve: • Defined the roadmap to achieve our 2026 objectives • Implemented The Startup Way and LEAN5 culture to accelerate value realisation • Capital optimisation
2019	<p>Early value strategy (Wings) to responsibly bring forward long-term operating cash flows to support an accelerated just transition and defend against climate change-induced market risk:</p> <ul style="list-style-type: none"> • Optimised LoM plans that protect shareholder value, promote growth and reduce overall environmental impacts • Value realisation from our digitalisation and innovation programme • Defence strategy against climate change (early value)
2020 to 2021	<ul style="list-style-type: none"> • Development and approval of Exxaro's Sustainable Growth and Impact strategy • Strategic priorities: <ul style="list-style-type: none"> – Continue with our portfolio optimisation – Responsible value maximisation of our remaining coal asset portfolio – Deliberate and responsible management of risks and opportunities in the low-carbon transition – Prioritise acceptable value distribution with long-term investments – Acquire the remaining 50% stake in Cennergi from Tata Power

We thank Mxolisi for his strength of leadership and unwavering dedication to Exxaro over the past 15 years.



Exxaro CEO Mxolisi Mgojo during the 2020 results presentation


Incoming CEO's report | Dr Nombasa Tsengwa

Dr Nombasa Tsengwa
Incoming CEO

It is an exciting time to be at Exxaro. As I prepare to take the helm from Mxolisi Mgojo, I believe our plans to create a low-carbon future place us on a pathway that will positively impact our stakeholders and society at large.

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 depending on our coal operations.

The development of our strategy has been measured and informed by research, insight and a foresight process. Informed by this, we are building on our existing successful platform, leveraging our skills and differentiation with a long-term vision to establish a sustainable, growth-orientated, value-driven company – a leading international renewable solutions provider by the end of the decade that includes mineral targets as well.

 Details on the performance of our Sustainable Growth and Impact strategy and future focus are on page 70.

Going forward, to achieve our vision of having a resilient portfolio with diversified and robust growth opportunities, we leveraged our energy business to decarbonise and reduce our emissions by positioning the business for a low-carbon future.

We anticipate challenges along the way, which largely depend on the world's recovery from the protracted COVID-19 pandemic. These include fluctuating currencies, monetary policies, market

demand and commodity pricing. These factors influence the inflation rate and our suppliers' capacity to deliver on their commitments. To remain competitive, we need to wholeheartedly embrace innovation to improve the efficiency of our operations to ensure we meaningfully address global energy demand while delivering shared value with positive socio-economic impact.

I am deeply grateful to Mxolisi for his guidance in this transition and appreciative of our executive committee for their support.

After 18 years at Exxaro, I know the power of this team. Looking ahead, I believe the implementation of our Sustainable Growth and Impact strategy will unlock value for our organisation, our stakeholders and the country at large – and I look forward to sharing our progress with you, our valued stakeholders.



Dr Nombasa Tsengwa
Incoming CEO

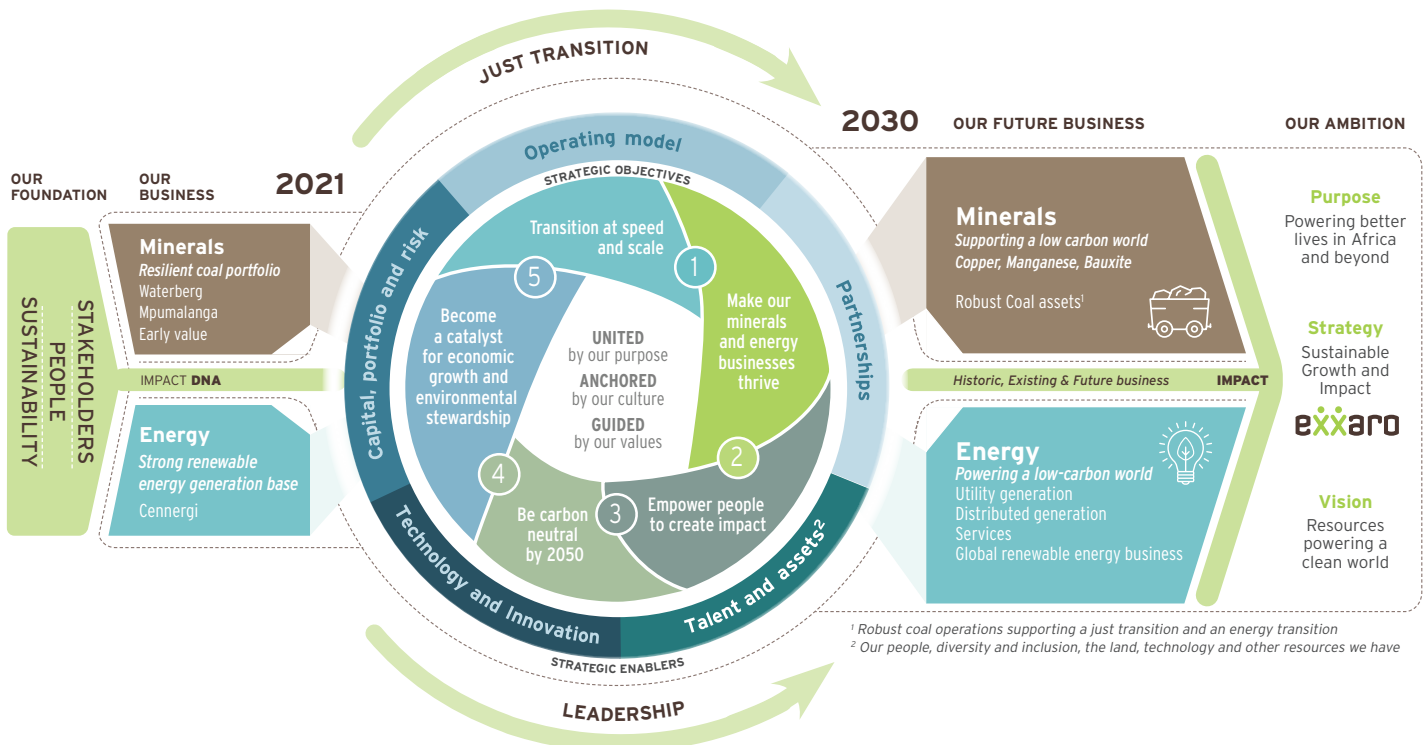
4 April 2022

Our strategy: Positioning Exxaro for enduring success

The Sustainable Growth and Impact strategy, which we introduced in the 2020 integrated report, is Exxaro's approach to transforming our business at scale. We intend to evolve into a diversified company that will transition from a coal-based business into a minerals and renewable energy solutions business that thrives in and contributes to a low-carbon future.

Given the rapidly changing macro-economic environment, we further progressed in shaping, measuring and delivering our strategy in 2021. We refined our strategy from the Business of Tomorrow perspective through broad consultation and used the latest industry market and economic research to inform this process. Exxaro engaged with key stakeholders to ensure we consider their legitimate needs and concerns. As part of our robust strategic process, the strategy was submitted to the board for input, supported by a clear implementation plan and measurement criteria.

At the heart of our strategy is the need to transition responsibly. We have established a clear understanding of our operating context, wherein our coal operations contribute vast value to the communities we operate in and the country we serve. Exxaro remains committed to responsibly maximising the value of the coal assets and minimising stranded assets. We are also determined to play an active role in creating a future that enables our new vision: resources powering a clean world, as we transform the business. Striking this delicate balance is top of mind when crafting and delivering our strategy.



We have set five broad strategic objectives supported by measurable outcomes to deliver our strategy:

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

THE DETAILS OF OUR STRATEGY

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

- Continuing to deliver value in the existing coal assets (categorised and described under minerals)
- Growing our renewable energy solutions business
- Providing minerals that support a low-carbon world

Our energy business

To be a leading international renewable energy solutions provider by 2030

What

RENEWABLE ENERGY



- A significant contributor of renewable energy solutions (renewable assets and services)
- Servicing the public and private sectors in South African and other markets

Focus on three renewable energy areas:

- **Distributed generation:** Our growth in renewables will be internally led by providing our existing operations with self-generation. We have nine operating assets, two of which (Belfast and Grootegeeluk) are under development. We will then look to providing generation for customers in mining and select markets
- **Utility generation:** We intend to provide utility generation in select markets. We will determine markets for focus through selection criteria
- **Services:** We will build our energy services business by growing our existing renewable energy business and augmenting our generation business. We will potentially also offer asset management, energy management, digital services and virtual power

Why

- Transition Exxaro to a carbon-neutral future
- Provide diversification and long-term sustainability to Exxaro's cash flow
- Become an anchor of energy security in South Africa as a longstanding player in this space in a business environment with significant growth prospects

How

- Leverage Exxaro's unique network and skills sets to expand our existing renewable energy business
- Make renewable energy investments in select markets with an acceptable risk profile targeting a portfolio return of 15% equity internal rate of return over a period of time



Competitive advantage

- **Renewable pedigree:** We have the second largest local IPP in South Africa and have had exposure to the renewables business since 2009
- **Perfectly positioned:** We are at the nexus of mining and renewables with our exposure to multiple mining operations and our Cennergi business. We have past and current partnerships or investments with multiple mining firms that require renewable solutions
- **History of delivery:** We have delivered multiple complex capital projects that will serve to build our renewable energy business. To list a few: new Belfast digital mine, KZN Sands, titanium dioxide (TiO₂) mine and smelter, GG6 brownfields expansion and Matla Shaft Mine 1
- **Adjacency advantage:** All our operations require decarbonisation. Operations are often located in clusters with other mining peers also requiring solutions
- **Innovation competence:** Through our growing competence in innovation, we have built multiple products and capabilities across our business that position us to meet our energy business targets. Our RRODA digital renewables tool combines mining and renewable datasets to optimise site selection and high-level design parameters with quantification of tariffs and savings

Our strategy: Positioning Exxaro for enduring success continued

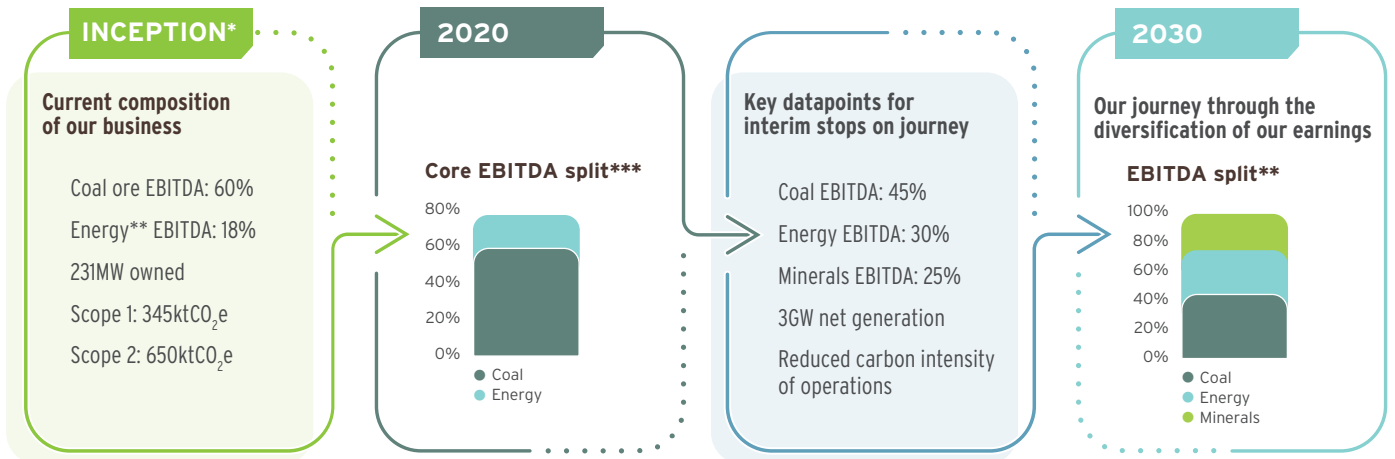
Our minerals business

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

What	COAL	NEW MINERALS
	 <ul style="list-style-type: none"> Our coal business continues to deliver value for Exxaro and is key in providing the country's primary energy source 	 <ul style="list-style-type: none"> Diversify into new mineral assets (manganese, copper and bauxite) that are vital to a low-carbon future
Why	<p>We understand that the coal assets under our care do not belong to us. Therefore, we have a responsibility to manage them in a way that benefits the people who depend on them for their immediate energy needs.</p> <p>To do this, we must ensure that, on our way to a low-carbon future, we do not leave high-value assets sterilised and stranded.</p>	<p>There is no better time to build from a position of strength and to align with Exxaro's ambition.</p> <p>We have proven our ability to outperform our value creation targets and we are in a healthy position to leverage growth.</p> <p>We have deep-rooted competencies to grow from.</p>
How	<ul style="list-style-type: none"> Ensure a robust coal asset portfolio, which includes divestment from resources that do not suit our future portfolio Optimise our mine to resource journey Digitalise our operations with a focus on value creation Optimise capital allocation Minimise emissions at our existing operations 	<ul style="list-style-type: none"> Exxaro has developed a minerals business approach that enables a just transition to a low-carbon world while leveraging our core competencies as a bulk miner Robust screening criteria enable us to continuously review and identify the minerals we should be focusing on for our future growth Our initial targeted minerals (manganese, copper and bauxite) offer the best risk to reward ratios to: <ul style="list-style-type: none"> Deliver our bold EBITDA target Support our ambition to power a clean world Benefit from the decarbonisation tailwinds that will drive world economies into the future
Competitive advantage	<ul style="list-style-type: none"> Specialised skills: We have roots as a diversified miner with recognised specialised skills in mining. This includes open-pit and bulk commodity experience, base metals, mineral sands and industrial minerals Project execution excellence: Through expansion successes, delivering digital innovation through our Digital@Exxaro programme and continued operational excellence from our high-performing coal operations Recognised for our ESG performance, brand and culture 	

Timeframes

Our strategy will be delivered in phases with clear outcomes in each of our focus areas.



* End-2020.

** Excluding nine months step-up acquisition on 1 April 2021.

*** Excluding ferrous and other segments.













Coal silo at our ECC operation in Mpumalanga

Sustainable Growth and Impact strategy – performance and future focus

Building traction as we transition to our new strategy

We are in the process of transitioning into and embedding our Sustainable Growth and Impact strategy. We have clear objectives to achieve this strategy and have provided an overview of our traction thus far in the table below. To best measure and manage our progress, we have identified KPIs that we will measure our performance from 2022 onwards. These have been carefully selected by considering our previous KPIs (which reflected the capitals of value creation that we use and affect) and our future goals. The resultant indicators are refined and targeted, designed to monitor momentum on strategy while catalysing management discussion and analysis within the organisation. They also ensure all previous ESG commitments are covered in their achievement.

 For 2021, our performance continued to be measured against our previous KPIs, reported on page 72.

	TRANSITION AT SPEED AND SCALE	MAKE OUR MINERALS AND ENERGY BUSINESSES THRIVE
Performance overview	<ul style="list-style-type: none"> • Divestments: ECC* complete and Leeuwpans divestment remains on track for the second half of 2022 • Formally allocated capital with expected returns to minerals and energy businesses • Signed a memorandum of understanding with Eskom and Seriti for decarbonisation projects • Conducted rigorous market analysis and commodity evaluation that led to initial focus on copper, manganese and bauxite 	<ul style="list-style-type: none"> • Appointed managing directors for the minerals and energy businesses • Refinanced an R8 billion loan facility • Digitalisation continuing to deliver value • Implemented RRODA for energy business • Implemented a revised governance structure in line with empowered and agile decision making across the group • Implemented a country risk assessment framework and differentiated weighted average cost of capital for minerals and energy • Implemented M2R and cost-saving initiatives, leading to notable cost saving for the year
KPIs (2022 onwards)	<ul style="list-style-type: none"> • Growth in renewables: MW – target 3GW (net) by 2030 • Diversification of minerals: EBITDA – target 50% of coal EBITDA by 2030 • Energy EBITDA 	<ul style="list-style-type: none"> • EBITDA • Covenants • ROCE (risk-adjusted) • S&P credit rating • Total shareholder return • Group cost efficiency
Material themes	 	 
SDGs impacted	  	 
Looking forward	<p>We aim to transition at speed and scale but not at all costs. Our investments in minerals and energy will be governed within our prudent capital allocation framework and rigorous investment criteria positioning our portfolio within our desired risk-adjusted return levels</p>	<p>Safety, cost optimisation and business improvement remain our priorities across our minerals and energy businesses</p>

* Divestment concluded in September 2021.

EMPOWER PEOPLE TO CREATE IMPACT

- COVID-19 vaccine roll-out in line with Minerals Council targets
- Signed up for UN Women's Empowerment Principles and listed on Bloomberg Gender Equality Index
- Rolled out the Exxaro Leadership Way that included mindset training across the group
- Implemented a group incentive scheme aligning individual and team goals to group objectives
- Implemented a revised corporate governance framework to ensure the appropriate delegation of authority for our energy business
- Zero harm
- 2022 LTIFR target = 0.06
- OHIFR
- **Fatalities – zero fatalities**
- **Culture score**
- Diversity and inclusion score (Bloomberg Gender Equality Index)



Continuous development of our people, processes and platforms to ensure we build on our learning culture and achieve our strategic objectives

BE CARBON NEUTRAL BY 2050

- Commissioned an internal decarbonisation project management office
- Self-generation renewable energy projects at Belfast and Grootegeluk in prefeasibility stage
- Published a TCFD report
- Issued the open innovation challenge to track and trace our carbon emissions
- Reduction in carbon intensity
- Potential carbon credits created through nature-based methods and carbon sequestration projects
- Interim targets



Our key focus in the short term will be our detailed stakeholder-centric decarbonisation roadmap with clear objectives and milestones

BECOME A CATALYST FOR ECONOMIC GROWTH AND ENVIRONMENTAL STEWARDSHIP

- Delivered UNGC communication on progress
- Partnership with SAICA ED unit to implement a financial excellence programme for miners' suppliers
- Ranked as one of the Top 100 best emerging market performers by Vigeo Eiris
- Finalist for Absa Business Day Supplier Development Awards
- Impact Investment opportunities presented at COP26
- Identified Exxaro-owned land for social and environmental impact initiatives (RRODA)
- B-BBEE dtic scorecard – level 1 target
- Mining Charter III scorecard
- Impact matrix (FTSE Russell ESG index) > 3.5 score
- Water intensity
- Rehabilitation liabilities and performance




We aim to progress our industry leading ESG performance towards delivering sustainable impact at scale





2021 strategic performance KPIs/performance dashboard

For the past six years (2015 to 2021), we have measured our strategic performance against the following dashboard of strategically important KPIs. These aligned to our previous objectives as well as the capital sources of value we use or affect. These indicators will continue to be measured as they support our ESG commitments and the successful execution of our new strategy.

For 2021, we continued to measure our performance against these while we transition to our Sustainable Growth and Impact strategy, and appropriate metrics and strategic KPIs were being finalised.





