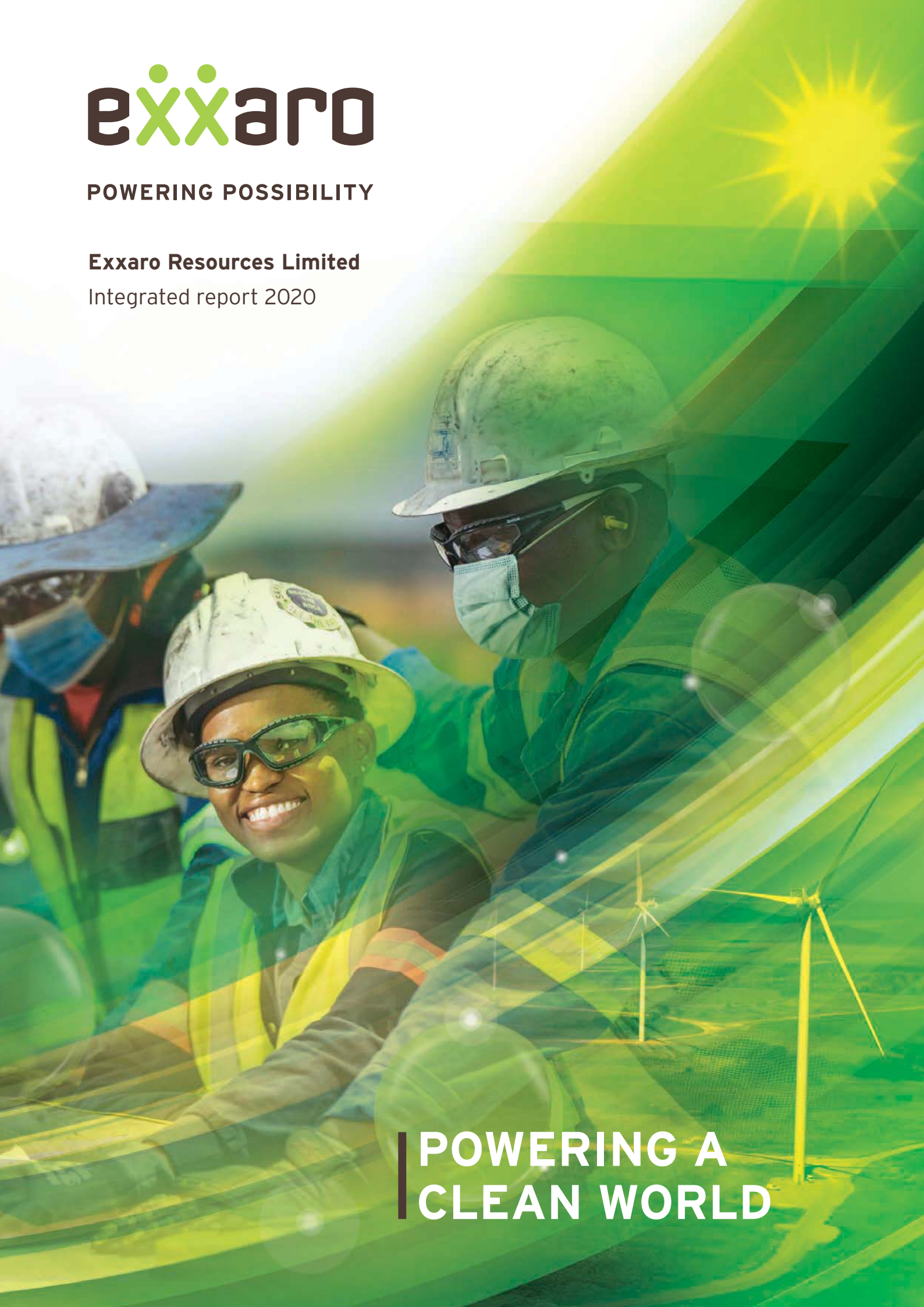




POWERING POSSIBILITY

Exxaro Resources Limited

Integrated report 2020



**POWERING A
CLEAN WORLD**



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CONNECT WITH EXXARO

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

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Follow Exxaro on Facebook, Twitter, Instagram, LinkedIn and YouTube



 *Disclaimer: Photographs of people without masks were either taken pre-COVID-19 or full health and safety protocols were followed as appropriate. With thanks to Stefanie De Beer, Line of Sight Photography for Cennerg'i's windfarm photographs used in our integrated and ESG reports.*

Navigating this report

We use the following icons throughout our report:



Read more online
www.exxaro.com



Read more in
this report



COVID-19's impact on
our organisation

Material themes



Macro-environment



Business resilience



Our people



Social licence to operate



Climate change


ABOUT EXXARO

Exxaro is more than a mining company. Guided by our purpose – powering better lives in Africa and beyond – we are a critical part of the South African economy and strive to be an active participant on the just transition to a low-carbon economy.