NATURAL CAPITAL		Strategy	Target	Actual 2021	Indicator	Actual 2020	Indicator	Trend based on threshold
Reportable environmental incidents (levels 2 and 3)		Be carbon neutral by 2050	6 level 2s 0 level 3s	0 level 2s 0 level 3s	Opportunity	0 level 2s 0 level 3s	Opportunity	➤
Carbon intensity (scope 1) (ktCO ₂ e)		Be carbon neutral by 2050	Actual for previous year less 5%	1.91ktCO₂e/TTM 3% deterioration	Out of appetite	10% improvement	Opportunity	▼
Carbon intensity (scope 2) (ktCO ₂ e)		Be carbon neutral by 2050	Actual for previous year less 5%	3.60ktCO₂e/TTM 11% deterioration	Out of appetite	9.6% deterioration	Out of appetite	➤
Water intensity (kL/RoM)		Be carbon neutral by 2050	0.20	0.149	Opportunity	0.182	Opportunity	➤
Rehabilitation funding adequacy of commercial mines, including guarantees		Be carbon neutral by 2050	80% to 100%	72%	Best realistic	69%	Best realistic	➤

HUMAN CAPITAL		Strategy	Target	Actual 2021	Indicator	Actual 2020	Indicator	Trend based on threshold
Fatalities	Empower people to create impact	0	0	Target	0	Target	➤	
LTIFR	Empower people to create impact	0.11	0.08	Opportunity	0.05	Opportunity	➤	
OHIFR	Empower people to create impact	0.31	0.16	Opportunity	0.19	Opportunity	➤	
Skills provision (% appointment from within)	Empower people to create impact	60%	62.17%	Opportunity	88.44%	Opportunity	➤	
% turnover	Empower people to create impact	5%	3.7%	Opportunity	4.1%	Opportunity	➤	
COVID-19 infection rate compared to country infection rate	Make our minerals and energy businesses thrive	Equal to the country infection rate	3.6% below the country infection rate	Opportunity	N/A	N/A	★	
COVID-19 recovery rate compared to country recovery rate	Make our minerals and energy businesses thrive	Equal to the country recovery rate	3% more than the country recovery rate	Opportunity	N/A	N/A	★	

 Deterioration in performance/ value eroded
  Improvement in performance/ value created
  Unchanged performance/ value preserved
  New KPI this period



SOCIAL AND RELATIONSHIP CAPITAL



	Strategy	Target	Actual 2021	Indicator	Actual 2020	Indicator	Trend based on threshold
B-BBEE contribution level	Become a catalyst for economic growth and environmental stewardship	Level 1	Level 2	Best realistic	Level 2	Best realistic	
Black ownership	Become a catalyst for economic growth and environmental stewardship	30%	47.1%	Opportunity	38.22%	Opportunity	
SLPs project delivery (time variance)	Become a catalyst for economic growth and environmental stewardship	0% over budget	(8%) behind schedule	Best realistic	(11%) behind schedule	Worst tolerable	
SLPs project delivery (cost variance)	Become a catalyst for economic growth and environmental stewardship	0% over budget	(19%) over budget	Out of appetite	(59%) over budget	Out of appetite	




MANUFACTURED CAPITAL







	Strategy	Target	Actual 2021	Indicator	Actual 2020	Indicator	Trend based on threshold
Capital project delivery measure (time variance)	Make our minerals and energy businesses thrive	0%	10.3% behind	Worst tolerable	11.1% behind	Worst tolerable	
Capital project delivery measure (cost variance)	Make our minerals and energy businesses thrive	0%	3% over budget	Best realistic	6.3% over budget	Best realistic	

FINANCIAL CAPITAL



	Strategy	Target	Actual 2021	Indicator	Actual 2020	Indicator	Trend based on threshold
Core operating margin	Make our minerals and energy businesses thrive	20%	21.20%	Opportunity	17%	Best realistic	
Core ROCE excluding Cennergi	Make our minerals and energy businesses thrive	20%	40.4%	Opportunity	27%	Opportunity	
Net debt to core EBITDA (times) {excluding Cennergi}	Make our minerals and energy businesses thrive	<1.5	0.06	Opportunity	1	Opportunity	

 Deterioration in performance/ value eroded
 Improvement in performance/ value created
 Unchanged performance/ value preserved
 New KPI this period

Understanding our key strategic trade-off considerations

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

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

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

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

BALANCING THE ADVERSE ENVIRONMENTAL IMPACT OF COAL WITH THE NEED TO SUPPORT SOUTH AFRICA'S SOCIO-ECONOMIC DEVELOPMENT

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

Related SDGs



BALANCING THE ALLOCATION OF CAPITAL BETWEEN OUR GROWTH AREAS

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

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

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

Related SDGs



BALANCING OUR GROWTH AMBITIONS WITH OUR CARBON-NEUTRAL TARGETS WHILE APPRECIATING THAT ABSOLUTE CARBON (TOTAL EMISSIONS) MIGHT INCREASE WITH ACQUISITIONS

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

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

Related SDGs





Matla silo and conveyors



Governance for value creation

- 78 Our leadership
- 81 Summarised governance report
- 98 Combined assurance for effective governance



We recognise that creating value for our stakeholders depends on effective and efficient governance processes and practices informed by the pillars of good corporate citizenship – transparency, accountability and integrity

TRANSITIONING OUR LEADERSHIP SKILLS AND FOCUS TO DELIVER WORLD CLASS GOVERNANCE

Our governance chapter outlines the composition of our experienced, growth-oriented leadership team and established governance structures which provide proactive oversight of our strategy and ESG performance while setting the tone for ethical leadership in the just transition and response to climate change.

Our leadership

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. 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

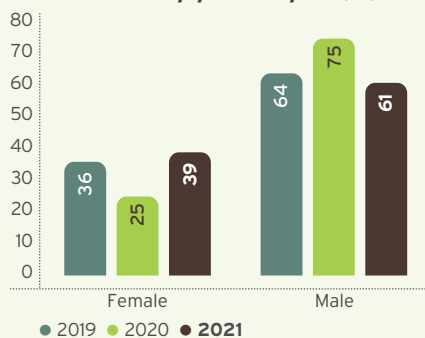


Mxolisi Mgojo (61)
CEO

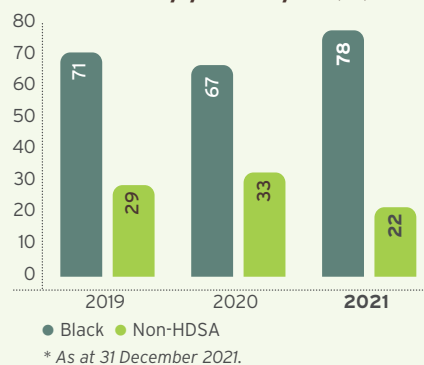


Riaan Koppeschaar (51)
FD

Gender diversity year-on-year (%)*

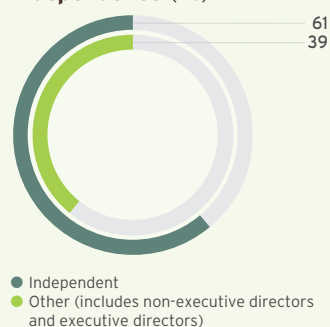


Racial diversity year-on-year (%)*

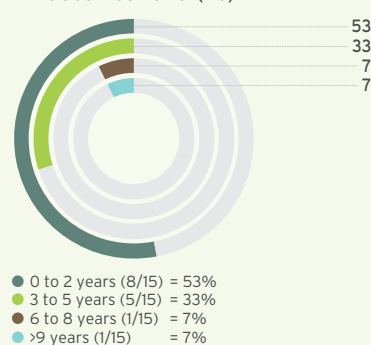


Nombasa Tsengwa (57)
CEO designate
Appointed 16 March 2021

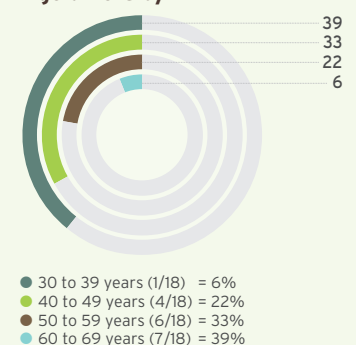
Independence (%)



Director tenure (%)



Age diversity





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 Mnganga (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

Our leadership continued

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 Vetu (58)
Executive head:
Sustainability



Johan Meyer (53)
Executive head:
Projects and
technology



Mzila Mthenjane (51)
Executive head:
Stakeholder affairs

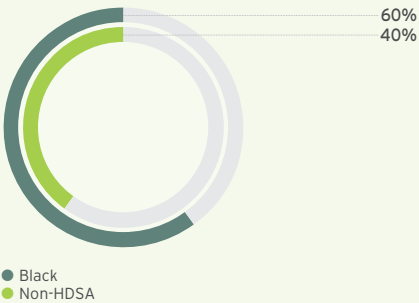


Roland Tatnall (47)
Managing director
energy and Cennergi

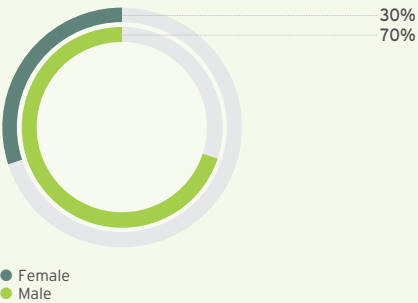


Andiswa Ndoni (54)
Group company
secretary

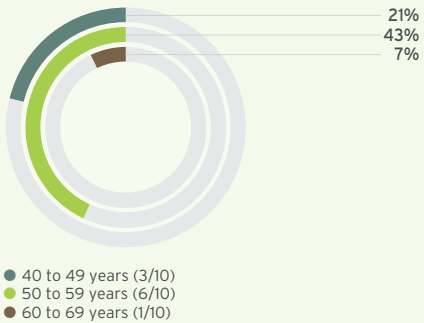
Executive racial proportion (%)



Executive gender proportion (%)



Executive age diversity (%)



Summarised governance report

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, including 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:

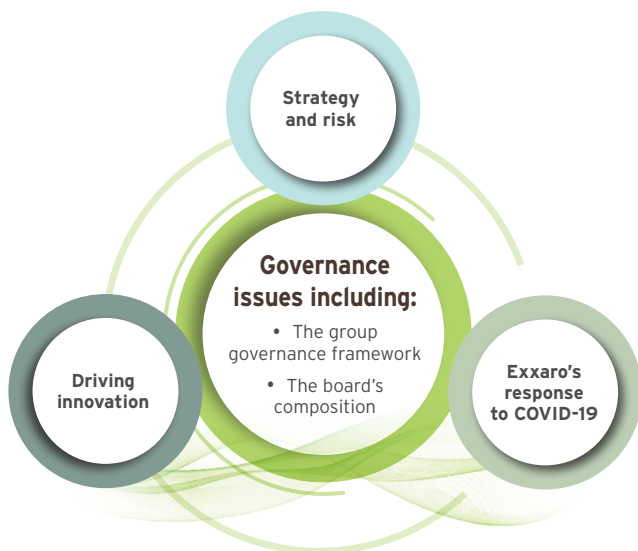


Our board assumes ultimate accountability and responsibility for the company’s performance and affairs. In so doing, it effectively represents and promotes its legitimate interests. As a responsible corporate citizen, it also considers its material stakeholders’ legitimate interests and expectations to make a positive contribution to society at large.

Summarised governance report continued

BOARD 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 on our 2020 interventions, additional measures were put in place to deal with the pandemic, including:

- Communication with employees
- Partnering with provincial departments of health to launch the vaccination programme roll-out
- Hosting vaccination days at operations and head office for qualifying employees and family members
- Limiting inter-business travel
- Conducting ongoing COVID-19 testing

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 125.


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 an 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:

- The disposal of 21.975 million shares in Tronox. The funds from the disposal will be used to invest in renewable energy projects, 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 Exxaro's strategic, financial and operational business resilience, specifically considering our 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 our ESG perspective in the ESG report.

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

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

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

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.

Board composition

The following outcomes were achieved in 2021 flowing from the board's key focus areas:

- The succession of the board chairperson was addressed with the appointment of Geoffrey Qhena in April as chairperson designate with the retirement of Jeff van Rooyen at the 2021 AGM
- The 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, 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 when the CEO retires, being 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:

1	Chanda Nxumalo	Independent non-executive director	Appointed 1 February 2021
2	Mandlesilo Msimang	Non-executive director	Appointed 15 March 2021
3	Geoffrey Qhena	Independent non-executive director	Appointed 19 April 2021
4	Isaac Malevu	Non-executive director	Appointed 22 June 2021

- The board continued to search 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 in 2022:

1	Karin Ireton	Independent non-executive director	Appointed 7 February 2022
2	Bennetor Magara	Independent non-executive director	Appointed 7 February 2022
3	Billy Mawasha	Independent non-executive director	Appointed 7 February 2022
4	Phumla Mnganga	Independent non-executive director	Appointed 7 February 2022

- For more information on the board's composition, diversity and experience, refer to the ESG report.

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.

- For more information on the strategy, refer to page 66 and for more information on risk management, refer to page 44.

MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

Quarter 1

- Approved the group's annual financial statements and final dividend declaration
- Considered the going concern assessment and approved that the group would remain liquid and solvent in the context of the distribution to shareholders

Quarter 2

- Considered the group's Sustainable Growth and Impact strategy with various matters to receive additional ongoing attention
- Accepted the offer for the divestment of the ECC* operation as part of the group's growth strategy to dispose of non-core assets

Quarter 3

- Approved group interim financial results and interim dividend declaration for the six-month period ended 30 June 2021
- 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

Quarter 4

- Mandated management with respect to COP26 participation
- Deliberated and considered the group's impact strategy

* Divestment concluded in September 2021.

Summarised governance report continued

Driving innovation

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 strive for radical and disruptive solutions, not only to address challenges but to drive and support our strategic goals of carbon neutrality.

In addition to initiatives within the group and to promote board effectiveness, the following was 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 and 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
- Compulsory insider dealing awareness training was 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.

Divestment of non-core assets and investments Tronox SA

On 23 February 2021, Tronox Holdings plc exercised its “flip-in” call option over Exxaro's 26% shareholding in Tronox SA, for which Tronox Holdings plc delivered 7 246 035 newly issued Tronox ordinary shares to Exxaro on 24 February 2021. This resulted in the derecognition of the investment in Tronox SA and recognition of an additional investment in Tronox Holdings plc (refer to note 6.1.4 in the 2021 group and company annual financial statements).

Tronox Holdings plc

On 1 March 2021, Exxaro concluded a public offering in the United States of the 21 975 315 Tronox Holdings plc ordinary shares. The shares were sold at a public offering price of US\$18.25 per share which was reduced by underwriting discounts and commissions resulting in an achieved price per share of US\$17.43. This resulted in the derecognition of the investment in Tronox and the achievement of Exxaro's strategy to monetise our investment in Tronox (refer to note 6.1.4 in the 2021 group and company annual financial statements).

ECC operation

On 8 April 2021, Exxaro signed a sales and purchase agreement with Overlooked Colliery Proprietary Limited disposing of the ECC* operation. All conditions precedent to the sales and purchase agreement were fulfilled and the transaction became effective on 3 September 2021 (refer to note 8.3 in the annual financial statements).


Leeuwpan

The disposal process for Leeuwpan continues with definitive legal agreement envisaged to be signed in the first half of 2022, and regulatory approvals obtained thereafter.





Black Mountain

We continue to evaluate our options to dispose of its 26% shareholding in Black Mountain.

KING IV

 In line with King IV's recommendation to apply and explain how good governance is practised within Exxaro, our detailed King IV application register is included in the ESG report (page 186). This sets out each principle with an explanation of steps taken as well as policies and processes used by Exxaro.

In addition to this, our governance reporting is also structured under the four desired outcomes of King IV, namely:

- Ethical culture (see page 85) 
- Performance and value creation (see page 87) 
- Adequate and effective control (see page 88) 
- Trust, good reputation and legitimacy (see page 91) 

MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

Quarter 1

- Approved the disposal of the group's shareholding in Tronox
- Appointed three new non-executive directors, including the chairperson designate

Quarter 2

- Held the group's second hybrid AGM
- Approved POPIA policy amendments and received confirmation of implementation of POPIA measures

Quarter 3

- Noted the implementation of the Climate Change Response strategy
- Approved content to be shared at the Capital Markets Day on 20 September 2021

Quarter 4

- Approved the consolidated group annual budget for 2022 and noted the budget for 2023 to 2026
- Approved the group governance framework and energy delegation of authority

* Divestment concluded in September 2021.

Ethical culture

The board actively seeks to move beyond ethics management to establish an ethical culture within Exxaro.

OUR CODE OF ETHICS – THE FOUNDATION OF AN ETHICAL CULTURE

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.

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.

Our group company policies and procedures, relating to specific issues, processes and situations, support the code of ethics.

 The code is available on our website.

MONITORING ETHICAL CULTURE

The board monitors the ethical culture of the group through its reporting structures, which include two board committees (the SERC and the audit committee) and the ethics committee (a management committee).

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, 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.

This strategy and management plan will be considered by the SERC in 2022 for board approval.

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 continuously changing, and to systematically develop directors' fields of knowledge and skills, a structured, themed programme was recommended by the company secretary for 2022.

AVOIDING CONFLICTS OF INTEREST

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, prescribed officers and employees.

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.

Summarised governance report continued


FRAUD AND ETHICS HOTLINE

As part of our ethical culture, we encourage employees and stakeholders to report suspected fraud or corruption to our fraud and ethics hotline, independently managed and reported to the board's SERC and management's ethics committee.

Based on the importance of retaining the integrity of the 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 combatting fraudulent activities, we have successfully defended an application for the disclosure of an anonymous complaint, which could have undermined the system's confidentiality.

SUPPLIER CODE OF CONDUCT

Our supplier code of conduct drives our commitment to ethical conduct with suppliers and service providers. The code communicates our mandatory standards and suppliers must live up to this code. We also conduct 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 in its drive to be a responsible corporate citizen and purpose to power better lives in Africa and beyond.

Because we are an integral part of society, the board sets the direction and ensures that our responsible corporate citizen efforts include compliance with the South African Constitution (including the Bill of Rights), the law, leading standards, and our codes of conduct and policies.

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.

The SERC's roles and responsibilities include overseeing how the consequences of our activities and outputs affect our 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



New crèche handover in the Mukomawabani Village near our Tshikondeni mine in closure

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 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 to reflect its increased responsibility.


 Refer to governance in the ESG report for more information.

PIVOTING STRATEGY

The board considers and approves the short, medium and long-term strategy for the group, as formulated and developed by management.

The board is charged with monitoring the implementation of the Sustainable Growth and Impact strategy. KPIs were identified that track the execution of the strategy. KPIs were 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.

 Our Sustainable Growth and Impact strategy is illustrated on page 66.

INTEGRITY IN REPORTING

The board ensures the integrity of our 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 committees as well as the remuneration report and other online or printed information that complies with legal requirements and meets the legitimate and reasonable information needs of stakeholders.

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 company's performance as well as its short, medium and long-term prospects.

Summarised governance report continued

Adequate and effective control

GROUP GOVERNANCE FRAMEWORK

Our corporate governance structure supports our 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.

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 its governance structures, principles, policies and practices, which together enable us to meet our statutory and regulatory requirements as well as direct how people interact with us and stakeholders.

BOARD COMMITTEES

The board committees enable the board to deal with more issues with greater efficiency by having focused expertise considering specific areas on its behalf. If approached appropriately, a committee's involvement should ideally also enhance the objectivity of the board's judgement. Therefore, to assist the board in executing its functions, the board delegates activities to its committees through formal terms of reference.

In 2020, the 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, we revisited and enhanced the terms of reference of our corporate governance structures, which in line with King IV, included:

- Our current operating environment and the impact of our activities on public interest
- Effective collaboration through cross-membership between committees
- Balanced distribution of power

The committees' terms of reference 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

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). If there is a conflict between a subsidiary company director's duties and Exxaro's interests, as holding company, the director's duties in the subsidiary company must prevail.

GROUP-WIDE CONTROL FUNCTIONS

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

Our 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 delegation of authority was subject to a rigorous process of review by the executive committee and the board with various opportunities to provide input around delegations and oversight requirements. A revised energy business delegation of authority framework was approved by the board and adopted by the Cennergi subsidiary companies. 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.

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 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. Exxaro's security posture is continuously monitored and reported to the RBR committee.



Digital dashboard at our Belfast BU

Summarised governance report continued

A review of the IM governance space was conducted with the following outcomes:

- The IM value realisation framework was 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 was updated to be more dynamic


The IM programme, including document IM and implementation of the data privacy programme in compliance with POPIA is in full force and effect.

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 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 outcomes. 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 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 Exxaro has a mature risk process that ensures risks potentially impacting our strategic objectives are pursued by management to create shareholder value.

 Please refer to page 44 for details on our risks and page 98 for details on our combined assurance for effective governance.

COMPLIANCE

We are committed to maintaining high standards of integrity, professionalism and ethical behaviour in our relationships. We comply with relevant legal requirements in our jurisdictions, and 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.

We conducted an audit of our 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 POPIA project implementation plan roll-out 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.



Trust, good reputation and legitimacy

STAKEHOLDER INCLUSIVITY

The board 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.

Stakeholder days

The purpose of the stakeholder day virtual events was two-fold:

- To communicate Exxaro's performance and confirm some of the reports shared with the SERC
- 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-project 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 position statement) available on the company's website
- AGM (presentation of annual financial statements, the SERC report 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

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, refer to the ESG report.

Summarised governance report continued

Audit committee

Chairperson: Vuyisa Nkonyeni	Number of meetings: Eight
Members: Isaac Mophatlane, Ras Myburgh and Chanda Nxumalo	Committee attendance: 100%

COMPOSITION AS AT 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 board committees. 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 codifies its roles and responsibilities. To assist the board, 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 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

TERMS OF REFERENCE

The committee's terms of reference were reviewed by external assurance providers and are aligned with legislation, regulations and King IV.

KEY FOCUS AREAS

2021/2022	Status
Review the strategy in relation to deployment of new postmodern 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 consideration 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 external auditor	Achieved
Oversee the transition plans for the internal and external audit functions	Achieved

CONFIRMATION

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

 The detailed committee report is captured in our ESG report on page 180.

Investment committee

Chairperson: Isaac Mophatlane	Number of meetings: One
Members: Isaac Malevu, Mandlesilo Msimang, Vuyisa Nkonyeni, Chanda Nxumalo and Peet Snyders	Committee attendance: 83%

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

As part of the 2021 group governance review, the committee's mandate was reconsidered and amended to consider, recommend and monitor material acquisition, merger/investment, or disposal opportunities and ongoing material transactions and matters related thereto, regarding minerals and/or energy transactions, investments and projects.

The committee has an independent role in terms of which it operates and makes recommendations, and on behalf of the board, monitors material acquisition, merger/investment, or disposal opportunities as well as ongoing material transactions and matters related thereto 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, risk appetite and financial, technical and legal due diligences for major investments. The committee will also ensure that governance processes are adhered to and 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 committee where a detailed review shall be conducted in line with the investment criteria approved by the board. After such review, the committee may recommend the investment opportunity to the board for final approval.

TERMS OF REFERENCE

With its new mandate, the committee's terms of reference were reviewed to include material transactions regarding minerals and/or energy transactions, investments and projects as well as an ongoing portfolio review. The board approved the amended terms of reference which align with legislation, regulations and King IV.

KEY FOCUS AREAS

Monitor and oversee Leeuwan divestment

Monitor and oversee Exxaro 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

CONFIRMATION

The committee duly regarded the principles and recommended practices of King IV in carrying out its duties, and discharged its responsibilities in accordance with its terms of reference amid the pandemic's challenges.

 The detailed committee report is captured in our ESG report on page 184.

Summarised governance report continued

Remuneration and nomination committee

Remuneration committee chairperson: Ras Myburgh Nomination committee chairperson: Geoffrey Qhena	Number of meetings: 19
Members: Geraldine Fraser-Moleketi and Zwelibanzi Mntambo	Committee attendance: 94%

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

Duties and responsibilities of the remuneration committee

- Remuneration governance
- 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
- Oversee the implementation and execution of the remuneration policy
- Exercise any power or discretion vested in the board under any remuneration scheme established for the benefit of Exxaro's employees
- Review executive and senior management remuneration and performance measurements
- Oversee fees for non-executive members for services as directors as approved by shareholders
- Provide mandates for non-bargaining and bargaining unit employee salary negotiations
- Governance of performance management

Duties and responsibilities of the nomination committee

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

TERMS OF REFERENCE

The committee's terms of reference were reviewed in 2021, and the board approved the amendments. The terms of reference are aligned with legislation, regulations and King IV. 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.

KEY FOCUS AREAS

2021/2022	Status
Ensure the implementation of the remuneration philosophy and supporting policies and schemes (incorporating malus and clawback and minimum shareholding requirements)	Achieved
Oversee the development of a reward framework based on performance and revised vesting conditions/production incentives/project milestone incentives/project milestones	Achieved
Review the nature and adequacy of the performance measurement methodology applied throughout the company	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

CONFIRMATION

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

The detailed committee report is captured in our ESG report on page 166.

Risk and business resilience committee

Chairperson: Peet Snyders	Number of meetings: Five
Members: Mandlesilo Msimang, Ras Myburgh and Chanda Nxumalo	Committee attendance: 100%

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

The committee is constituted as a board committee in terms of section 72 of the Companies Act, the memorandum of incorporation and King IV.

The committee's role is as follows:

Risk management

The committee oversees that Exxaro has implemented an effective policy and plan for risk management that will enhance our ability to achieve our strategic objectives and that risk disclosure is comprehensive, timely and relevant.

The board, management and other personnel execute risk management applied in strategy setting and across the business. Risk management is designed to identify potential events that may affect the organisation and manage risks to be within Exxaro's 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, and ensuring responses exist to address these 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 key elements of business resilience. The role of the committee is to oversee the appropriateness of Exxaro's crisis response plans and frameworks.

TERMS OF REFERENCE

The committee's terms of reference were extensively reviewed in 2021 to include business resilience in its role and responsibilities, which amendment was approved by the board. The terms of reference are aligned with legislation, regulations and King IV.

KEY FOCUS AREAS

2021/2022	Status
Review relevance of current KPIs and the completeness of current and emerging risks and whether these are in line with approved strategy	Ongoing
Review risk governance efforts to ensure monitoring of key risks impacting the organisation's strategic objectives. This 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 led to business disruption	Achieved
Review the risk appetite for Exxaro	Achieved
Review the key compliance risks for Exxaro related to our 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

CONFIRMATION

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

The detailed committee report is captured in our ESG report on page 172.

Summarised governance report continued

Social, ethics and responsibility committee

Chairperson: Geraldine Fraser-Moleketi	Number of meetings: Nine
Members: Likhapha Mbatha, Isaac Mophatlane and Peet Snyders	Committee attendance: 100%

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

The board included responsibility in the committee's title and mandate. As part of the company's governance review and 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 how we conduct our operations.

The SERC 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 ESG sensitivity, with concern for employee's integrated wellness, health and safety; and in light of stark social inequalities, exacerbated by the COVID-19 pandemic.

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 are aligned with legislation, regulations and King IV.


KEY FOCUS AREAS

2021/2022	Status
Oversee implementation of diversity and inclusion strategy in support of the overall Exxaro strategy as a key business value driver	Ongoing
Scrutinise human capital strategies, human capital investment and oversight (strategic workforce issues) which impacts the company's brand and reputation	Ongoing
Oversee the implementation of the stakeholder engagement strategy and KAM approach for the eight identified stakeholder groupings	Ongoing
Monitor the ESD programme execution and targets achievement	Ongoing
Review the ongoing anti-bribery and anti-corruption programme implementation, including the rolling out of the conflict of interest programme and ensure an ethical culture	Ongoing
Ensure ESG is levered to build long-term competitive advantage, enhance resiliency to sustainability risks and attract the socially conscious investors, talent and customers	Ongoing

CONFIRMATION

The SERC confirmed that, in carrying out its prescribed duties, it duly regarded 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 year. The committee is satisfied that it 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.

The committee remains committed to contributing positively to the responsible pursuit of the SDGs, "the blueprint to achieve a better and more sustainable future for all people and the world by 2030".

 The detailed committee report is captured in our ESG report on page 176.




Exxaro employees at the *conneXXion*, our head office, during a recent vaccination drive

Combined assurance for effective governance

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

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

Using our board-approved ERM approach, management identifies key risks facing Exxaro and implements the necessary internal controls page 44  with comparable information for trend analysis where possible.

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.

APPROACH, GOVERNANCE AND REPORTING

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

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

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

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

ASSURANCE REVIEW

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

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

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

Outcome of assurance reports 2018 to 2021

The total number of findings raised since 2018 is 664. As at 31 December 2021, there was a total of 343 findings that had been successfully resolved leaving a total of 321 open findings. There is currently a total of 44 findings where follow-ups are in progress by internal audit and 45 findings where management is implementing corrective actions within the agreed timelines. In addition, there are 231 findings that are "ready for audit" (a three-month "waiting" period is applied before performing follow-up procedures for the control to be fully embedded). The split by status of findings is depicted in the chart below.

Status of findings	Current period reporting		
	Internal audit	Other assurance providers	Total for the current period
Follow-up in progress	44	0	44
Ready for audit	67	164	231
Within timelines	22	23	45
Overdue	1	0	1
Total	134		321

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

Audit source	Level 1 (high)	Level 2 (medium)	Level 3 (low)	Not rated	Total
Internal audit	1	0	0	0	1
Other assurance providers	0	0	0	0	0
Total	1	0	0	0	1



Exxaro's head office, the conneXXion, in Centurion, Gauteng – which was awarded silver WELL Core and Shell certification in 2021



Our performance

- 102** Finance director's overview
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- 116** Business resilience
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- 132** Social licence to operate: enabling our legitimacy
- 136** Our environment: stewardship and compliance



05

Our Sustainable Growth and Impact strategy motivates us to responsibly maximise the value of our coal assets in a way that respects the needs of our business and host communities while addressing the potential impacts of climate change on already scarce resources.

CONTINUOUSLY ADVANCING OUR PERFORMANCE GOALS

This chapter reflects our key activities and outcomes across the six capitals of value creation we impact. These performance areas uphold our focus on preserving and building our financial resilience, our unerring commitment to safety, ESG commitments as well as support the delivery of our strategic objectives as we pursue our purpose.

Finance director's overview



Riaan Koppeschaar
Finance director

Revenue of

R32.8 billion

up 13%

Core EBITDA of

R10.7 billion

up 46%

Core equity-accounted income of

R9.8 billion

up 52%

Core headline earnings of

R46.83 per share

up 58%

Cash generated by operations at

R10.6 billion

up 36%

Record total ordinary dividend of

R32.52 per share

up 72%

The strong commodity price performance and our operational excellence efforts have contributed positively to our financial performance. Despite the logistical constraints, our managed operations were able to show strength and resilience, resulting in a 46% increase in core EBITDA to R10.7 billion. The contribution from our non-controlled operations showed a significant increase with core equity-accounted income increasing 52% to R9.8 billion, mainly due to the performance of SIOC. This translated into core HEPS rising to R46.83 compared to R29.73 in 2020. We are pleased to have declared a final ordinary dividend to shareholders of R11.75 per share, bringing the total ordinary dividend for the year to a record R32.52 per share.

GLOBAL ECONOMY AND COMMODITY PRICES

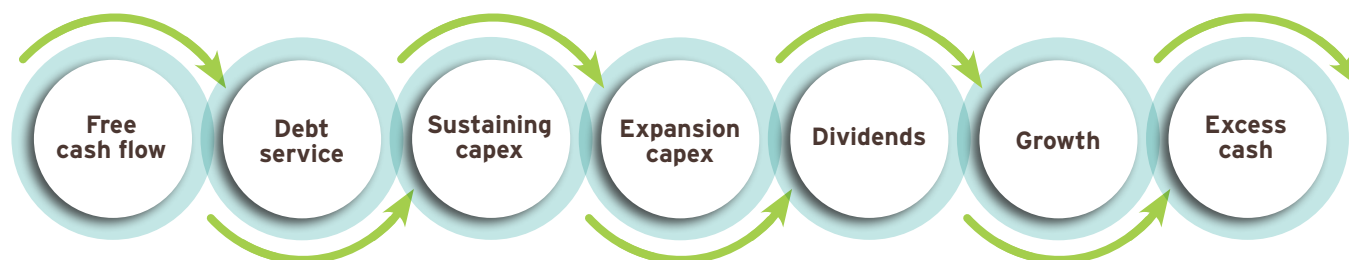
During the second quarter of 2021, global economic activity reached an important milestone, surpassing the pre-COVID-19 pandemic real GDP peak attained in the fourth quarter of 2019. The global economic expansion lost momentum in the third quarter of 2021, as new waves of COVID-19 infections dampened consumer sentiment and halted production. However, after a 3.4% contraction in 2020, global real GDP increased by 5.6% in 2021: its strongest advance since 1973.

The implementation of domestic Chinese policy impacted global thermal coal and iron ore markets. As the world economy recovered from the COVID-19 pandemic-induced slowdown and COVID-19 vaccinations significantly gained momentum, global energy demand increased, but disrupted thermal coal supply chains struggled to catch up. COVID-19 restrictions, wet weather, mine accidents, licence disputes, rail underperformances, protests and strikes contributed to coal supply disruptions. In Europe, the price of coal, gas and LNG, as well as Europe-specific carbon prices, increased strongly for the better part of the year.

Iron ore prices traded at record levels on the back of strong Chinese steel production, supported by the rest of the world's robust demand conditions, before concerns around China's economy slowing, pollution-related steel output cuts and relatively low steel mill profitability, triggered a change in sentiment that led to significant price declines towards the end of 2021.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

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



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

During 2021, we received cash of R25 billion (2020: R10.1 billion), comprising R9.2 billion from our operations (net of tax paid) (2020: R6.8 billion), dividend income received from our equity-accounted investments of R10.0 billion (2020: R3.3 billion) and proceeds received from the disposal of our investment in Tronox Holdings plc of R5.8 billion.

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

- Service our debt (net of interest received) of R0.8 billion (2020: R1.1 billion)
- Sustain our operations with capital expenditure of R1.6 billion (2020: R2.2 billion)
- Expand our operations with further capital expenditure of R0.8 billion (2020: R1 billion)
- Pay total dividends of R13.7 billion (2020: R4 billion)
- Implement our share repurchase programme of R1.5 billion

At 31 December 2021, our net cash to EBITDA cover ratio was 0.1 (2020: net debt to EBITDA cover ratio 0.96), which is below our target of 1.5 times.

In April 2021, Exxaro successfully refinanced its R8 billion loan facility with various financial institutions, of which R3.25 billion remains undrawn.

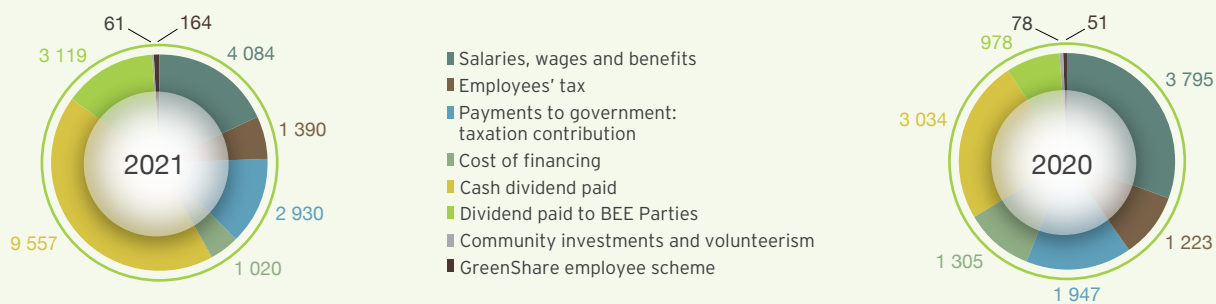
Finance director's overview continued

VALUE DISTRIBUTION

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

- Employees receive salaries or wages, share-based payments as well as bonuses (where certain performance conditions are met)
- The governments of the countries where Exxaro has operations and investments receive various taxes and royalty payments
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods
- Shareholders receive a return on their investment through dividends and capital growth in the share price
- Providers of finance receive a return through interest and other loan costs
- Communities surrounding our operations benefit through CSI initiatives
- All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion

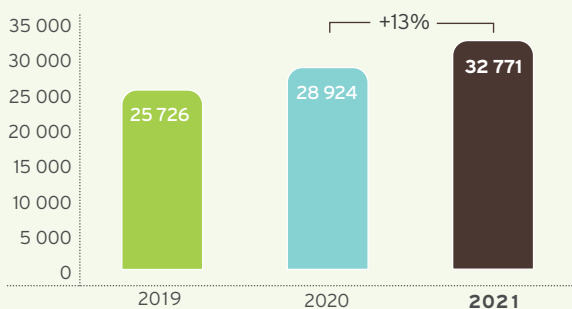
Value distribution (Rm)



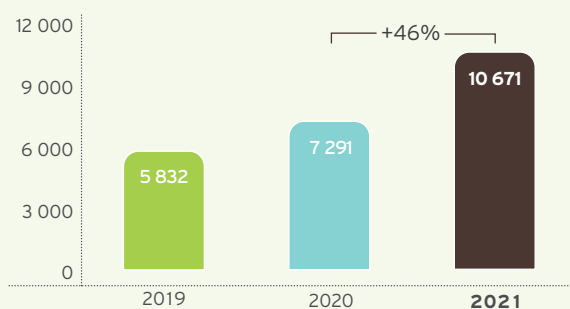
GROUP CORE PERFORMANCE HIGHLIGHTS

For a better understanding of the comparability of results between the two reporting periods, we have adjusted the financial results with non-core adjustments to derive our core financial results. The non-core adjustments in 2021 are the same as the headline earnings adjustments, resulting in no change between EBITDA and headline earnings to core EBITDA and core headline earnings, respectively. Further details on non-core items are shown under the respective financial performance measures.

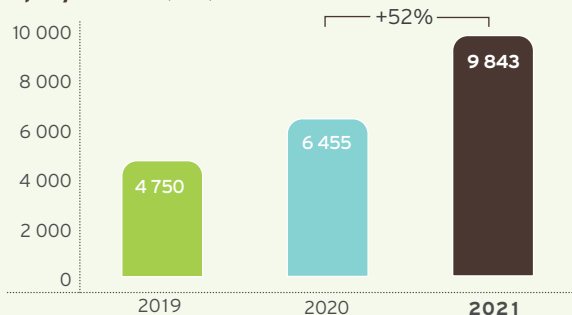
Revenue (Rm)



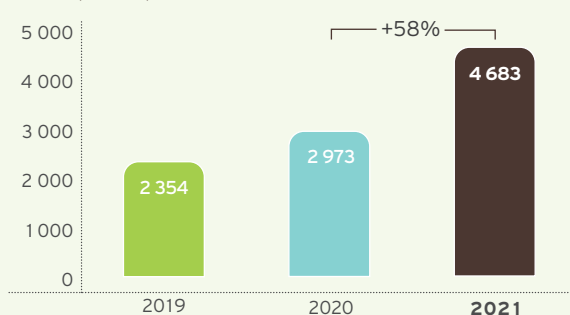
EBITDA (Rm)



Equity income (Rm)



HEPS (Cents)



Group revenue

Group revenue increased 13% to R32 771 million (2020: R28 924 million), mainly due to the increase in coal revenue and the inclusion of renewable energy revenue from Cennergi for 12 months compared to nine months in 2020.

While coal production and export sales volumes were 10% and 9% lower respectively, a 91% increase in the average benchmark API4 export price to US\$124 per tonne (2020: US\$65 per tonne) more than offset the impact of the pandemic and logistical challenges experienced.

Group core EBITDA

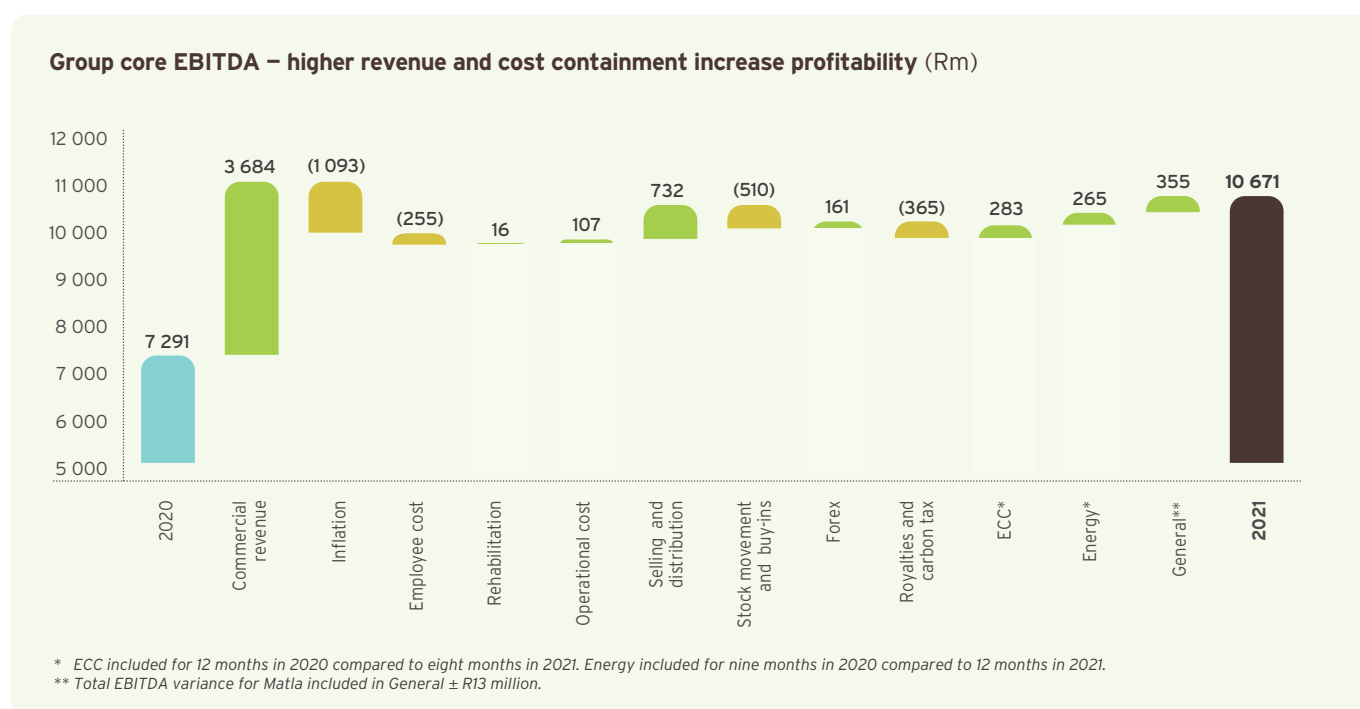
Group core EBITDA increased 46% to R10 671 million (2020: R7 291 million), mainly attributable to a 38% increase in coal core EBITDA (discussed in more detail under the coal business performance) and the inclusion of Cennergi results for 12 months compared to only nine months in 2020.

For a better understanding of the comparability of results between the two reporting periods, the table below sets out the non-core adjustments to derive our core EBITDA.

Key items impacting on comparability (non-core adjustments)

Description	2021 Rm	2020 Rm
EBITDA	10 671	7 246
– Insurance claim recovery from external parties		(14)
– Losses on financial instruments revaluations recycled to profit or loss on deemed disposal of Cennergi joint venture		59
Core EBITDA	10 671	7 291

Group core EBITDA increased 46% to R10 671 million (2020: R7 291 million) for reasons shown in the graph below.



The positive revenue impact is discussed under group revenue.

Inflationary pressure on costs was driven by diesel and electricity tariff increases that were significantly higher than the PPI inflation rate. Employee cost was higher due to bonus payments in line with performance targets, as well as higher costs incurred on the ESOP scheme, which included the payment of a special dividend associated with the disposal of our shareholding in Tronox Holdings plc.