Exxaro Resources Limited (Exxaro, the company or the group) is among the top five coal producers in South Africa. Since 2006, Exxaro has become one of South Africa’s largest and foremost black-empowered and diversified mining companies.

The group is a constituent of the JSE Limited (JSE) Top 40 Index and among the top 30 in the FTSE/JSE Socially Responsible Investment Index. Exxaro is also proud to embrace the principles of the Task Force on Climate-related Financial Disclosures (TCFD).

Based on our position as a major coal supplier in South Africa, we understand the importance of being carbon-neutral and finally net zero carbon. Therefore, we have started incorporating renewable energy solutions into our existing portfolio to reach this milestone by 2050. To this end, Exxaro is pleased to announce the acquisition from Khopoli Investments Limited (Khopoli), wholly owned by Tata Power Company Limited (Tata), of Khopoli’s 50% interest in Cennergi Proprietary Limited (Cennergi) for a cash consideration of R1 739 million (including price adjustments). As of 1 April 2020, Exxaro assumed 100% ownership of Cennergi.

 Read more about what this acquisition means for Exxaro on page 118.

Our diversified asset portfolio comprises interests in renewable energy (wind) and thermal and metallurgical coal, and equity-accounted investments in iron ore, zinc and residual pigment manufacturing. Exxaro also has business interests globally in Europe (comprising a marketing and logistics office in Switzerland), the United States of America (USA) (through Tronox Holdings plc) which we disposed of in February 2021 and Australia (comprising a joint venture with Anglo Coal (Grosvenor Proprietary Limited) in the Moranbah coal mine).


Locations of our windfarm operations and coal operations and projects



Mining operations: South Africa		Asset type
	Location	
1	Belfast	Mine
2	Dorstfontein complex (74%)	Mine
3	Forzando complex (87%)	Mine
4	Grootegeluk complex	Mine
5	Leeuwan	Mine
6	Mafube (50%)	Mine
7	Matla	Mine
8	Tumelo (49%)	Mine
Australia		Asset type
	Location	
	Moranbah Project (50%)	Mine
Renewable Energy: South Africa (Cennergi)		Asset type
	Location	
Eastern Cape		
	Amakhala Emoyeni windfarm	Windfarm
	Tsitsikamma Community windfarm	Windfarm

AUSTRALIA



 Refer to page 20 for more information about our coal asset base and page 22 for our renewable energy operations.

ABOUT OUR INTEGRATED REPORT

Exxaro’s 2020 integrated report explains the year’s progress in our journey to create and preserve value for our stakeholders. As our primary communication to our stakeholders, we strive to ensure that the content in this integrated report contains the most material information relating to our value creation journey and shares our story transparently and understandably.

SCOPE AND BOUNDARY

This report contains important information about our strategic decisions and operational performance for the period 1 January 2020 to 31 December 2020 (the 2020 financial year). Our 2020 integrated report covers the financial and non-financial information of the group’s operations in South Africa, Europe, the USA and Australia. We include limited information of 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 the Mafube mine and Moranbah project joint ventures. For more information, refer to our annual financial statements.

The 2020 integrated report also includes a summary of the most material information in our 2020 climate change response strategy (CCRS) report, environmental, social and governance (ESG) report and Consolidated Mineral Resources and Mineral Reserves (CMRR) report, which can be accessed on our website under the investors tab.

Visit our website for historical information.



Reporting frameworks

The content of this report is guided by:

- Our materiality determination process (page 6)
- Companies Act, 2008 (Act 71 of 2008), as amended (Companies Act)
- International Financial Reporting Standards (IFRS)
- 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 <IR> Framework (<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™)*
- The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code), 2016 (SAMREC)

* Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Reporting suite

Exxaro is committed to transparent reporting, and as such, annually publishes a suite of reports (available on our website under the investors tab) that should be read in conjunction with this integrated report. These reports include:



ESG report



CCRS report



CMRR report



Tax report



Group and company annual financial statements



Summarised AFS and notice of annual general meeting

Our sustainability framework: integrated thinking and the six capitals

Exxaro believes in sustainable value creation, enabled through carefully considering the relationship among the capitals we use and affect. We have integrated the six capitals into our business model and strategy, and continuously strive to positively contribute to and negate any adverse impacts on these capitals. We do this to ensure our sustained success and foster a more sustainable operating environment for Africa and beyond. We also aim to create and preserve value for our stakeholders and society at large, and prevent the erosion thereof. In this report, we share our progress in this regard and demonstrate our prospects. The six capitals we use and affect are:



Refer to page 38 for more information on the linkage between the six capitals, matters of significance to the business, related risks, the United Nations (UN) Sustainable Development Goals (SDGs), our strategy and business model, and our engagement with stakeholders.