Operational costs decreased, in line with lower production volumes and cost saving initiatives, which were partially offset by lower buy-ins from our Mafube joint venture, but at higher prices. Selling and distribution costs are in line with lower export sales volumes. Lower production volumes resulted in higher inventory drawdowns from our stockpiles and some third party buy-ins to meet our contractual sales volumes.

The net positive forex variance is a combination of realised and unrealised forex differences on foreign debtors and cash balances attributable to the fluctuation in the rand/US dollar exchange rate.

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

Finance director's overview continued

Group Core equity-accounted income

Core equity-accounted income from associates and joint ventures (after adjusting for non-core items) increased 52% to R9 843 million (2020: R6 455 million), mainly as a result of SIOC which benefited from a high iron ore price.

Refer to the table below for a full breakdown of core equity-accounted income.

Core income from equity-accounted investments

	Core equity-accounted income/(loss)		Dividends received	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Coal: Mafube	375	67		
Coal: Tumelo ¹	29			
Coal: RBCT	(18)	8		
Energy: Cennergi ²		13		144
Energy: LightApp	16	(18)		
Ferrous: SIOC	9 035	6 123	9 991	3 119
TiO₂: Tronox SA ³	54	226		
Other: Black Mountain	352	122		
Other: Other ⁴		(86)		
Total	9 843	6 455	9 991	3 263

¹ Disposed on 3 September 2021 as part of the ECC operation.

² Application of the equity method ceased on 31 March 2020 after which Cennergi was consolidated.

³ 2021 equity income up to the date of disposal on 24 February 2021.

⁴ Includes the investment in Insect Technology, which was fully impaired at 31 December 2020 and the investment in Curapipe, which was sold on 9 November 2020.

Group earnings and core earnings

Headline earnings increased 56% to R11 568 million (2020: R7 417 million). The increase in headline earnings is mainly due to a 47% increase in group EBITDA and a 48% increase in equity-accounted income from SIOC, driven by high iron ore export prices and price premia. There was a slight decrease in the weighted average number of shares (WANOS) to 247 million (2020: 251 million) due to shares repurchased and cancelled in terms of the R1.5 billion share repurchase programme. The total number of shares repurchased was 9 401 662, representing 2.62% of Exxaro's issued share capital before the buyback.

The earnings increase and the change in WANOS equates to basic HEPS of 4 683 cents per share (2020: 2 955 cents per share).

Key items impacting on comparability (non-core adjustments)

Description	2021 Rm	2020 Rm
Headline earnings	11 568	7 417
– EBITDA adjustments		45
Core headline earnings	11 568	7 462

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2021 Rm	2020 Rm
ASSETS		
Non-current assets	63 298	65 824
Property, plant and equipment	38 351	38 395
Intangible assets	2 927	3 095
Right-of-use assets	401	453
Inventories	145	128
Equity-accounted investments	17 322	20 006
Financial assets	3 237	2 141
Deferred tax	369	1 076
Other assets	546	530
Current assets	12 419	9 033
Inventories	1 606	1 821
Financial assets	311	169
Trade and other receivables	2 701	2 827
Cash and cash equivalents	7 042	3 196
Other assets	759	1 020
Non-current assets held-for-sale		3 749
Total assets	75 717	78 606
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	983	1 021
Other components of equity	1 560	2 495
Retained earnings	37 007	35 265
Equity attributable to owners of the parent	39 550	38 781
Non-controlling interests	10 548	9 340
Total equity	50 098	48 121
Non-current liabilities	20 841	19 103
Interest-bearing borrowings	9 255	7 448
Lease liabilities	470	493
Other payables	53	24
Provisions	2 201	1 946
Retirement employee obligations	159	147
Financial liabilities	406	782
Deferred tax	8 271	8 236
Other liabilities	26	27
Current liabilities	4 778	10 244
Interest-bearing borrowings	1 000	6 163
Lease liabilities	34	29
Trade and other payables	2 230	2 940
Provisions	101	185
Financial liabilities		49
Overdraft	1	17
Other liabilities	1 412	861
Non-current liabilities held-for-sale		1 138
Total liabilities	25 619	30 485
Total equity and liabilities	75 717	78 606

Property, plant and equipment decreased by R44 million when compared to the corresponding period last year, which includes R1 635 million spend on sustaining and environmental capital (stay-in-business capital) and R836 million on expansion capital, offset by depreciation charges of R2 445 million. The net movement further included the disposal of the ECC* operation and borrowing costs capitalised.

Cash and cash equivalents increased 120% to R7 042 million when compared to the previous year. Cash flow generated by operations of R10 552 million (2020: R7 770 million) and dividends received from investments of R9 991 million (2020: R3 263 million) were sufficient to cover our capital expenditure and ordinary dividends paid.

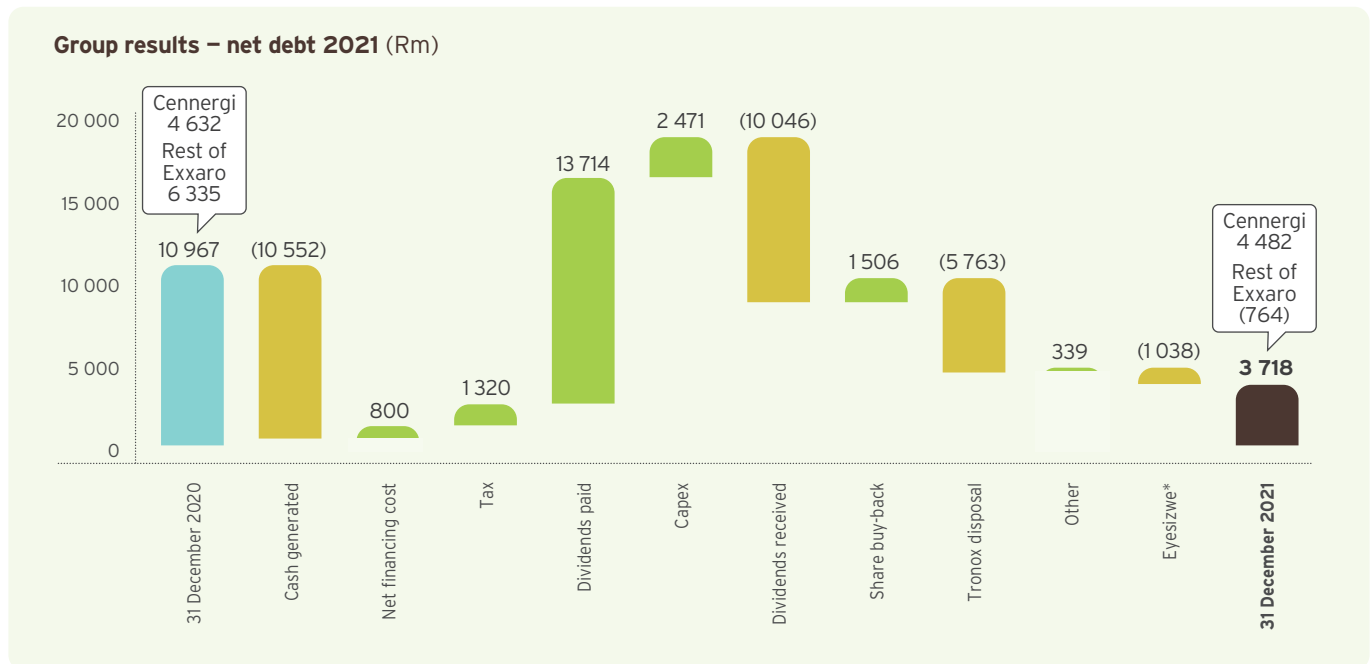
* Divestment concluded in September 2021.

Finance director's overview continued

Debt expenditure

Our positive operational results and monetisation of our investment in Tronox Holdings plc strengthened our balance sheet, resulting in a net cash position of R764 million (excluding Cennergi's net debt of R4 482 million), compared to net debt of R6 335 million (excluding Cennergi's net debt of R4 632 million) at 31 December 2020.

The graph below summarises key movements in the net debt balance for the year ended 31 December 2021.



SALE OF NON-CORE ASSETS AND INVESTMENTS

Exxaro concluded its strategy to monetise its investment in Tronox Holdings plc when Tronox Holdings plc exercised the “flip-in” call option for the Tronox SA shares. This became effective on 24 February 2021 and resulted in the deemed disposal of the Tronox SA shares in exchange for Tronox Holdings plc ordinary shares. On 1 March 2021, all Tronox Holdings ordinary shares were sold.

On 8 April 2021, Exxaro signed a sale and purchase agreement to dispose of our ECC* operations to Overlooked Colliery. All conditions precedent to the sale and purchase agreement were fulfilled and the transaction became effective on 3 September 2021.

The disposal process for Leeuwpun continues with definitive legal agreements envisaged to be signed in the first half of 2022, and regulatory approvals obtained.

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

* Divestment concluded in September 2021.

KEY FINANCIAL PERFORMANCE INDICATORS

The achievement of our key financial performance indicators is presented in the table below.

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

We have also comfortably met all our bank covenants for the year ended 31 December 2021 as well as the previous financial year.

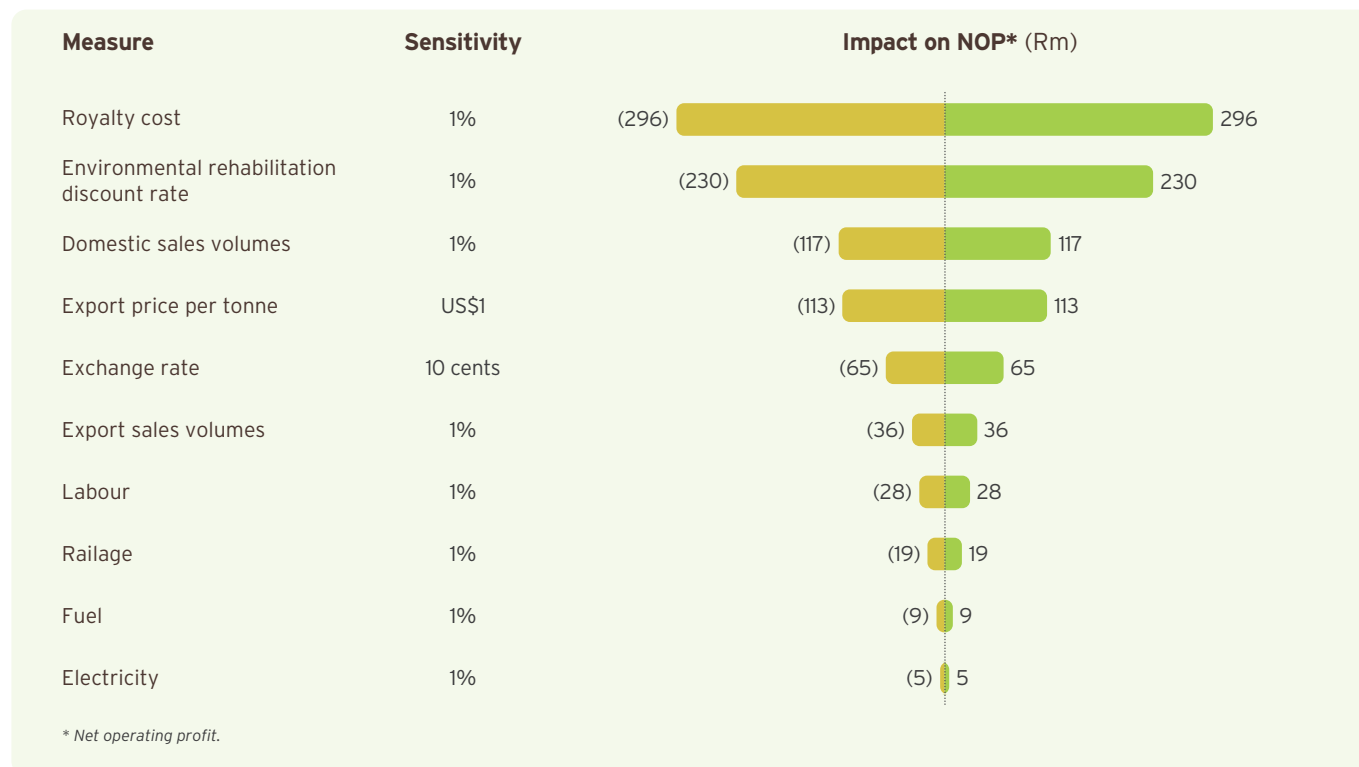
Performance — key indicators	Target	2020	2021
Internal KPIs			
EBITDA interest cover* (times)	>4	15	75
Net debt/(cash):equity* (%)	<40	17	(2)
Net debt/(cash):EBITDA* (times)	<1.5	1.0	(0.1)
ROCE (%)	>20	25	45
Bank covenants**			
Net debt/(cash):equity (%)	<80	14	(1)
EBITDA interest cover (times)	>4	11	35
Net debt:EBITDA (times)	<3	0.7	0.0

* Excluding Cennergi since consolidation of 100% of results since the step-up acquisition from 1 April 2020.

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

COAL SENSITIVITY ANALYSIS

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



KEY FINANCIAL RISK FACTORS AFFECTING OUR PERFORMANCE

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

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

Market risk management

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

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

The group's activities expose it primarily to the financial risks of foreign currency exchange rates, commodity prices, interest rates and changes in the environmental rehabilitation funds' portfolio of assets' quoted prices.

Price risk management

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

Finance director's overview continued

Foreign currency risk

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts (FECs), currency options and currency swap agreements.

The group maintains a fully covered exchange rate position for foreign loans (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed using economic hedges arising from export revenue and through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

Uncovered cash and cash equivalents amount to US\$49.85 million (2020: US\$116.35 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

	2021			2020		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US\$	14.78	14.88	15.94	16.45	16.43	14.62
€	17.47		18.04	18.76		17.97
AU\$	11.11		11.55	11.35		11.27

Commodity price risk management

The group entered into commodity FECs to hedge certain of its export product exposure in terms of coal prices for the period ended 31 December 2020. The commodity price hedges on coal matured in April 2021, realising a total loss of R43 million. There were no commodity FECs at 31 December 2021.

Interest rate risk

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

As part of the Cennergi business combination, the group assumed Cennergi's borrowings and interest rate swaps as financial liabilities in 2020. The contractual terms of these borrowings required interest rate swaps (hedging instruments) to be entered into to swap out the floating interest rate of the underlying project financing (hedged items) for a fixed interest rate. This was required to fix the future expected returns given the long-term nature of the project financing. The group amended its interest rate risk management strategy taking cognisance of the assumed Cennergi borrowings and interest rate swaps.

When the contractual terms of the borrowings and associated covenants require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for the loan facility and bonds is summarised below for Exxaro:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2021		
Non-current interest-bearing borrowings: loan facility and bond	4 704	4 704
Current interest-bearing borrowings: loan facility and bond	851	851
Total interest-bearing borrowings: loan facility and bond	5 555	5 555
Total borrowings (%)	100	100
At 31 December 2020		
Non-current interest-bearing borrowings: loan facility and bond	2 748	2 748
Current interest-bearing borrowings: loan facility and bond	6 053	6 053
Total interest-bearing borrowings: loan facility and bond	8 801	8 801
Total borrowings (%)	100	100

Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in three-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

The exposure profile is summarised as follows:

	Percentage exposure			
	2021 %	2020 %	2021 %	2020 %
At 31 December				
Project financing nominal amount	100	100	(4 700)	(4 810)
– Linked to fixed rate	3	3	(145)	(158)
– Linked to floating rate	97	97	(4 556)	(4 652)
Project financing nominal amount linked to floating rate	97	97	(4 556)	(4 652)
Interest rate swap notional amount (swap floating rate to fixed rate)	(81)	(81)	3 808	3 885
Effective floating rate exposure on project financing¹	16	16	(748)	(767)
Tsitsikamma SPV			(748)	(767)

¹ Represents 40% exposure on the Tsitsikamma SPV project financing.

Finance director's overview continued

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board which has built an appropriate liquidity risk management framework for the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

	2021 Rm	2020 Rm
Amount approved	49 438	48 476
Total borrowings	(10 255)	(13 611)
Unutilised borrowing capacity	39 183	34 865

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2021 and 2020 financial years.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Credit risk

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group's exposure and credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually.

Exxaro has concentration risk because of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represent its estimate of expected credit losses for trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month expected credit loss component that results from possible default events within the 12 months after the reporting date and a lifetime expected credit loss component that results from all possible default events over the expected life of a financial instrument.

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets below were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

At 31 December	2021 %	2020 %
By geographical area		
RSA	88	72
Europe	8	16
Asia		12
USA	4	
Total	100	100
By industry		
Public utilities	67	57
Mining	5	6
Manufacturing	2	1
Merchants	15	30
Food and beverage	1	1
Steel	9	4
Cement	1	
Other		1
Total	100	100

OUTLOOK

Economic context

In the first half of 2022, the post-pandemic economic surge is expected to subside, as pent-up demand is exhausted, allowing for a downshift in global real GDP expansion. The withdrawal of fiscal and monetary policy stimuli will weigh on global growth as governments contain spending and contend with higher debt burdens. COVID-19 vaccination rates are expected to increase further, and barring any renewed infection rate increases, enabling affected economies to reopen.

The pandemic has strained South Africa's fiscal position, with public sector debt unsustainably high. Furthermore, South Africa experienced its worst-ever year of rotational power cuts, with Eskom continuing to highlight the impact of high debt burdens, illegal connections and weak cash flow. South Africa's electricity constraints are expected to continue into 2022 impacting growth prospects.

The rand/US dollar exchange rate is expected to remain volatile in the first half of 2022, depending on whether the surge in inflation largely reflects transitory factors.

Exxaro will also continue to closely monitor the impact of the Russian/Ukrainian conflict and how it will impact the global economy and supply chains.

Commodity markets and price

The domestic unsized market will continue experiencing pressure due to the increased volumes in the domestic market on the back of lower rail performance as domestic mining operations continue to struggle to excavate coal destined for the export market. On the international front, we expect the demand for coal to remain strong as supply is constrained. The influence of high gas prices and expected cold weather in the northern hemisphere, as well as the Russian/Ukrainian conflict will continue to drive demand for our coal.

Lower steel production is anticipated in China, due to power shortages, a property sector slump, emission controls and a broad-based economic slowdown.

Global iron ore supply growth remains a further downside risk to the expected softer market, albeit that the Russian/Ukrainian conflict may cause supply disruption.

Operational performance

As previously communicated, poor logistical performance is impacting our ability to produce and export coal at desired levels. This highlighted the importance to respond quickly to value chain interruptions, and through our integrated operations centres and M2R optimisation strategy, we have the visibility required to respond effectively.

To remain competitive across various markets, our operational excellence and digital programmes are focused on specific projects across the value chain, aimed at managing stock levels, productivity and production costs.

The prefeasibility study to determine the way forward for the Moranbah South hard coking coal project started during the third quarter of 2021 and is expected to be completed by the first quarter of 2023.



Riaan Koppeschaar

FD

4 April 2022

Operational performance



Our manufactured capital comprises the physical mining and energy assets we require to deliver our products, primarily coal and energy. Our operational performance is impacted by the quality of the assets we own and how effectively we utilise these assets.

Exxaro's manufactured capital consists of four mines, two coal project and two windfarms. These assets are substantial in size. It is critical to invest in their upkeep and performance, and optimise their utilisation in delivering our products. It is also important to invest in these assets as they will deliver our strategic goals.

We strive to positively impact the operational performance through:

- Capital investment
- Optimisation strategies
- Divestment of non-core assets

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	<ul style="list-style-type: none"> • Geopolitical context • Macro-environment • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Transition at speed and scale • Make our minerals and energy businesses thrive 	  
Executing our strategy	<ul style="list-style-type: none"> • Coal portfolio optimisation • Diversify into minerals • Build a leading global renewable energy solutions business 		

HOW WE WILL ACHIEVE THIS

To achieve excellent operational performance, we need to be strategic on our portfolio of assets and optimise the use of our manufactured capital. We do this through operational excellence and digitalisation programmes, optimisation strategies, internal cost savings and utilising data science for decision making.

Our operational performance areas comprise:

- Coal performance
- Energy performance
- Ferrous performance
- Divestment of non-core assets and investments

COAL

Achievements in 2021

- Product volumes of 42.477Mt
- Sales volumes of 42.759Mt
- Export volumes of 7.632Mt

Despite changes in the coal portfolio, with some operations diminishing reserves, rail constraints and COVID-19, our operational excellence and digitalisation programmes focus on safety, productivity improvements and cost management that deliver value. Through our integrated operations centres and M2R optimisation strategy, we continue to enable timeous decision making, allowing our business to focus on the controllable elements, thus limiting the impact of the disruptions in the value chain. We are continuing with our drive to enhance this process through our data sciences and advanced analytics, which is a large part of our digital programme going forward.

The API4 price for coal exported from Richards Bay was strong in 2021, averaging US\$124/t versus US\$65/t in 2020. Thermal coal prices reached record highs in October 2021 with the API4 price peaking at US\$247/t. Prices were driven by an international seaborne market that experienced supply chain disruptions such as bad weather and mine incidents. Shortage of LNG and gas also drove coal prices in Europe higher as gas-to-coal switching took place.