Board responsibility

Exxaro's board of directors 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 and business model in relation to Exxaro's ability to create and preserve value over the short, medium and long term, as defined by the 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.

Jeffrey van Rooyen

Independent chairperson

Mxolisi Mgojo

Chief executive officer (CEO)

Riaan Koppeschaar

Finance director

Geraldine Fraser-Moleketi

Lead independent non-executive director

Zwelibanzi Mntambo

Non-executive director

Vuyisa Nkonyeni

Independent non-executive director

Ras Myburgh

Independent non-executive director

Peet Snyders

Independent non-executive director

Likhapha Mbatha

Non-executive director

Mark Moffett

Independent non-executive director

Isaac Mophatlane

Independent non-executive director

ABOUT OUR INTEGRATED REPORT continued

Exxaro's commitment to the UN SDGs

Exxaro voluntarily endorses the UN SDGs, and aims to positively contribute to achieving these. We also continuously benchmark our performance against global best practice.

We participate in the National Business Initiative (NBI) in South Africa to align the 17 SDGs with the country's National Development Plan (NDP). We also employ leading practices in upholding the most material SDGs so that our business leaves a lasting positive impact. In line with our strategy, we support the following SDGs:

 <p>3 GOOD HEALTH AND WELL-BEING</p>	 <p>4 QUALITY EDUCATION</p>	 <p>5 GENDER EQUALITY</p>	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>
<p>Ensure healthy lives</p>	<p>Provide quality education and lifelong learning</p>	<p>Empower girls and women to achieve gender equality</p>	<p>Generate and secure sustainable clean energy</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	 <p>13 CLIMATE ACTION</p>
<p>Create jobs, sustainable livelihoods and equitable growth</p>	<p>Make our local communities inclusive, safe, resilient and sustainable</p>	<p>Manage natural resource assets sustainably</p>	<p>Combat climate change and mitigate its impacts</p>
 <p>15 LIFE ON LAND</p>	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	
<p>Protect our environment and minimise biodiversity loss</p>	<p>Ensure good governance, effective institutions, and stable and peaceful societies</p>	<p>Create constructive partnerships between ourselves, governments, the private sector and civil society</p>	

CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, Karen Maré, in my capacity as acting group company secretary confirm that, to the best of my knowledge, for the year ended 31 December 2020, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



Karen Maré, Inlexso (Pty) Ltd

Acting group company secretary

Centurion
19 April 2021

Load-out station at Grootegeluk

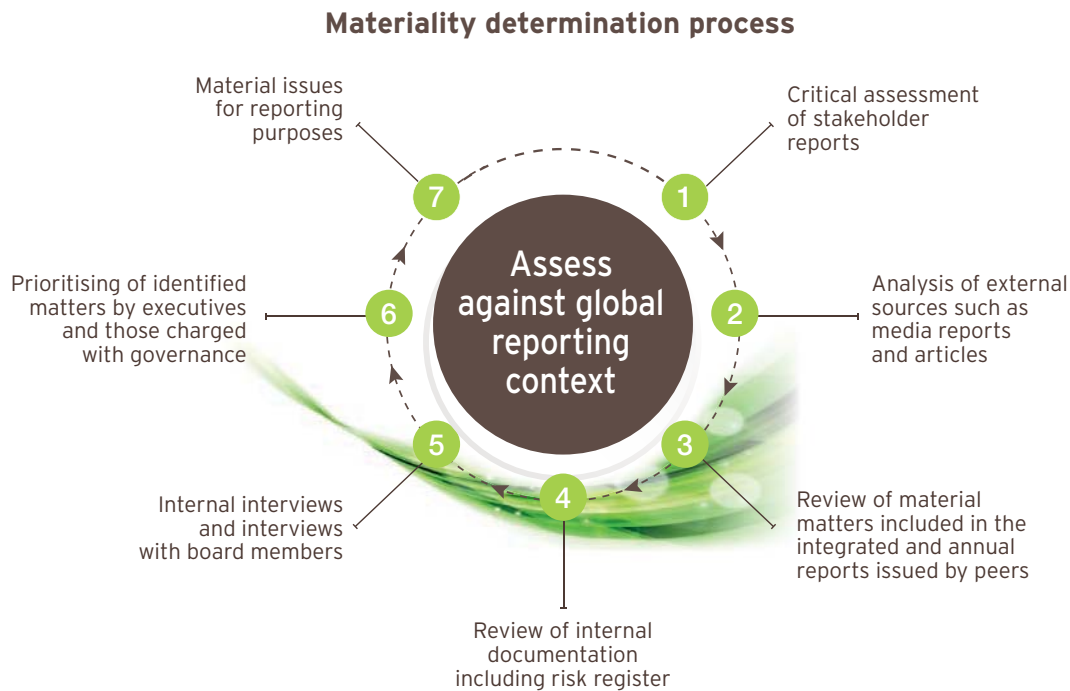


OUR MATERIAL MATTERS

Our material matters guide our integrated reporting process, which is driven in turn by strategic and integrated thinking that enables sustainable value creation and preservation. These matters help us manage our risks and opportunities, and guide our commitment to our stakeholders. We determine these material matters through a detailed materiality determination process.

DETERMINING MATERIALITY

The purpose of our materiality determination process is to give our stakeholders insight into the matters that may affect our ability to create and preserve value over time.