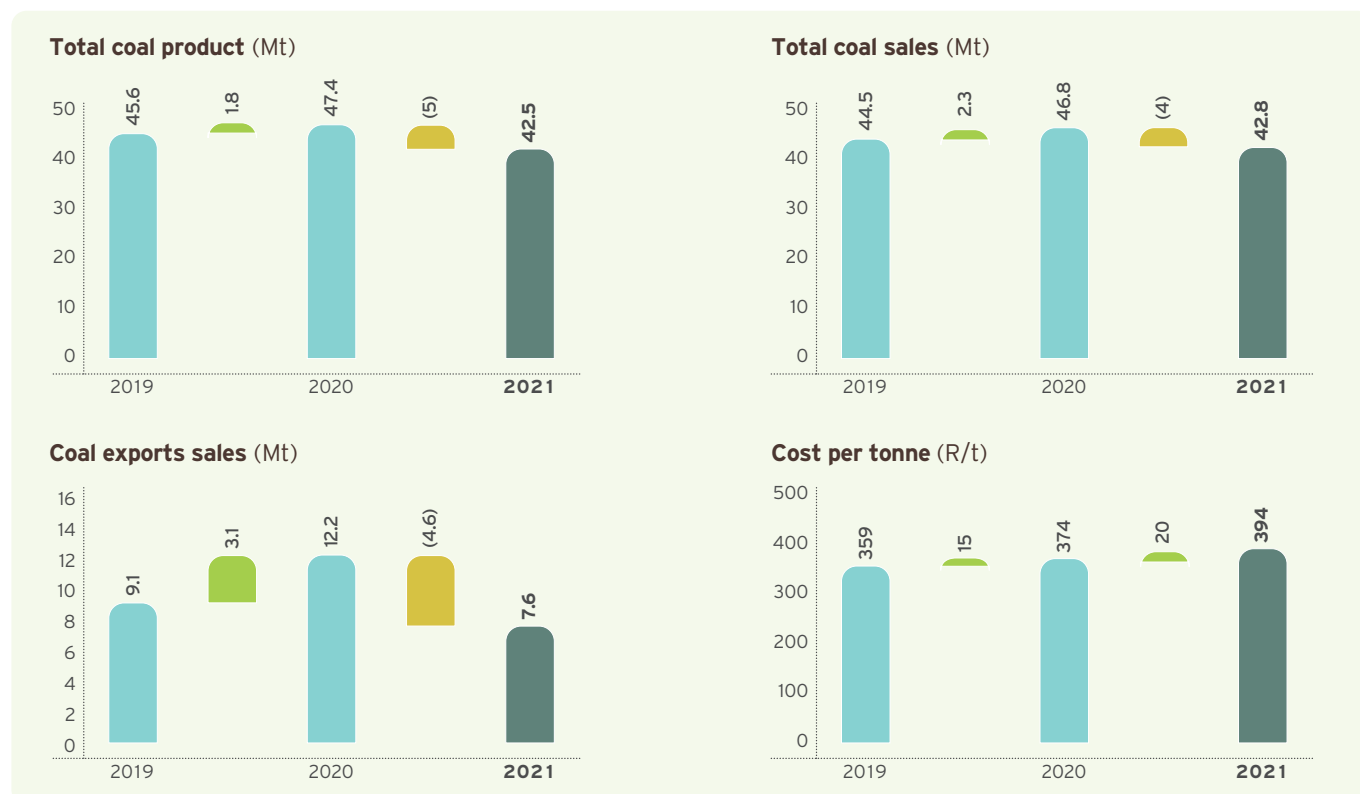
Material handling at our Grootegeluk BU

Cost per tonne

Cost per tonne was impacted by lower operational cost linked to lower production volumes, positive foreign exchange realised as well as decreased distribution cost from decreased exports. This was partially offset by inflation, increased employee cost as well as an increase in rehabilitation cost linked to updated rates and increased royalty on increased revenue.

In addition, to respond to the challenging conditions mentioned before, specific internal cost saving initiatives were deployed to address the challenges. These initiatives were implemented successfully and assisted to partially offset the impact of the lower volumes.

To further remain competitive across various markets, our operational excellence and digital programmes continue to focus on specific projects across the value chain, which are aimed at managing stock levels and productivity, thus reducing overall production costs.



ENERGY

Cennergi

Energy core EBITDA was R914 million (2020: R648 million for the nine months since acquisition). Apart from three months' additional results, as Cennergi is now consolidated for the full period, the EBITDA has increased mainly as a result of CPI contractual increases.

The two windfarms' performance generated 724GWh in 2021, marginally lower than 2020 (727GWh in the full 12-month view) due to lower than expected wind speeds, which impacted energy generation.

FERROUS

SIOC

- Core equity-accounted income of R9.035 billion (2020: R6.123 billion) primarily driven by higher iron ore prices and price premia
- Dividends received of R9.991 billion to Exxaro in 2021 (2020: R3.119 billion)

DIVESTMENT OF NON-CORE ASSETS AND INVESTMENTS

TiO₂

Exxaro concluded its strategy to monetise its investment in Tronox Holdings plc on 1 March 2021. As part of this divestment Tronox SA shares have been disposed of.

Black Mountain

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

ECC* and Leeuwpan

We undertook a strategic decision to dispose of our ECC* and Leeuwpan operations, having identified these assets as non-core to the future objectives of Exxaro. The resultant sale of ECC* to Overlooked Colliery was concluded in September 2021. On Leeuwpan, the disposal process is well underway and good progress has been made.

* Divestment concluded in September 2021.

Business resilience



We leverage intellectual capital, the unique combination of knowledge, experience, innovation and systems that differentiate Exxaro, to enable our response to challenges in the market.

The world is evolving at an unprecedented pace, technologically and in terms of rapid innovation and ideation. Consequently, we need to adapt, leveraging our collective knowledge, skills and resources to ensure our business is responsive while safeguarding our people, assets and the business. This, in turn, will ensure we create value for our stakeholders over time.

We strive to positively impact our intellectual capital through:

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

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	<ul style="list-style-type: none"> • Geopolitical context • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Transition at speed and scale • Make our minerals and energy businesses thrive 	
Executing our strategy	<ul style="list-style-type: none"> • Build a leading global renewable energy solutions business • Stakeholder relationship building 	<ul style="list-style-type: none"> • Become a catalyst for economic growth and environmental stewardship 	
Driving business resilience	<ul style="list-style-type: none"> • Capital allocation • Innovation and digitalisation 		

HOW WE ACHIEVE THIS

To achieve business resilience, we understand that our daily operations must be able to overcome challenges and adapt to change in global and local markets. We do this through efficient project portfolio management and capital allocation, increasing our competencies across mining and renewable energy, and investing in innovation, digitalisation and technology.

Business resilience comprises:

- Capital allocation
- Investments in renewable energy
- Driving innovation and information management
- Stakeholder relationship management (page 32)

PERFORMANCE AT A GLANCE

	Inputs	Outcomes
Capital allocation	<ul style="list-style-type: none"> • Commissioned four modules for the GG6 expansion project's new small coal plant • Developed infrastructure projects for Matla • Engagements with Eskom about funding in progress • R1.5 billion for share buy back • Ordinary and special dividends 	<ul style="list-style-type: none"> • Two product beds were handed over to Grooteegeluk • Matla will be able to produce 10Mtpa of thermal coal
Investments in renewable energy	Acquired full ownership of Cennergi in 2020	<p>To be a leading international renewable energy solutions provider by 2030 and carbon neutral by 2050 to:</p> <ul style="list-style-type: none"> • Fulfil own generation needs • Expand South African services and distributed generation footprint • Potential to decarbonise current business operations (scope 1 or 2 emissions)
Driving innovation and information management	<ul style="list-style-type: none"> • Collaborating with companies and individuals through open innovation • Developed RRODA • Cybersecurity awareness campaigns 	<ul style="list-style-type: none"> • Core system availability: 99.55% (2020: 98.86%) • Cyberintrusions: Zero (2020: zero)

Capital allocation

Exxaro continues to focus on the portfolio of growth and sustaining capital projects as we improve our product mix, cost and resource efficiency. In terms of the sustainable Growth Impact strategy, no further capital beyond 2021 will be allocated to grow the coal business.

Salient features

Capital expenditure decreased by 22% from 2020 to R2 404 million	R1 564 million applied to sustaining and environmental capital (stay-in-business capital) (2020: R2 110 million)	R840 million invested in new capacity (expansion capital) (2020: R950 million)
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Our coal business is well positioned to maximise good returns. However, we have re-evaluated our Reserves and taken deliberate steps to reduce the risk of stranded assets. We have increased the proportion of high-quality coal in our product mix and we are continually improving our cost and resource efficiency. Due to the need to reduce carbon emissions in our country and the planet's energy mix to manage the dynamic risks presented by climate change and to create value over the long term, our capital allocation is geared towards projects that drive this agenda as well as grow our renewable energy business and prepare to execute on our minerals strategy.

Waterberg (Limpopo)

The GG6 expansion project's new small coal plant has been completed with commissioning of all four modules in progress. The construction work of phase 1 within the Grootegeluk plant is complete and producing coal. Construction for phase 2 is forecast to be completed by the fourth quarter of 2021. The last two product beds have been handed over to the Grootegeluk operations. The project forecast final cost remains in line with the approved project budget.

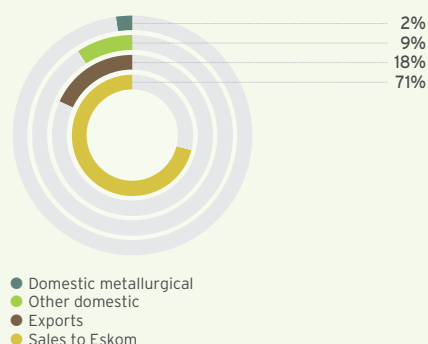
Mpumalanga

We have implemented a programme of infrastructure projects to support Matla to achieve a 10Mtpa production objective once fully ramped up. Exxaro continues to engage with Eskom to release the required funding to execute the full scope of the programme.

Project	Classification (growth/ sustaining)	Product	Focus and performance	Capital expenditure	Outlook
LOCATION: WATERBERG (LIMPOPO)					
GG6 expansion	Growth	1.7Mtpa of semi-soft coking coal	Expansion of the existing Grootegeluk plant to enable production of semi-soft coking coal	R5.3 billion	First production through the small coal plant was achieved during the first quarter of 2021, construction was concluded during the fourth quarter of 2021 and the project will close by the second half of 2022.
LOCATION: MPUMALANGA					
Leeuwpán life expansion	Growth	2.7Mtpa of thermal coal	Development of the OI reserve to extend the LoM of the Leeuwpán mining complex by seven years with households and graves to be relocated to Botleng township	R0.6 billion	First production was achieved in the second half of 2018, relocation of Rietkuil families was successfully completed in April 2021 and the project closed in November 2021.
Matla LoM programme	Sustaining	10Mtpa of thermal coal	Infrastructure development to support LoM production	R3.3 billion	Construction work and fabrication of equipment began in the third quarter of 2018. Completion of programme deliverables is expected to conclude in the first half of 2025.

Business resilience continued

Coal sales by product tonnes (%)



Coal capital expenditure

Capital expenditure in our coal business was 22% lower compared to 2020, mainly due to the timing of key projects as well as the disposal of ECC*.

	2021 actual	2021 previous guidance	2020 actual	% change previous guidance
Sustaining	1 564	1 524	2 110	3
Waterberg	1 285	1 201	1 683	7
Mpumalanga	261	302	411	(14)
Other	18	21	16	(19)
Expansion	840	858	950	(2)
Waterberg	709	738	643	(4)
Mpumalanga	131	120	307	10
Total	2 404	2 382	3 060	1

Eskom

Eskom continues to be a key customer, but its financial and operational performance remain a concern. The power utility's financial position has improved in 2021 relative to 2020, though it continues to experience operational challenges. The long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. Exxaro continues to engage with Eskom on the conclusion of the coal supply agreement for the coal supply from Leeuwpán and the renegotiation of the Matla cost-plus agreement due to expire in mid-2023.

AMSA

Exxaro continues to supply AMSA with 1.2Mtpa of semi-soft coking coal as per the contractual requirements. AMSA ramped up production and restored stability following production disruptions as a result of COVID-19 in 2020. Increased steel demand and improved steel prices have contributed significantly to AMSA's improved financial performance in 2021. AMSA remains a key customer and continues to transform its business to ensure growth and cost competitiveness.

Highlights

First South African mining company to develop a digital mine	Developed the ultra-high dense medium separation technology that allowed SIOC to extend its LoM
Recently collaborated with the University of Pretoria to develop extended reality technologies for the mining industry, particularly for health and safety	Mining and energy teams have developed a digital renewables tool that will enable us to get a competitive advantage in the South African landscape

Exxaro continues to explore additional domestic and international markets for semi-soft coking coal.



Investments in renewable energy

Our investments in renewable energy are a core pillar of our business resilience. We have been deliberate in building our capabilities in renewable energy through our investment in Cennergi, which we acquired full ownership of in April 2020. Scaling our renewable energy business allows us to build on our position as a key anchor of energy security in South Africa, a significant contributor to renewable energy solutions and decarbonisation. Through entry into the renewable energy space, we are exposed to renewable energy industry trends and risks. Cennergi proactively manages its assets and makes business decisions tailored to maximise impact in the short, medium and long term. The company achieves this through executing wind energy and operational energy yield assessments to understand any changes in the performance of assets, or potentially the wind regime.

Cennergi takes all reasonable measures to ensure that the facilities it owns and services are operated in accordance with world-class standards. This is done to ensure that the facilities realise maximum benefits and profitability, and partners in a manner that is fundamentally safe, promotes social development and is environmentally effective. This is achieved through rigorous controls, continuous monitoring, legal and regulatory compliance assessment, effective contract management as well as full-time on-site presence. By following this approach, Cennergi ensures that its business model is consistent with best industry practice and provides a competitive edge to our shareholders - not only for our two current assets but also for our future energy projects.

Windfarms consist of complex electro-mechanical machinery operating in harsh environments and can from time to time suffer technical faults leading to loss of generation. However, the learnings derived from such losses are important, and stringent adaptive monitoring and control measures are implemented to ensure that such events are minimised in the future. This hands-on approach by Cennergi, and the continuous efforts of our wind turbine suppliers Nordex and Vestas, enable our facilities to achieve an availability of approximately 98% over the past five years. Although the wind cannot be controlled, Cennergi perseveres to focus and optimise the aspects of the business that are controllable or partially controllable, and this has allowed us to achieve our availability targets.

Cennergi continues to work closely with its wind turbine suppliers to ensure that the operational boundaries are continually pushed while maintaining a balanced view of current generation targets and future reliability.

Driving innovation and information management

Within Exxaro's context, innovation is defined as the discovery, incubation and implementation of cutting-edge solutions to add value by refining efficiency, increasing effectiveness and enhancing competitive advantage.

* Divestment concluded in September 2021.

We further categorise innovation as sustaining, incremental, radical and disruptive. We have an innovation management strategy aimed at identifying areas where innovative solutions will add value to our bottom line, sourcing innovators, technical disruptors or experts to support us in implementing these solutions without losing sight of why we need innovation. This strategy is underpinned by gaining access to an open innovation ecosystem through partnerships and could have a global reach of capabilities to assist in solving business-related challenges.

We face many challenges in identifying, sourcing and implementing radical and disruptive innovation because we need to remain mindful of our core business. However, the innovation management team identified open innovation as the best way to source radical and disruptive innovation while not inhibited by their typical constraints, for example search engine algorithms. Open innovation is an innovation management strategy that promotes collaboration with people and organisations outside the company.

The open innovation ecosystem can be accessed through:

- Intracompany collaboration with companies connected to technology disruptors
- Publicly open challenges with companies on open platforms for individuals to participate
- International subject matter experts that companies can communicate with

Open innovation shows that knowledge and creative initiatives outside the company can contribute to achieving strategic goals and that we do not need to own intellectual property to derive value from it.

Data analytics

In the past years, we have put significant effort into maturing our data analytics capabilities to further drive business value. To date, we have delivered comprehensive data collection and analytics-enabled visualisation of value chains at BUs and supported data science enablement to build prediction models. Our focus on taking our current data from operations, external and functions and using the insights to identify new revenue streams that were previously not known will accelerate in coming years, and our immediate focus is on industrialising models that will unlock business value by predicting potential challenges and opportunities through insights-driven decision making.

Cybersecurity

Digitalisation of mining operations has given rise to cybersecurity risks. This has required us to intensify efforts to protect our information and other digital assets to prevent the loss of sensitive data, disruption of operations, financial loss and reputational damage. Cybercrime is ever evolving and requires us to implement robust response plans to mitigate this risk.

To do this effectively, we are focusing on key initiatives that enhance our ability to identify, detect, respond and recover from cyberattacks. These initiatives include understanding our information and operational technology assets and vulnerabilities, deploying solutions that enable us to monitor our threat landscape, system hardening, managing identities, data loss prevention and integrating our security tools with existing information technology service management platforms that enable rapid response to incidents. As most cybersecurity breaches are caused by human error, we remain focused on driving cybersecurity awareness campaigns to educate our users to remain vigilant to existing cyberthreats.

RRODA

Cennergi's vast experience and digital tools, developed by Exxaro, are redefining the way companies select renewable energy sites. By augmenting Exxaro's mining capability, we developed an advanced integrated system that can remotely assess the feasibility of any location, called RRODA. It enables us to identify, screen and select a location that will maximise the company's energy yield and dividend sustainably. Our proprietary algorithmic selection criteria combine inputs of above-surface renewable datasets with our vast subsurface mining databases to provide an unparalleled view of how best to site a company's renewable energy solution.

Beyond the mining community, RRODA provides an overview of a company's land, creating a digital terrain model that allows us to immediately calculate the levelised cost of electricity down to a single pixel. Our five-step process considers multiple variables, including environmental conditions and local wildlife. The consolidated data produces a scale of sustainability that streamlines the site selection process by predicting its viability accurately.

DELIVERING ON OUR STRATEGY AND FUTURE FOCUS

We will be futureproofing Exxaro and enabling a sustainable future for our business. We aim to fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification. As the company matures, we will build on an already successful platform, leveraging our skills and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company, a leading international renewable solutions provider by the end of the decade.

Our **capital allocation and project execution** remains focused on leveraging the growth investments already made, supporting our early value coal strategy and sustaining our businesses by implementing our portfolio of stay-in-business capital projects. Our early value strategy means we are strategic about our capital allocation. Allocating capital to the coal business will ensure we sustain a robust coal portfolio with strong cash flow generation. We continue disposing of non-core assets. We successfully exited ECC* and our disposal of Leeuwpan is well underway. To ensure our coal business remains resilient, we will continue spending stay-in-business capital. We are targeting average capital of between R2 billion and R2.5 billion annually in real terms. As part of the early value strategy, the GG6 expansion is nearing completion and the last capital will be spent in 2022.

For our energy business, Exxaro is targeting an additional 3 000MW (net) capacity by 2030 with total capital deployment in the region of approximately R45 billion. We estimate that one third will be our equity contributions and two thirds project financing. This could potentially provide approximately R6 billion in EBITDA in real terms. We are aiming to achieve equity returns on a portfolio basis of 15%.

We are assessing new markets for potential entry that meet our investment criteria, building strong foundations for the future and **investing in renewable energy** assets that enable us to transition to a low-carbon world.

* Divestment concluded in September 2021.

Business resilience continued

Driving innovation

We are assessing new markets that meet our investment criteria for potential entry, building strong foundations for the future and investing in renewable energy assets that enable us to transition to a low-carbon world.

In the past decade, the South Africa renewable energy industry has developed mostly around the Renewable Energy IPP Procurement Programme; a well-structured programme with standardised process solutions for providing renewable energy to the South African power grid, backed by a sovereign guarantee. Renewable energy supply to private customers was mostly limited to small-scale (<1 MW) embedded generation solutions. The promulgation of the amended Schedule 2 of the Electricity Regulation Act in 2021 served to increase the threshold for embedded generation from the previous 1MW to 100MW without the need for a generation licence. This unlocked the potential for supply to large private customers and multiple customers from a large generation facility.

As each customer has a different load profile and different energy supply needs, there are various options and combinations of generation technologies (eg wind, solar PV and energy storage) and delivery mechanisms which include behind the meter or wheeling solutions through the national and/or municipal grid to serve customer needs. This short-term innovation creates opportunities and is the key to unlocking new approaches and new solutions for affordable and sustainable renewable energy systems, and to optimise the energy system and maximise customer value.

Therefore, our business transformation processes prioritise innovation. Our objective is to drive energy innovation to ensure we deliver innovative solutions to our customers that continuously contribute to achieving Exxaro and our customers' decarbonisation and sustainability objectives, provide more efficient and cost-effective ways of accessing clean energy and meeting rising energy demands, while contributing to economic growth and sustainable livelihoods.

In addition to short-term innovation that focuses on optimisation of our products and services, we continuously assess longer-term opportunities to create a sustained competitive advantage.