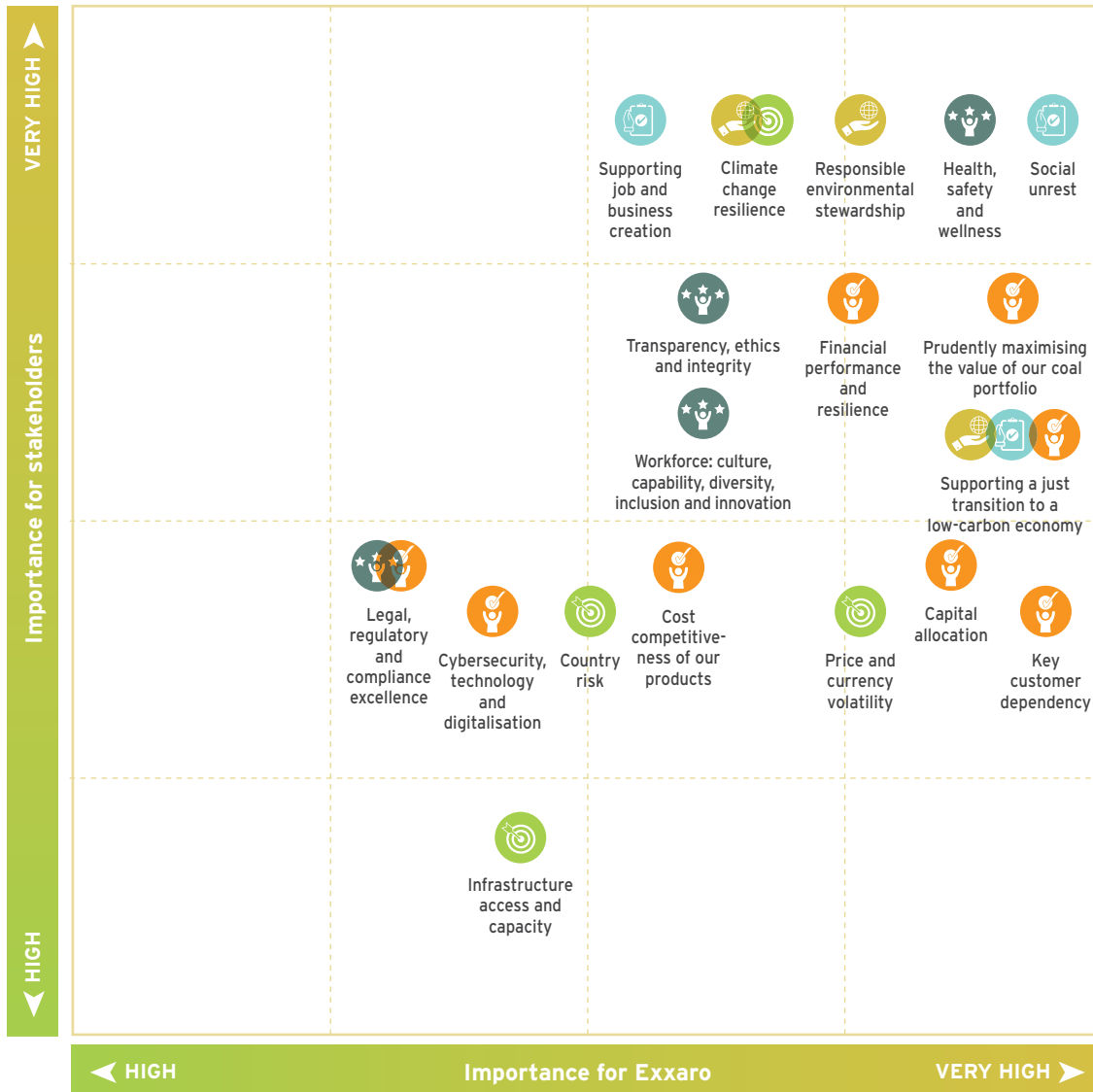


MATERIALITY MATRIX

Our materiality determination process identified 18 material matters. These are shown in the matrix that follows, reflecting their importance for Exxaro and our stakeholders. The identified material matters are mapped into five broad themes:

Theme	Material matters	Theme	Material matters
Macro-environment The context in which we operate considering material matters.	<ul style="list-style-type: none"> • Price and currency volatility • Country risk • Infrastructure access and capacity • Climate change resilience • Social unrest 	Our people We refer to the organisation's internal stakeholders and our external stakeholders in our supply and value chains.	<ul style="list-style-type: none"> • Legal, regulatory and compliance excellence • Transparency, ethics and integrity • Workforce: culture, capability, diversity, inclusion and innovation • Health, safety and wellness
Business resilience The business's ability to respond to key macro-issues and success in achieving its objectives.	<ul style="list-style-type: none"> • Key customer dependency • Financial performance and resilience • Prudently maximising the value of our coal portfolio • Supporting a just transition to a low-carbon economy • Cost competitiveness of our products • Capital allocation • Legal, regulatory and compliance excellence • Cybersecurity, technology and digitalisation 	Social licence to operate We operate in an environment of stakeholder capitalism* and where our business activities impact our stakeholders who respond to these impacts. This interaction provides for a social licence to operate supporting regulatory licences and permits.	<ul style="list-style-type: none"> • Social unrest • Supporting job and business creation • Supporting a just transition to a low-carbon economy
		Climate change 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.	<ul style="list-style-type: none"> • Responsible environmental stewardship • Climate change resilience • Supporting a just transition to a low-carbon economy

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



- Macro-environment
- Business resilience
- Our people
- Social licence to operate
- Climate change

For more information on our material matters, refer to page 38.



Tsitsikamma Community windfarm

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POWERING POSSIBILITIES



We are dedicated to powering possibilities through renewable energy ventures as we deliver on our Sustainable Growth and Impact strategy.

The Transition Pathway Initiative (TPI) is a global, asset owner-led initiative that assesses companies' preparedness for the transition to a low-carbon economy. In 2020, Exxaro received a TPI ranking of 4/4, reflecting our commitment to managing GHG emissions. The high score highlights our commitment to supporting a just transition to a low-carbon economy and shows that we are well positioned to benefit from opportunities the transition presents.

"The whole company has come together behind Exxaro's sustainability and climate change efforts. This ranking is a testament to everyone's hard work and dedication to building a country and a world that we will be proud to leave to our children and their children. It is a signal to responsible investors that our company is participating in the transition to a low-carbon economy and that we will continue to thrive long after we stop needing coal," said CEO, Mxolisi Mgojo.

CHAIRPERSON'S STATEMENT



Jeffrey van Rooyen
Chairperson

I begin my 2020 integrated report statement with a commitment to sharpen our strategic resolve in the middle of uncertainty presented by the COVID-19 pandemic. While 2020 presented us with numerous challenges, I am pleased to report that we made significant progress in refining our strategy. Exxaro was founded with a singular purpose – to power better lives in Africa and beyond. Our strategy is designed to deliver on that promise now and into the future.

SUSTAINABLE GROWTH AND IMPACT STRATEGY

As an organisation, we take pride in our ability to not only grapple with the challenges we face, but to also find solutions that meet our stakeholders' current and future needs and expectations. This year, as we undertook an extensive strategic review, we remained cognisant of the critical role Exxaro plays in South Africa – powering the country's economic growth. At the same time, we must balance the obligation and opportunity that we have to play an active role in the just energy transition to a low-carbon economy.

In the near term, coal is likely to remain dominant in South Africa. Our strategy allows for the current state of play, proactively creating the future we want. As a whole, our coal business remains robust, delivering high-quality coal safely and efficiently to generate returns for shareholders and meet market requirements.

We have to look at business beyond coal, as envisaged in our approach to a just transition (refer to our strategy: positioning Exxaro for sustainable growth and impact section on page 54). We see Exxaro as a diversified organisation with energy and mineral resources capabilities critical and relevant in a world of low-carbon emissions. In 2020 we introduced a different approach to community development to drive impact at scale. We aim to lead better and bigger development initiatives that will arrest and reverse the scourge of poverty in our communities.

Over the past year, we set up the building blocks to establish an energy business of the required size to support our growth ambitions. We assembled a dedicated board of directors and leadership team, as well as allocated capital to drive the energy business forward.

Our energy company board is chaired by independent non-executive director, Mark Moffett. He has been on our board since 2018, has extensive experience in building new businesses, and has a deep understanding of the energy sector.

To help build the required capabilities to grow our energy business successfully, we conducted an extensive global and local search for a suitable managing director. I am pleased to announce that Roland Tatnall was appointed managing director: energy and a member of the executive committee. Roland's multifaceted experience in Africa and South Africa's energy sectors will help sustainably drive our growth.

Together, Mark and Roland, supported by our audit committee chairperson, CEO and finance director, have a strong team to deliver against our strategic priorities.

The third pillar of our diversification strategy is the minerals business, which will be built on commodities with strong fundamentals that are relevant and sustainable in a low-carbon world. A minerals diversification strategy was approved by the Exxaro board of directors during June 2020, to create an Exxaro of the future that is built on three core pillars, coal, minerals and energy. The minerals division's ambition is to utilise Exxaro's core competencies to supply minerals that power a cleaner world in a responsible and sustainable manner impacting positively on our stakeholders while providing superior shareholders returns and driving our decarbonisation objectives.

OUR STRATEGIC REALIGNMENT: CAPITAL ALLOCATION, DIVESTMENTS AND DIVIDENDS

In terms of our capital allocation framework, Exxaro remains disciplined in returning cash to shareholders, managing debt, and selectively reinvesting for the growth and resilience of the business in a low-carbon future. As a result, we are implementing exit strategies for operations that no longer align with our strategic vision. Our intention is not to operate as an investment holding company. As mentioned previously, we undertook a strategic decision to dispose of our total equity interest in Exxaro Coal Central Proprietary Limited (ECC) and Leeuwan, having identified these assets as non-core to the future objectives of Exxaro. Subsequent to 31 December 2020, Exxaro signed a sale and purchase agreement with Overlooked Colliery Proprietary Limited, who will acquire ECC. The sale will only be effective once all

conditions precedent to the sales agreement have been met. The disposal of Leeuwpan continues.

We also announced our intention to exit our shareholding in Tronox, which was finalised after year end, following approval by the Financial Surveillance Department of the South African Reserve Bank. As a result of the transaction, the board of directors resolved to use the proceeds to pay a special dividend of 543 cents per share, approximately R1.9 billion, to external shareholders and to implement a share buyback programme to the value of R1.5 billion.

Our revised strategy, and focus on building our renewable energy business necessitated a review of our dividend policy. Exxaro's declared dividend policy was previously based on two components: a pass through of the SIOC dividend received and a dividend based on a cover ratio of 2.5 times to 3.0 times Exxaro adjusted group earnings, to include earnings contribution from Cennergi.

Following the dividend policy review, the board of directors approved for the targeted cover ratios to be applied on Exxaro group earnings and not only coal earnings. In line with this revised dividend policy, the board has declared a final dividend of 1 243 cents per share.

GROWING OUR BUSINESS SUSTAINABLY

We need to execute our clearly defined strategy in a way that enables us to build profitable businesses, secure the capital we need and deliver appropriate returns for our investors. To achieve these goals, proper risk management and governance are essential.

We understand that successful growth requires the ability to take appropriate risks and world-class risk management. I believe that we have the knowledge, skills and experience to harness opportunities, while ensuring we remain within our approved risk appetite.

Ethical and effective governance is key in this regard – from how we, as a board, operate and cooperate to how Exxaro works with our stakeholders to deliver on mutual strategies. We continue nurturing collegiality so that we cooperate with each other, sharing our responsibilities with mutual respect and trust.

BUILDING A DIVERSE BOARD TO SUPPORT VALUE CREATION

The world we operate in is more complex than ever. As a leadership team, we recognise this and believe that we must draw on the diverse competencies and knowledge of our board members to successfully address the complex issues we face and identify opportunities inherent in our context.

The board is diverse across a multitude of metrics and as chairperson, I consider it important to ensure we play to the strengths of each board member, all of whom continue to go the extra mile under difficult circumstances.

To strengthen our board, we appointed Chanda Nxumalo in 2020. Chanda has 15 years' experience in the renewable energy and power sector. Subsequent to year end, we appointed Mandlesilo (Mandla) Msimang who has extensive experience in national and international governance and information and communications technology sectors. Mandla and Chanda will both support Exxaro's growth strategy in energy.