To this end, we have adopted a three-horizon model of innovation. In this model:

- Horizon one "Now" refers to our ability to manage and optimise our current business, continuously improving the solutions we provide to our customers
- Horizon two "Next" refers to the innovation that allows us to lead and act on new opportunities
- Horizon three "New" refers to our innovative capacity to envision and learn from current trends, and emergent opportunities arising from significant shifts in market structure or new technologies

Our investments focus on horizon one proven technologies, however, we monitor developments in horizon two and three to enable us to quickly adopt new innovative solutions, technologies and solutions.

We have adopted a systems approach to develop optimised energy solutions and drive energy innovation through identifying priority areas for innovation, skills development, fostering the development of a range of energy options to meet the varying needs of end-users and contributing to the development of comprehensive energy policies which foster innovation. As such, we are embracing open innovation, recognising that innovation is amplified when knowledge and ideas are not isolated within our organisation. Rather, partnerships and collaboration with key stakeholders such as government will also be critical in our drive for innovation. This is because we recognise that a systems approach is required to solve systemic problems. The government stakeholder group is of particular importance since it plays a key role in driving energy innovation and implementing the incentives and regulations needed to stimulate investment in energy innovation and its deployment and uptake.

In addition, we have internally developed innovative processes and tools that differentiate our energy solutions in the market. This includes RRODA, to quickly and efficiently identify appropriate sites and solutions for customers. The combination of the knowledge from our minerals and energy businesses ensures RRODA considers all above and below surface constraints and factors that may impact the levelised cost of energy through risk-based scenario analyses, for the optimisation of site selection and high-level design parameters, and to quantify tariffs and savings to the customer.

CASE STUDY

Digital transformation

Through our Digital@Exxaro programme we have enabled value driven intelligent integration of our value chain to deliver on near real-time optimisation of our operations.

There are several initiatives that have been implemented as a result of this programme and one such initiative is the **Thickener SMART Control** solution that has been implemented at Belfast Coal Mine.

BACKGROUND	SOLUTION																										
Issues related to treating ultra fines experienced at other mines in Mpumalanga highlighted an opportunity to improve the design of the Belfast coal beneficiation plant. The average standing time in most of the Mpumalanga operations, as a result of ultra-fines circuit overloads, can be as high as 48 hours per month. These challenges usually occur when treating RoM that is weathered or contains an excessive percentage of ultra fines. The thickener is then overloaded with ultra-fine material, which requires the beneficiation plant to be stopped until the ultra-fines circuit has been cleared of material build-up.	To solve this problem, the thickener smart control solution was implemented. The solution influences the operation of the thickener by measuring certain parameters such as rake torque, overflow clarity and thickener underflow density. These parameters are then used to pre-empt overloading of the ultra-fines circuit. As soon as the thickener smart control detects the build-up of fines, it automatically reduces plant feed tonnage. This decreases the ultra-fines feed into the thickener until the circuit is cleared.																										
VALUE REALISED	DOWNTIME HOURS																										
<p>The implementation of this solution enabled the collection of data which was to predict and prevent the occurrence of system overloads. This enabled better management of the thickener and lessened occurrences of black water.</p> <p>Ultimately, the system has improved plant utilisation by reducing downtime hours from the anticipated 48 hours to an average of 10 hours per month.</p>	<p>Hours per month</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Downtime Hours (HRS/MONTH)</th> </tr> </thead> <tbody> <tr><td>January</td><td>20</td></tr> <tr><td>February</td><td>42</td></tr> <tr><td>March</td><td>15</td></tr> <tr><td>April</td><td>0</td></tr> <tr><td>May</td><td>12</td></tr> <tr><td>June</td><td>0</td></tr> <tr><td>July</td><td>10</td></tr> <tr><td>August</td><td>0</td></tr> <tr><td>September</td><td>5</td></tr> <tr><td>October</td><td>0</td></tr> <tr><td>November</td><td>5</td></tr> <tr><td>December</td><td>15</td></tr> </tbody> </table>	Month	Downtime Hours (HRS/MONTH)	January	20	February	42	March	15	April	0	May	12	June	0	July	10	August	0	September	5	October	0	November	5	December	15
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December	15																										

Our people



Our human capital is the centre of success of our business.

Attracting and retaining the right employees with the necessary skills for now and into the future remains challenging in a competitive market. To ensure that we have the right people, we invest in, upskill and offer our employees an attractive value proposition. This investment extends to potential future employees and the communities who provide labour to our operations. We are also mindful of the safety and health of our employees and host communities, and strive to achieve zero harm through collective responsibility, commitment and risk awareness.

We strive to positively impact our human capital through:

- Our commitment to achieving zero harm
- Working with employees and contractors to eradicate any safety incidents
- Continuously investing in our employees' development and growth
- Respecting the human rights of our workforce and those who may be affected by our operations
- Investing in community development through our SLPs and ESD programmes

Material theme	Matter	Our strategic response	Our impact on the SDGs
Helping our people thrive	<ul style="list-style-type: none"> • Health, safety and wellness • Workforce: culture, capability, diversity, inclusion and innovation • Labour relations 	<ul style="list-style-type: none"> • Make our minerals and energy businesses thrive • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship 	

For a detailed overview of our human capital approach and performance, please see the social chapter in our ESG report.

HOW WE ACHIEVE THIS

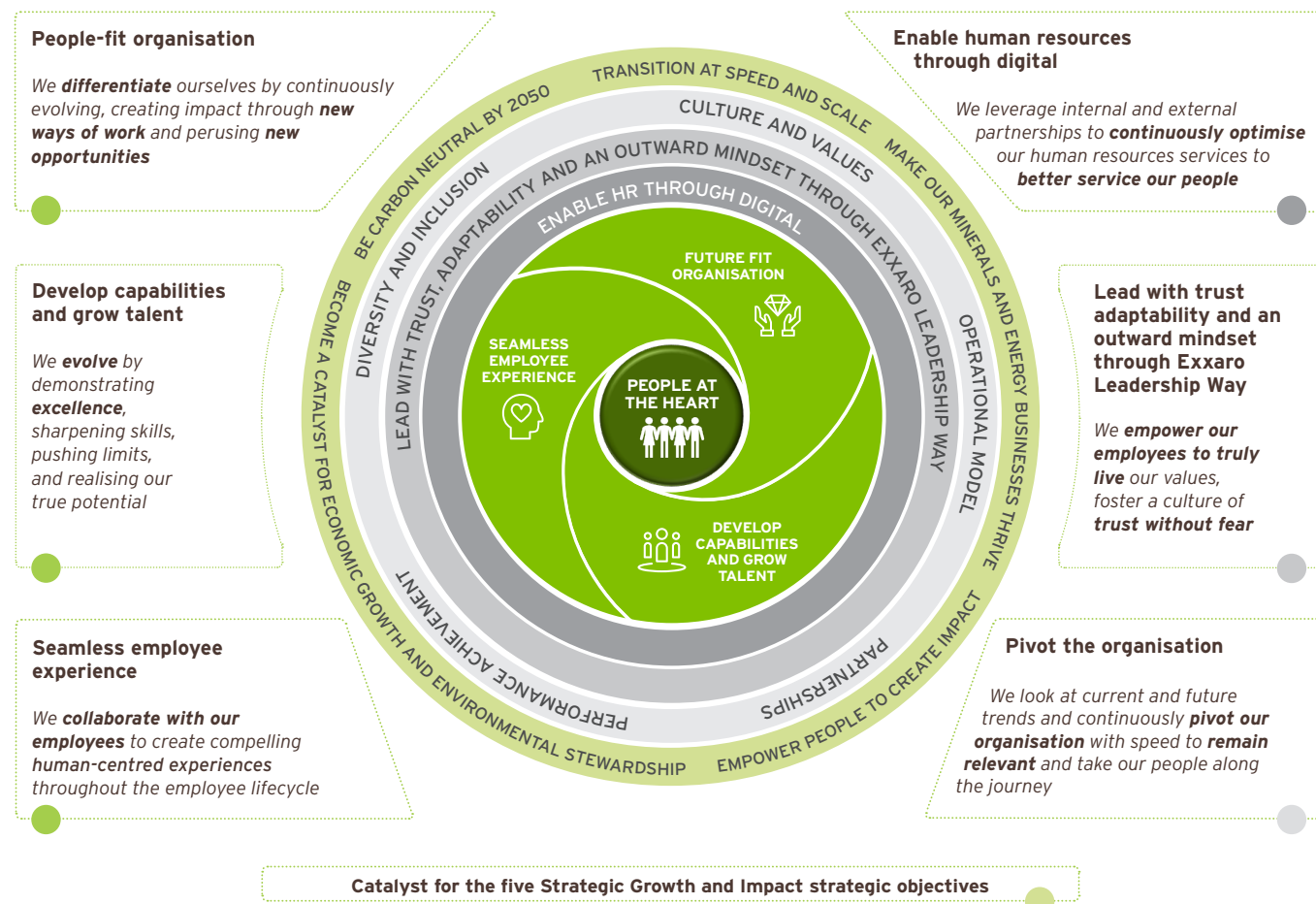
Our people and partners have the capabilities, mindset, environment and passion to achieve our purpose, and we as a company can build on each other's creativity and experience. We have several measures to ensure we empower our people to create impact.

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.



The Central Transport Department team at our Matla BU

We have a robust people strategy forming the foundation of our employee engagement approach. Our people 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.

Diversity and inclusion

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.

Snapshot of our workforce

Our workforce comprises Exxaro's full-time employees and contractors as well as our renewable energy business workforce. As Cennergi's two operational sites are SPVs, their operational employees are hired by the contractors on site.

Exxaro

Employed 18 813 people (2020: 22 466) - 35.84% full-time employees and 64.14% contractors

Our people continued

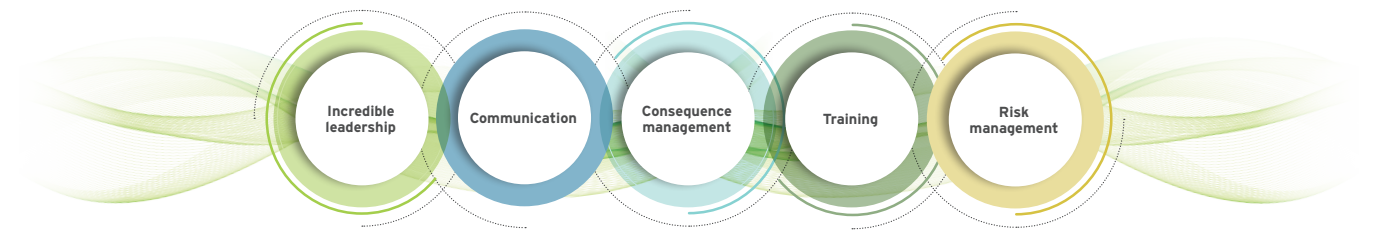
SAFETY

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.

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 and reducing and eliminating safety-related risks.

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.

We manage our safety through risk reduction and elimination interventions, incident analysis, benchmarking our performance against industry standards and training.

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

Five years fatality-free (as at 3 March 2022) Target: zero	One high-potential incident (HPI) (2020: three) Target: zero	LTIFR 0.08 (2020: 0.05) Target: less than 0.08	12 lost-time injuries (2020: nine)
The DMRE issued two section 54 notices (mining activity stopped) and two section 55 notices (mining in affected area stopped) (2020: three), which were resolved amicably	No safety-related grievances were raised against Exxaro in 2021	No fatalities at Cennergi's two windfarms and one lost-time injury at Amakhala Emoyeni	

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, and poor risk awareness and discipline.

To focus attention on 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.

The group performed well in comparison with industry averages.

We provide comprehensive training to address safety risks. In 2021, these included:

- Global Minerals Industry Risk Management training for leadership and front-line employees for risk and hazard identification and decision making
- Training for safety representatives
- On-the-job training for our people
- Cennergi provides daily safety toolbox talks, weekly risk sessions, annual safety awareness days and held two safety indabas in 2021.

In pursuit of our zero harm vision, we launched our Khetha Ukuphepha campaign at our BU safety indabas in 2020. This campaign continues to communicate that zero harm is possible and remains the cornerstone of our zero-harm pledge.

In 2022, our aim is to encourage safety performance, record zero fatalities, zero HPIs and further reduce our LTIFR.

HEALTH AND WELLNESS

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

We have several measures in place 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.

Our health and wellness 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.

Occupational health performance | zero harm remains our driver



Improved hygiene and safe workplace



Integrated healthcare and wellness management



Coordinated access to public and private healthcare

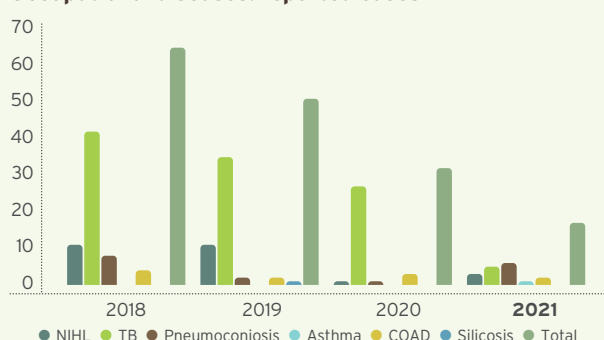


Employee-driven preventive healthcare

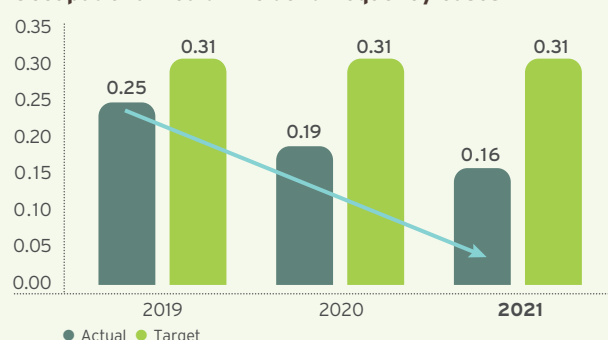
Highlights

- From 2018 to 2021 the group recorded a 74% reduction in reportable occupational health incidents
- 56% improvement on the OHIFR over the past four years
- No cases of silicosis have been reported

Occupational diseases: reported cases



Occupational health incident frequency cases



During the year, we achieved positive health and wellness outcomes. Among others, we successfully managed the impact of COVID-19 on our business, mitigated occupational and non-occupational diseases, rolled out an employee assistance programme 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.



At Cennergi, the COVID-19 lockdowns implemented to protect our health brought about a level of wellness-related stress and a change in the way we work. Therefore, our 2021 focus was to support employee health and wellbeing through the new normal and counselling was made available. We also hosted a wellness day and promoted World Mental Health Day and Breast Cancer Awareness Month.

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, 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%. The group has since achieved an 86% vaccination rate exceeding both the national target of 70% and mining industry target of 80%.

We remain committed to preventing further loss of life and implementing COVID-19 preventive measures in accordance with government regulations and recommendations.

We ran a series of initiatives to protect our employees' health during the pandemic, details of which can be found in our ESG report.

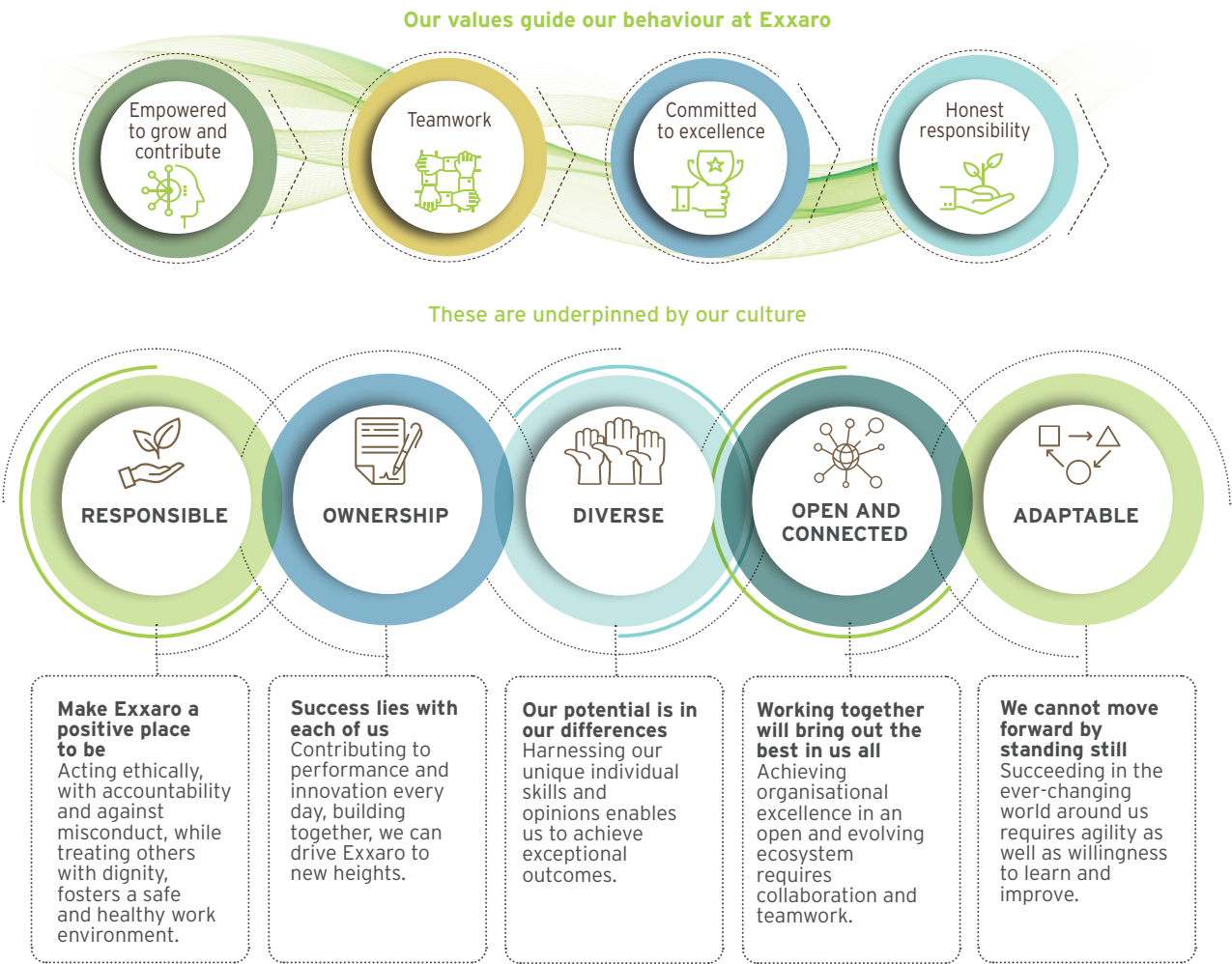
COVID-19 statistics	Exxaro	Cennergi	Mining industry	South Africa
Cases	6 797	19	62 519	3 603 856
Cases as percentage of workforce	47	21	13	6
Current cases as at 31 December 2021	33	0	408	65 299
Fatalities	33	0	744	95 022

Our people continued

EMPLOYEE ENGAGEMENT

<p>Ensuring our employees are actively engaged 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 employee value proposition as an employer of choice, and attract and retain key talent.</p>	<p>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, union recognition agreements and frameworks in place. We maintain sustainable human resource governance with a comprehensive suite of policies that cover employment, labour relations, occupational health and safety, training and education, among others.</p>
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Our employee engagement strategy guides our approach to managing employee needs and expectations so that we can maintain a healthy and productive workplace. Our digital tools such as LetsConnect further enable integrated, agile access to information and a personalised experience for our employees.




Our adaptable culture reflects our willingness to learn and improve as we strive towards achieving 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. We conduct the surveys to gain insight, track the efficacy and progress of organisational culture and establish relevant areas of improvement. The organisation further implements respective actions and initiatives to address the identified areas of improvement.

- In 2021, the business implemented actions to ensure improvements in the key focus areas identified. These included the following:
- Diverse culture theme: ensuring fairness and equity in the appointment and promotion process. This has been incorporated into the diversity and inclusion strategy
 - Rewards: this area is currently being addressed in line with the new incentive schemes through our remuneration function

Labour relations

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.

-  Refer to the governance summary on page 81 and the ESG report for more information on how we maintain legal, regulatory and compliance excellence as well as instil transparency, ethics and integrity.

Diversity and inclusion

We are committed to equal opportunity, irrespective of race, religion, gender, health status, sexual orientation or nationality. We believe that our strengthened potential is in our diversity and differences.

The objectives of our diversity and inclusion 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

We embrace the diversity of our strengths and individual skills to enable exceptional outcomes and promote a culture of inclusivity.

Employment equity

Our policies and skills development enable us to meet our transformation objectives in support of the drive for the national imperative towards 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 are aligned with the Mining Charter III promulgated in September 2018. Although we have shown positive progress in achieving our annual targets, there are key challenges in the representation of women at senior management level and persons with disabilities across the organisation. We aspire to measure our transformation profile against national economically active population statistics.



Cennergi continues to meet its job creation targets as in the implementation agreement with the DMRE. Employment equity performance for permanent employees is implemented and monitored according to a five-year employment equity plan and tracked by the Department of Employment and Labour.

In a year marked by initiatives aimed at promoting wellness, values of diversity and equity, and the strategic shift towards decarbonisation as a priority strategic goal, it was important for us to ensure that our culture supports, and is accentuated by those initiatives. In particular, the work done in the health and wellness space, and in terms of gender diversity and equity, provided opportunities for our culture to be embedded and foregrounded.