The board continuously focuses on ensuring that there is adequate succession planning to maintain ongoing knowledge. In line with this, Mxolisi Mgojo, our CEO, will retire when he reaches the retirement age of 63, on 31 May 2023. To ensure a seamless transition, Dr Nombasa Tsengwa has been appointed as CEO-designate and member of the board effective from 16 March 2021. Her appointment as CEO will become effective once the CEO retires on 31 May 2023.

Dr Tsengwa's appointment forms part of a carefully considered succession plan that has taken place over the past two years. The transition period will ensure a smooth and phased handover of duties and responsibilities. Dr Tsengwa has more than 18 years' executive management and board experience in the public and private sectors and we look forward to her contributions in her new role.

 Refer to page 106 of our ESG report for the board's biographies.

Furthermore, my tenure as chairperson and independent non-executive director of the board of Exxaro will come to an end at the annual general meeting to be held on 27 May 2021. It has been a great honour to serve on the Exxaro board for 12 years, and I wish the organisation all the best as it takes its next strategic evolution. A rigorous search process was conducted and a new chairperson designate has been appointed with effect from 19 April 2021. Mr Mvuleni Geoffrey Qhena is the former CEO of the Industrial Development Corporation (IDC), a significant shareholder of Exxaro. As such, Geoffrey brings with him a clear understanding of the organisation and the mining sector.

Looking ahead, we will continue evaluating the board and leadership to ensure we have the right skills and experience to support Exxaro's growth. We will focus on innovation and technology, climate change and sustainability in the year ahead.

ACKNOWLEDGEMENTS AND CLOSING

We are currently facing dual crises: COVID-19 and climate change. Both have had a profound impact on society, our business and the communities where we operate. We see ourselves as active participants and responsible stewards of our stakeholders' trust, the natural resources we depend upon and of a sustainable and thriving business.

Throughout the COVID-19 crisis, we remained committed to supporting our stakeholders. Among others, we made monetary donations to several organisations, implemented social distancing and other COVID-19 prevention measures, established testing stations and provided personal protective equipment (PPE). At the date of this report, 12 colleagues had regrettably succumbed to COVID-19. We extend our sincere condolences to their families and friends. We remain committed to doing everything in our power to keep our stakeholders safe. Looking ahead, we plan to work with our stakeholders and partners in government, business and civil society to halt the spread of the virus.

While we have achieved much over the past year, from a strategic, operational and financial perspective, there is still much work to be done. Our revised strategy recognises the impact of climate change and balances our commitment to being an active participant in a just transition. The true tests will come in the years ahead, as we implement our strategic plans and deliver on our purpose. I believe that the foundations laid over the past years will ensure that we remain a resilient and responsive business, providing tangible returns to all our stakeholders.

Thank you to the board and executive team for your continued and unwavering support during the year.