5 180 employees were represented by affiliated unions recognised by Exxaro, being NUM, Solidarity, AMCU, FAWU and NUMSA (2020: 5 119)	LetsConnect used to further embed our culture through regular communication to employees	Achieved an above-acceptable aggregated baseline score of 3.97 in the 2020 culture and engagement survey (against a benchmark of 3.70)
Average employee turnover rate was 3.7% due to death, resignation and dismissal (2020: 3.6%)	Level 2 BEE contributor	No cases of alleged discrimination or grievances were filed (2020: none)

-  Refer to the ESG report for more information about our employee engagement.

Our people continued

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.

Talent management encompasses a wide range of activities vital to business performance and continuity, including leadership and capability development, meeting compliance targets for sourcing individuals, and managing a sustainable and appropriate talent pipeline.

Through our talent management strategy, we ensure that the business has the right skills at the right time and in the right place, and that a leadership and specialist talent pipeline is developed for critical positions.

The strategy is evolving to support capability development of our workforce in delivering our strategy and by applying practices applicable to new ways of work. In line with the talent management strategy, connect2NEXT culture journey and demands of the COVID-19 pandemic, we focused on digitalising learning to enhance our talent offerings and used technology to give better access to learners.

Initiatives included:

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

These initiatives form the foundation of a new hybrid work environment, reducing standard times of learning interventions and thus creating more available productive hours.

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 31% of the E Band and 26% 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.

We are developing and implementing new learning and development interventions in our capability learning catalogue.

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 that 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 would drive early value creation for the coal 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 renewable energy businesses about their workforce requirements. Mapping competencies to new learning interventions will allow employees to reskill and upskill according to the business strategy.



Cennergi prioritises internal recruitment of high-potential people, where possible, to retain valuable talent and promote the growth of its management service expertise, and offers STI rewards to employees, based on individual and company performance.

We invested significantly in our people during the year through new learning and development initiatives. COVID-19 regulations restricted traditional learning, recruitment and selection for learnerships, PIT, bursars and internships. This ultimately affected our SLP commitments and targets. We were able to curb some of these adverse effects by offering virtual learning through the MyNexxt digital learning platform. It provides blended learning and e-learning instead of the traditional classroom method. Our assessment and recruitment processes were digitalised into interview guides, online interviews and online assessments. We continue investigating hybrid training models to provide flexibility while improving the employee value proposition for learning and development opportunities.

Spent R276 million on training	Contracted nine full-time people with disabilities	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 were awarded to full-time female students in engineering and mining disciplines

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)

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 in a technical and vocational education and training 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.

 Refer to the ESG report for details of our skills development and training initiatives.



CEO designate, Nombasa Tsengwa (in pink) with some of Exxaro's women in mining in 2019

Our people continued

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 we infringe on these rights.

We recognise that our operations could negatively impact human rights. 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

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 in compliance.



Cennergi's human rights approach is guided by human resources policies, code of conduct, South African legislation and the company's commitment to the International Finance Corporation (IFC) PS2: Labour and Working Conditions.

Our ESG report and annual UNGC communication on progress are available on our website and provide further detail on topics discussed below.

Exxaro has a labour and human rights policy that documents the company's position and intent concerning 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 Constitution of the country 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

Proof of our commitment and human rights-related successes include:

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

We also fulfilled our annual obligations as an active signatory to the UNGC since 2007

We **do not tolerate or condone child labour and forced or compulsory labour**, and we are aligned with the Basic Conditions of Employment Act and the Constitution of South Africa in this regard.

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.

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.

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. 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

Once the framework is completed, it will allow us to specify formal remedies to address human rights complaints and grievances.

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 regular analysis 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 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.



Exxaro employee vaccination campaign

Social licence to operate: enabling our legitimacy



Our social and relationship capital refers to mutually beneficial relationships that provide our social licence to operate. To ensure we have a holistic, positive and lasting impact on our people, communities and society at large, we conduct our business activities in a way that promotes development and success for us and our stakeholders.

We recognise that South Africa faces many challenges, including unemployment, poor **access to basic services such as electricity, water, sanitation and education**, exacerbated by the effects of COVID-19. As a business, we believe we can help our host communities overcome these challenges.

We aim to positively impact our social and relationship capital by:

- Honouring our SLP and DMRE commitments
- Collaborating for impact
- Engaging in ESD activities that aim to support the creation of new, resilient and sustainable industries, leading to high impact in communities

Material theme	Matter	Our strategic response	Our impact on the SDGs
Building sustainable communities	<ul style="list-style-type: none"> • Human rights • Job and business creation • Responsible environmental stewardship • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship 	

HOW WE ACHIEVE THIS

As we transform our business, we continue ensuring that our transition contributes to the socio-economic wellbeing of the communities in which we operate. We do this through collaboration efforts driven via our Impact at Scale approach, SLP projects and ESD initiatives.

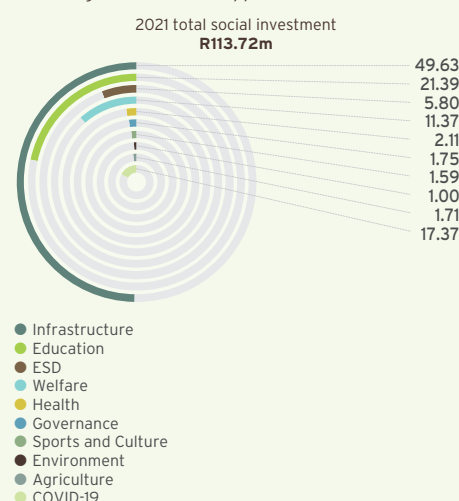


Cennergi is committed to investing 2.1% of revenue in projects that support host communities. Cennergi founded the Amakhala Emoyeni Community Fund Trust and the Tsitsikamma Community Windfarm Trust to disburse and manage its socio-economic development and enterprise development programmes. Community projects outside a 50km radius of those operations are funded through Cennergi's CSI budget.

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.

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. The contributions to the various sectors are as follows:

Social investment projects in local economic development (Rm) excluding ESD financial support

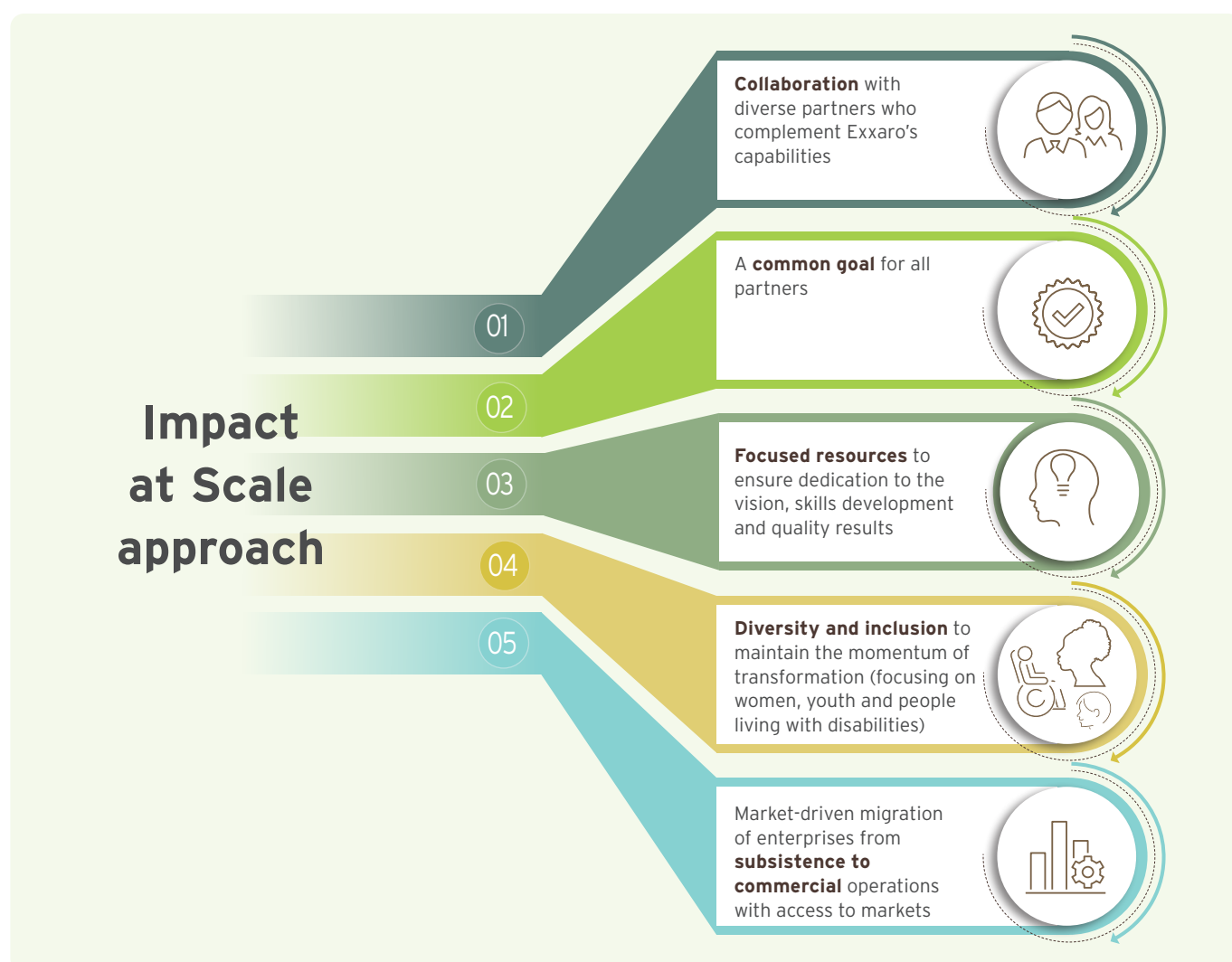


Our social investment activities continued to gather momentum in 2021 after lockdown disruptions in 2020 with a primary focus on ESD and community infrastructure projects. Unfortunately, some projects were halted by community members who expressed concerns regarding the preferential procurement process. We also experienced delays in the approval of the Belfast, Matla and Leeuwpán SLPs. The DMRE has since approved the Belfast and Leeuwpán SLPs, and has given guidance on the Matla SLP, which will be concluded and submitted for approval in the first half of 2022.

<p>Provided R127.7 million to 15 ESD beneficiaries</p>	<p>Stakeholder engagement day with local government and host community structures and representatives</p>
<p>Created 205 jobs on infrastructure projects, which included building an ESD hub, social services, water and schools' infrastructure</p>	<p>Socio-economic development expenditure, including SLPs, ESD, CSI and COVID-19 relief, totalled R241.42 million (2020: R198.64 million)</p>

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

Social licence to operate: enabling our legitimacy continued

Our operations have valid mining rights granted by the DMRE, which are at various stages of execution of their five-year SLPs. We delivered our approved SLP projects in 2021, with improved efficiency compared to 2020.

In 2021, we spent R56.44 million on SLPs, which included school infrastructure, delivering the ESD hub and programmes, 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 construction periods, 202 jobs were created.

ESD programme

<p>Exxaro's coal sites: R4.3 million (non-financial support equivalent) to 126 beneficiaries</p>	<p>Cennergi: R25 million (18 369 beneficiaries)</p>
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** Excludes SLP ESD non-financial support.*


Exxaro's ESD initiatives are a key component of our socio-economic development response and contribute to achieving 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 R53.3 million to seven enterprise development (qualifying enterprises that are not Exxaro service providers/contractors) and R74.4 million to eight supplier development beneficiaries (qualifying enterprises that are Exxaro service providers/contractors).


These approvals represented 100.2% of the available R127.4 million for ESD loans and grants to create a sizeable self-sustaining loan fund. The higher than budgeted for approvals were also in response to the significantly higher than forecast latest NPAT. The ESD programme engaged the dtic to lessen the impact of the upward change in forecasted NPAT. An option that was proposed to the dtic was for Exxaro to commit to spend the difference between the original and latest NPAT forecasts in 2022, and be evaluated on the original 2021 forecast.

The dtic was not amenable to this proposal and agreed instead that funding commitments made before 31 December 2021 would count towards 2021 recognition, although actual funding would be done in 2022.

What differentiates Exxaro's ESD strategy is our holistic and collaborative approach to development. We developed the contractor development programme with Gordon Institute of Business Science to address the common challenges many SMMEs face such as the basics of running a contract business, operations management and mentorship. Further, Exxaro and Cennergi partnered with SAICA ED to implement SAICA ED's financial excellence programme to enable our suppliers to learn about the financial management systems needed to run effective operations and, in doing so, become more robust and sustainable.




Cennergi's ESD programmes support the development of SMMEs. This aims to promote entrepreneurship, create jobs; increases economic activity in local communities; and empowers previously disadvantaged people.

 Refer to the social section in the ESG report for more details of our Impact at Scale, SLP projects and ESD initiatives.


COVID-19 support

Exxaro supported the Solidarity Fund with a donation of R15 million and handed over two water bowzers to the Lephalale and Emakhazeni municipalities, to the total value R2.3 million, to address water shortages during COVID-19 lockdown.

 Our partnerships with local health departments are outlined on page 125.

Going forward, we intend to power better lives on a larger and more integrated scale, leveraging partnerships to become a catalyst for economic growth and environmental stewardship that we have set out as one of our five 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
 - Securing impact investment funding for sustainable impact projects

 Refer to safety, health and wellness in the ESG report for details on our response to COVID-19.



COVID-19 testing facilities at our Grootegeluk mine

Our environment: stewardship and compliance



Our natural capital comprises the resources we draw from our natural environment to run our business and create the products and services we deliver to our stakeholders. We are committed to managing these resources responsibly.

We understand that mining can result in long lasting environmental impacts if unmanaged. Our strategy is anchored on balancing our operational activities with the ability of the environment to regenerate itself.

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

We manage our impact on natural capital by, among others:

- Mining responsibly and committing to environmental stewardship
- Minimising our environmental impact
- Actively participating in the just energy transition to a low-carbon economy
- Reducing the risk of stranded assets, continuously improving our cost and resource efficiency and increasing the proportion of high-quality coal in our product mix
- Incorporating environmental performance principles in our management systems, policies and practices
- Participating in voluntary benchmarks, and supporting/adhering to local and international environmental standards and future-based practices

Using environmental sustainability to guide our business strategies, we strengthen our organisational resilience while ensuring minimum impact on the environment.

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	<ul style="list-style-type: none"> • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Make our minerals and energy businesses thrive • Be carbon neutral by 2050 • Become a catalyst for economic growth and environmental stewardship 	
Building sustainable communities	<ul style="list-style-type: none"> • Responsible environmental stewardship 		

HOW WE ACHIEVE THIS

Our environmental approach is guided by our Sustainable Growth and Impact strategy and our goal to proactively transition our business to a low-carbon portfolio. To achieve this, we have developed a focused environmental policy that is aligned with company goals and current best practice and standards. This is supported by our all-encompassing group management standards for air quality, water, energy, biodiversity, 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 further enhanced by linking environmental performance to employee STIs.

Our impact on natural capital relates to air quality, climate change, energy, water and waste management, biodiversity, and environmental liabilities, land management and rehabilitation.

For a detailed overview of our natural capital approach and performance, please see the environment chapter in our ESG report.



Air quality

Managing air quality is a top priority from an operational, social and regulatory perspective. Opencast mining impacts local air quality through construction and vehicle activity on unpaved roads can impact air quality due to releasing pollutants, dust and other particulate matter.

In addition, our pollution prevention plans and regulatory compliance support Exxaro's goal to become carbon neutral by 2050, as they target a reduction in CO₂ emissions linked to energy use.

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

In 2021, we continued to implement our air quality reduction initiatives, expanding our monitoring and improving our approach systematically. We installed particulate matter multi-monitors at Grooteegeluk to deepen our understanding of the mine's impact on the surrounding environment. We consistently enhance our mitigation measures to reduce the significant impacts on the environment using dust suppression measures that comply with regulated limits.

We aim to maintain our current air quality monitoring network at all BUs and mines in closure to ensure compliance with emissions limits. We are continuously reviewing our air quality management systems at all of our operations align to changes in the mining conditions. In addition, we are continuously investigating alternative dust control measures (wind breakers and other technology for stockpiles) to reduce our dust fallout rate.

Our strategy to go beyond compliance for air quality, will be to actively monitor and measure a broader spectrum of emissions such as Methane, SO_x and NO_x. Currently methane emissions are reported as fugitive emissions and determined using an empirical estimated method. These efforts will ensure that we lead in our approach to air quality.

Climate change resilience

At Exxaro, we actively respond to the climate change agenda as stipulated by the IPCC scientific findings. The risks it presents, physical and transitional, will impact business sustainability if not actively understood and managed. Conversely, we seek to identify and capture the opportunities that a just energy transition will present.

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 GHG emissions. Delivering on this requires many aspects of our business to transition. Our carbon emissions reductions strategy is driven by our efforts in energy management, where reducing our energy consumption and improving our energy efficiency remains a high priority.

Our approach to climate change is embedded in our Sustainable Growth and Impact strategy as Exxaro repositions our business for climate resilience and business sustainability. This is guided by our:

- Climate Change Response strategy, which is informed by the TCFD recommendations
- Climate change position statement
- Decarbonisation plan

Furthermore, we measure and manage the risks related to climate change through our ERM processes, and measure and report against the Greenhouse Gas Protocol and the CDP climate change programme.

Our absolute carbon emissions (scope 1 and 2) decreased from 1 034 484tCO₂e to 995 082tCO₂e. However, our carbon intensity increased due to production challenges, discussed in our operational performance on page 114. This translates to a 13% increase in carbon intensity despite energy efficiency projects at our operations. We expect an intensity reduction as we implement initiatives to support our STI scheme and our 2050 carbon-neutrality initiatives. Additionally, the grid emission factor increased from 1.06 to 1.08 affecting scope 2 and 3 emissions.

Carbon intensity increased by 13% to

5.51ktCO₂e/TTM kt

(2020: 4.9ktCO₂e/TTM kt)

Electricity intensity decreased by 10% to

14.18MWh/kt

(2020: 13MWh/kt)

Diesel intensity decreased by 2.05% to

2 000L/kt

(2020: 2 042L/kt)

Scope 1 and 2 emissions decreased by

4% to **995ktCO₂e**

(2020: 1 035ktCO₂e)

Scope 3 emissions increased by 2.5% to

70 931ktCO₂e

(2020: 69 220ktCO₂e)

We have participated in the **CDP climate change programme** since 2008

We remain cognisant of the changing regulatory landscape and continue to monitor related developments that may impact our business. We will continue contributing to Exxaro's goals to build a climate-resilient organisation - by reducing emissions and extending our influence throughout our value chain. We will progress our efforts to raise awareness, internally and externally, about climate change and the just energy transition required to support South Africa's transition.

Our environment: stewardship and compliance continued

Energy management

Improving energy efficiently 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 GHG emissions. We recognise that energy management is the key driver of carbon emissions and therefore critical to the achievement of our decarbonisation goals.

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 throughout our operations with an ongoing commitment to reduce our energy consumption.

Our large-scale investments were previously centred on Grootegeluk, our largest coal mining operation, due to the scale of opportunities and the impact of these initiatives on energy intensity. 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. We are driving behaviour change through embedding a culture of energy awareness, reduction and accountability by all employees. This involves ongoing communications, awareness training and engagement. 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 dashboard to track fuel and electricity usage at group and BU levels.

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.

Our energy absolute consumption improved due to energy efficiency projects. Intensity performance regressed due to a decrease of 10% in production tonnages in 2021.

<p>Total energy consumed decreased by 16% in 2021 to</p> <p>5 411 267GJ (2020: 6 462 881GJ)</p>	<p>Electricity</p> <p>Consumption decreased by 0.67% to</p> <p>601 717MWh (2020: 605 770MWh)</p> <p>Intensity increased by 9% to</p> <p>14.18MWh/kt</p>	<p>Diesel</p> <p>Consumption decreased by 11.73% to</p> <p>84 852kL (2020: 96 131kL)</p> <p>Intensity decreased by 2.06% to</p> <p>2 000L/kt</p>
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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 as well as site productivity and energy management services.

In line with our renewable energy strategy, in 2023 we will begin construction of the Grootegeluk solar photovoltaic facility. The ̳70MW facility will be developed with Cennergi and will provide clean, secure energy, significant cost savings and a reduction in our carbon footprint.

Water security management

Water is a strategic natural resource for South Africa and our business. Our mines are in water-scarce areas and the country is experiencing the effects of climate change, particularly increased temperatures and rainfall variability. Furthermore, the International Council on Mining and Metals identified several risks related to mining operations due to chronic changes in precipitation extremes and droughts.

Therefore, it is our responsibility to effectively manage our water supply to safeguard various mine aspects to enable production, dust mitigation on the surrounding communities, effective pollution prevention.

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. Our mine and wastewater management policy and strategy follow an integrated water resource management hierarchy that includes:

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

The policy aligns with the requirements of the National Water Act, 1998 (Act 36 of 1998), supported by the integrated water resource management hierarchy issued by the Department of Water and Sanitation.

We implemented a comprehensive programme on responsible and sustainable water management at our BUs, focusing on water use and related risks. We manage these 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 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
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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 LoM and recommended changes to infrastructure to enhance water security in short, medium and long-term horizons
- 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

46% water recycled (2020: 45%)	10 890ML total water withdrawal ↓ (2020: 11 798ML)
10 281ML total water consumption → (2020: 10 924ML)	149L/t water intensity (2020: 137L/t) (target 2025: 180L/t)

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

Waste management

Mining activities create various waste streams. 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.

To address and manage this, we develop policies and procedures that align with leading practices, ensuring we leave a positive legacy for future generations.

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.

Our environmental policy includes initiatives such as waste prevention, reuse, recycling, energy recovery and safe waste disposal to reduce environmental and health risks.

In 2021, 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 (and implement cradle-to-cradle aspiration). Our waste streams were previously classified in 2013, and we intend to redo this assessment to better classify and manage our performance.

2 914t general waste recycled (2020: 2 914t)	520t hazardous waste sent to landfill – a 66% improvement on the previous year (2020: 1 511t)	Added COVID-19 medical waste (masks, gloves and screening waste) as a new stream of hazardous waste
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Looking ahead, our focus remains on:

- Improving our disclosure
- Updating 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 between 80% and 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

Our environment: stewardship and compliance

continued

Biodiversity

It is an economic and ethical imperative for the industry to prioritise biodiversity conservation for ourselves, the communities that depend on local resources and for the planet.	We are committed to ensuring the protection and conservation of biodiversity-rich ecosystems. We achieve this through our biodiversity programmes, including our alien invader eradication programme, pan research, wetland rehabilitation and offset, and biodiversity relocation initiatives. These programmes not only protect indigenous flora and fauna species but also ensure the expansion of such species to support ecosystems within and beyond the areas Exxaro operates in.
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Exxaro takes a holistic approach to biodiversity. 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 guidelines on biodiversity conservation and sustainable management of living natural resources. We are committed to:

- Cost-effective solutions
- Environmental responsibility
- Conservation of biodiversity-rich areas within the right mining areas as far as possible
- Management of International Union for Conservation of Nature Red List of Threatened Species
- Control of category 1a, 2 and 3 invasive plants
- Integration of biodiversity into social impact studies

Our programmes include:

- Biodiversity relocation and conservation programmes (these include Manketti Game Reserve surrounding Grootegeeluk, African grass owl project at Matla and Cennergi's cape vulture programmes)
- Alien plant eradication
- Pan research and rehabilitation
- Wetland rehabilitation

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 continue and be enhanced at all BUs in the next financial year.

Environmental liabilities and rehabilitation

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. We see environmental rehabilitation as an opportunity to uplift our communities, leaving a positive legacy of alternative sustainable land use.	Due to the complex nature of environmental liabilities and rehabilitation, Exxaro adheres to several legislative frameworks that guide our management and approach.
We approach mine closure from a holistic and integrated perspective, understanding that responsible mining practices continually evolve, as we strive to deliver a lasting positive legacy while balancing environmental protection and social wellbeing with financial performance.	

All assessments were conducted according to relevant regulations. We review mine closure and rehabilitation financial 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 fast-track concurrent rehabilitation.

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.



Cennergi reviews its financial provisions for facility closure and rehabilitation annually with a review by an external consultant conducted every third year. Cennergi 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.

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 and include concurrent rehabilitation in operational tracking.

9 280ha land rehabilitated
(2020: 1 981ha)

1 933ha land disturbed
(2020: 1 981ha)

R7 581 million
total closure costs
(2020: R9 536 million)

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.

Operational closure, concurrent rehabilitation and land management activities directly connect employees, communities, the environment, government and infrastructure, and are part of Exxaro's operating philosophy and moral responsibility. Our land management goals include 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.

We actively plan our operations with closure in mind, ensuring adequate financial resources are available to meet our rehabilitation commitments. Four operations were in active closure in 2021, namely Tshikondeni, Durnacol, Hlobane and Strathrae (2020: five). We also strive to integrate land and 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 month on Exxaro's Middle Eye platform.

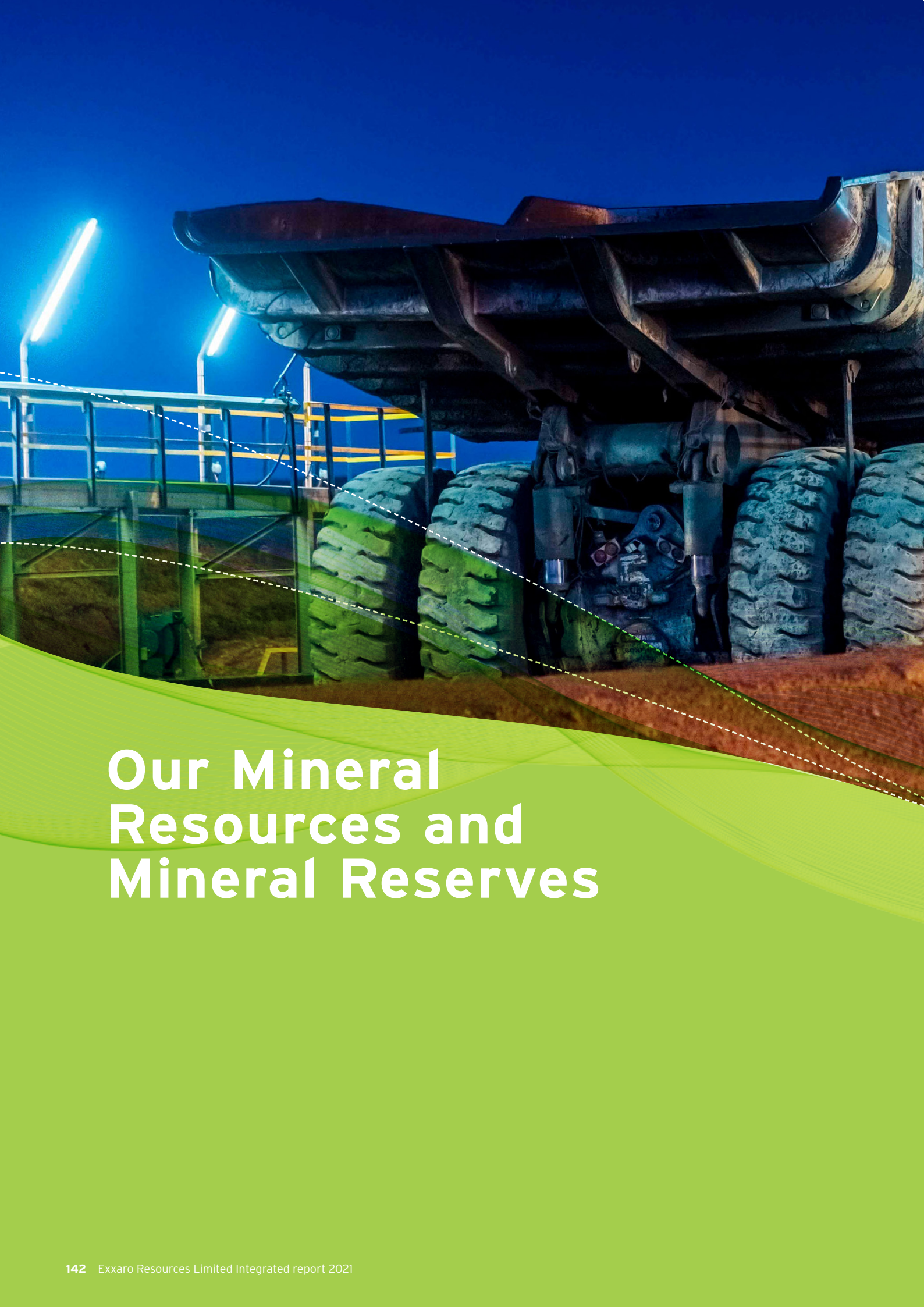
The social aspects of mine closure are integrated into our approach. These include broader society, employees and communities.

Looking ahead, we aim to continue:

- Embedding rehabilitation and mine closure in our daily management of BUs
- Focusing on rehabilitation standards that ensure sustainable alternative post-mining land use
- Setting clear, measurable, concurrent and ongoing rehabilitation targets
- Building accountability into operational management KPIs
- Reducing or maintaining financial environmental liability levels
- Introducing concurrent rehabilitation reporting
- Developing engagement and management plans with the decarbonisation team to incorporate rehabilitation into carbon-neutrality initiatives



Protecting South Africa's indigenous flora and fauna within our mining rights areas forms part of our biodiversity focus



Our Mineral Resources and Mineral Reserves



06

Sustaining, developing and growing the mineral asset base by employing responsible and innovative technical management.

UNLOCKING VALUE AT OUR OPERATIONS

Our Mineral Resources and Reserves chapter summarises the content in the CMRR report available on our website. It outlines Exxaro's Coal Resources portfolio, exploration plans, and plans to unlock value through our Coal Resources and Reserves strategy.

Our Mineral Resources and Mineral Reserves

OUR RESOURCES AND RESERVES

Exxaro continuously strives to enhance the level of estimation and reporting of our Resources and Reserves. Our estimation and reporting strategy focuses on sustaining our mineral asset base by employing responsible and innovative technical management. Value extracted from the mineral assets is continuously reviewed with mine planning, considering evolving knowledge of the mineral asset's geological complexities and its opportunities.

Our projects, operations and expansion initiatives are built on trusted and assured Resources and Reserves, creating a platform for the Life of Mine (LoM) from which annual business plans are derived. The Resource managers of each operation are the custodians of the LoM and ensure professional execution of the business plans, stimulating profitability and return on investment while guarding against irresponsible exploitation.

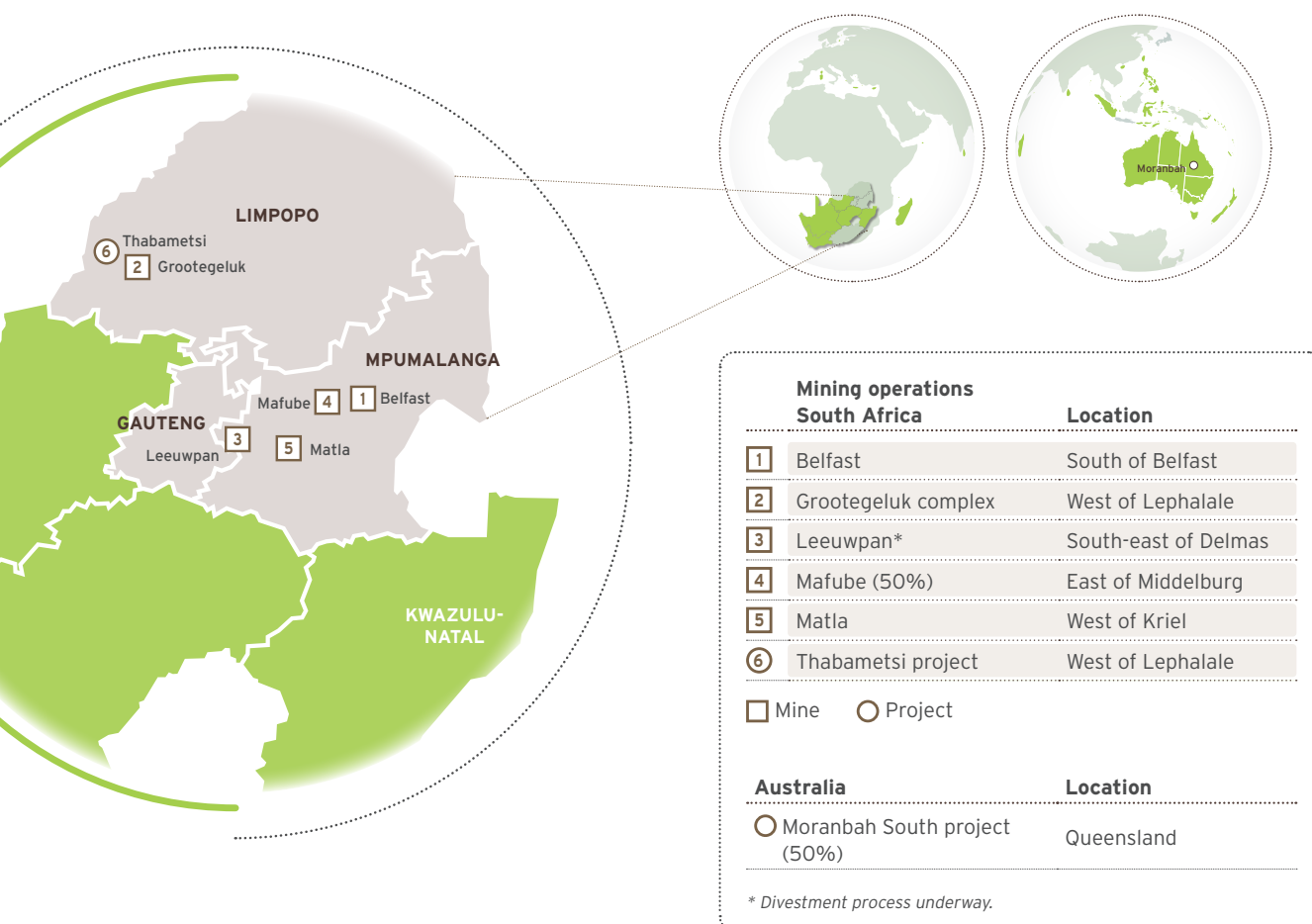
HOW DO WE REPORT?

Our Resource and Reserve statements, explanations on how we report (governance, assurance, competence and estimation) as well as comprehensive descriptions of our operations are aligned with the JSE Listing Requirements (section 12:13) and captured in our CMRR, a supplement to this report and available on the Exxaro website at <https://www.exxaro.com/>.

Our Coal Resources and Coal Reserves were estimated on an operational or project basis, and in line with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition (SAMREC Code) for African coal properties and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2012 edition (JORC Code) for the Australian coal property. The Exxaro annual estimation and reporting process is managed through the Exxaro geosciences as well as LoM policies and associated Coal Resource and Coal Reserve reporting and estimation procedures.

OPERATIONS WE REPORT ON

Exxaro reports Resources and Reserves estimates directly under its management's control and includes estimates for entities in which we hold a 25% interest or more. For projects and operations mentioned in the CMRR report but in which Exxaro does not have management control, the reader is referred to that company's website.



COMPETENCE

Exxaro's Coal Resources and Coal Reserves have been estimated or supervised by the competent persons supported by technical specialists and guided by corporate appointed lead Resource and Reserve Competent Persons.

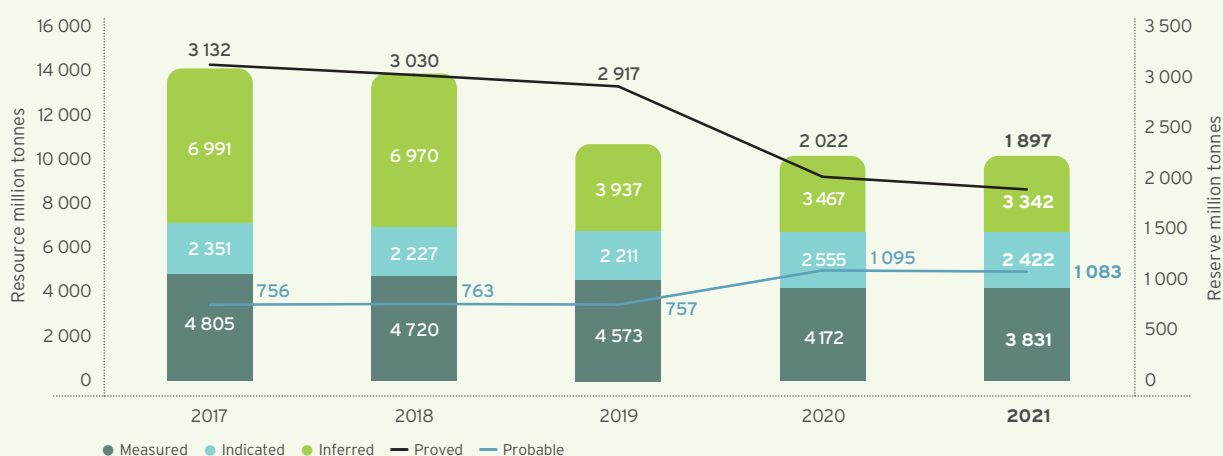
The various appointed competent persons are full-time employees at their applicable operation and their names, affiliation and relevant experience are provided in the CMRR.

ASSURANCE

Assurance is implemented in terms of a three-tier system. Tier 1 assurance is conducted in parallel with our estimation processes by internal/peer technical specialists to ensure estimates with integrity. Tier 2 assurance consist of internal reviews conducted on operations or projects when deemed necessary at any point in time to ensure compliance. Tier 3 reviews are comprehensive external Resource and Reserve reviews conducted on a three-year operational cycle.

OUR ESTIMATES FOR THE REPORTING YEAR

Exxaro's attributable Coal Resources and Coal Reserves



Notes:

- Resource estimations are based on the latest available geological models, which incorporate new validated geological information and, if applicable, revised seam, Resource definitions and Resource classifications. For the 2021 reporting cycle, estimates reported are derived from actual mining up to the end of October, incorporating the planned estimates for November and December.
- Resource and Reserve estimates in our statements are quoted in full, irrespective of Exxaro shareholding. Exxaro attributable tonnage is clearly presented in the image above and, when used in our report, always clearly defined as such.
- Rounding off of figures quoted may result in minor computational discrepancies although it is not deemed significant.



Material movement in total Coal Resources

- Divestment of Exxaro Coal Central (ECC). Decrease of 556Mt.
- Matla – ~13% decrease due to mining and the removal of remnant coal blocks not meeting prospects of eventual economic extraction criteria (111Mt). No impact on the Reserve.

Material movement in total Coal Reserves

- Divestment of Exxaro Coal Central (ECC). Decrease of ~95Mt.
- Mafube – 10% decrease is the result of mining (5.2Mt).

A decrease 6% of our total Coal Resource is primarily the result of mining depletion at our operations, the divestment of Exxaro Coal Central (ECC*) and a material change at Matla mine due to the movement of 111Mt of 2 Seam and 4 Seam Coal Resources located outside the LoM, to Inventory. These Coal Resources are remnant and blocks isolated due to infrastructure and/or accessibility constraints.

Our total Coal Reserves decreased by 4% mainly due to the divestment of ECC* and normal mining at the various operations.

The divestment from ECC* decreased the total Exxaro Coal Resources by ~556Mt and the total Reserves by ~95Mt. The decrease is however masked by the significant amount of Coal Resources and Reserves held within the Waterberg coal assets.

For all other operations, other than normal life of mine (LoM) depletion, no material changes to the Coal Resource and Reserve estimates are reported.

* Divestment concluded in September 2021.

Glossary

<IR> Framework	International Integrated Reporting Council's Integrated Reporting <IR> Framework 2021
AMSA	ArcelorMittal South Africa Limited
API4	Argus/McCloskey Coal Price Index
B-BBEE	Broad-based black economic empowerment
Black Mountain	Black Mountain Mining Proprietary Limited
BU	Business unit
Cennergi	Cennergi Proprietary Limited
CEO	Chief executive officer
CMRR	Consolidated Mineral Resources and Mineral Reserves
COGTA	Department of Cooperative Governance and Traditional Affairs
COP26	2021 United Nations Climate Change Conference
CPI	Consumer price index
CSI	Corporate social investment
DMRE	Department of Mineral Resources and Energy
dtic	Department of Trade, Industry and Competition
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including transaction differences recycled to profit or loss)
ECC*	Exxaro Coal Central Proprietary Limited
EERF	Exxaro's Environmental Rehabilitation Fund
ESG	Environmental, social and governance
ESOP	Employee share ownership plan
ERM	Enterprise risk management
Exxaro	Exxaro Resources Limited
FD	Finance director
HEPS	Headline earnings per share
HPI	High-potential incident
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPP	Independent power producer
JSE	JSE Limited
KAM	Key account management
King IV	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator

* Divestment concluded in September 2021.

LNG	Liquefied natural gas
LoM	Life of mine
LTIFR	Lost-time injury frequency rate
M2R	Market to resource
Mining Charter III	Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018
NBI	National Business Initiative
NPAT	Net profit after tax
OHIFR	Occupational health incident frequency rate
PIT	Professionals in training
PPI	Producer price index
RBCT	Richards Bay Coal Terminal Proprietary Limited
RBR	Risk and business resilience
ROCE	Return on capital employed
RoM	Run of mine
RRODA	Renewable energy risk and opportunity domain analysis
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
SERC	Social, ethics and responsibility committee
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP	Social and labour plan
SMME	Small, medium and micro-enterprise
SPV	Special purpose vehicle
STI	Short-term incentive
TCFD	Task Force on Climate-Related Financial Disclosures
TFR	Transnet Freight Rail
TiO₂	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
UNGC	United Nations Global Compact

Administration

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

Andiswa Ndoni

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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
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POWERING POSSIBILITY

CAPITAL MARKETS DAY



Panel discussion at the Capital Markets Day 2021



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