Jeffrey van Rooyen
Chairperson

19 April 2021

YEAR IN REVIEW

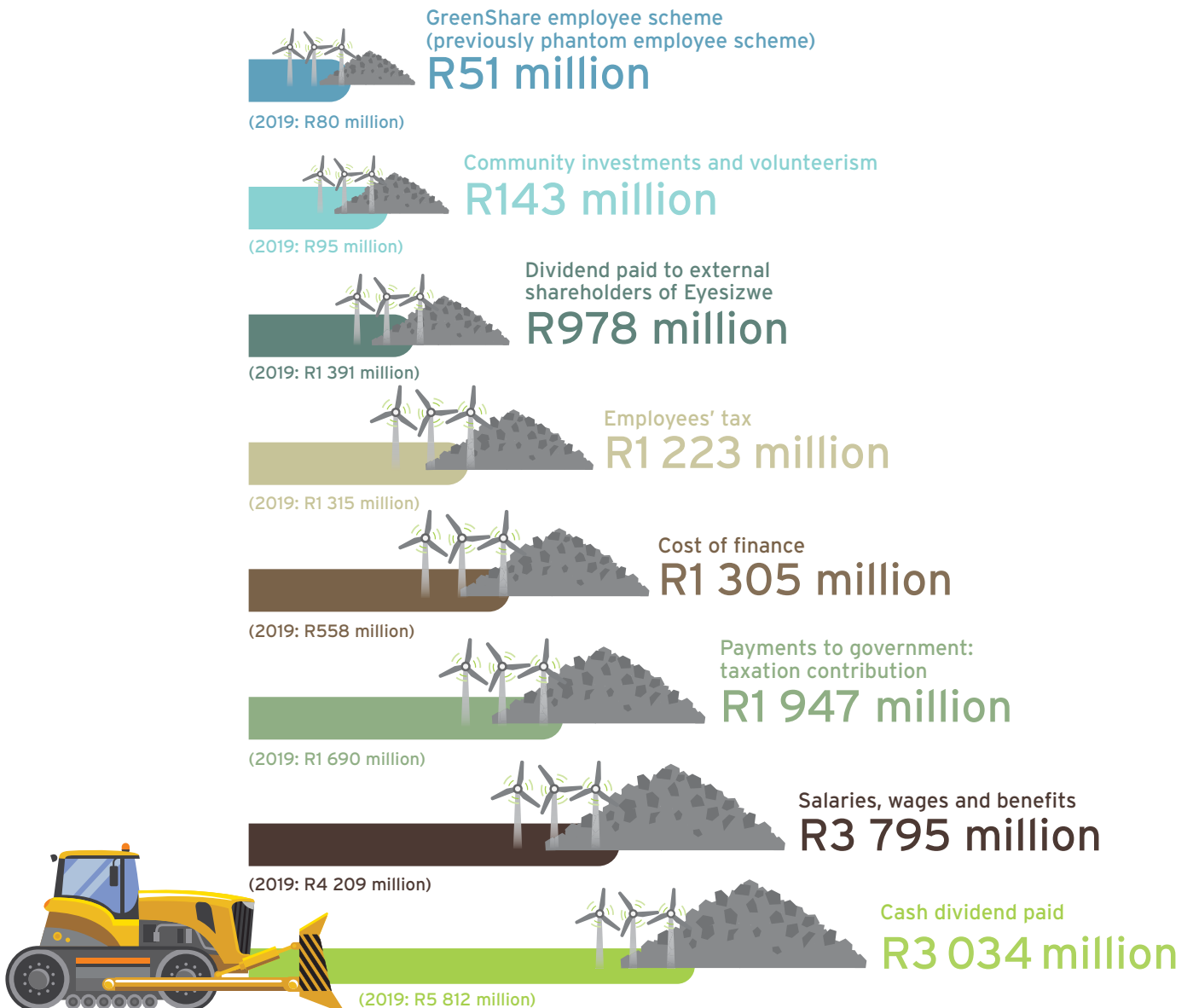
POWERING BETTER LIVES THROUGH VALUE CREATION

While the operating context remained challenging in 2020, Exxaro strived to leverage the opportunities presented by the new normal and ensure our focus remained steadfast – delivering on our purpose to create and preserve value for our stakeholders, through the responsible use of our capitals.

 Please refer to our business model on page 36 for more information about how we differentiate ourselves through delivering on our purpose. Our response to COVID-19 is on page 14.

Our value distribution (as shown below) reflects our contribution to our stakeholders, with the impacts on the capitals we rely on reflected in the pages that follow.

VALUE DISTRIBUTED TO STAKEHOLDERS IN 2020



STRATEGIC PERFORMANCE AND KEY OUTCOMES IN 2020

R3.8 billion

Our employees enjoy the largest share of value created from earnings as well as investments in development

1 209 cps

Shareholders receive a return on their investment through dividends

R19.5 billion

Suppliers and contractors are supported by our procurement of consumables, services and capital goods

R1.9 billion

Governments of countries in which we operate and invest receive taxes and royalty payments

25% ROCE

Providers of finance receive a return on their investment

R79.8 million

24 enterprises were granted loans and grant funding

R3.2 billion

We reinvest in the growth of our coal business: R2.2 billion sustaining capital and R1 billion expansion capital

Natural capital

	Trend	Target	2020	2019
Reportable environmental incidents (levels 2 and 3)	➤	0 level 3s 6 level 2s	0	0
Carbon intensity (scope 1) (ktCO ₂ e)	▼	Actual for previous year less 5%	5.5% improvement	7% improvement
Carbon intensity (scope 2) (ktCO ₂ e)	▲	Actual for previous year less 5%	13.7	2% improvement
Water intensity (kL/run of mine)	▲	0.20	0.182	0.11
Rehabilitation funding adequacy of commercial mines, including guarantees (%)	▲	80% to 100%	69	68

Human and intellectual capital

Fatalities (as of 2 March 2021)	➤	0	0	0
Lost-time injury frequency rate (LTIFR)	▲	0.11	0.05	0.12
Occupational health incident frequency rate (OHIFR)	▲	0.31	0.19	0.24
Skills provision (% of appointment from within)*	▲	60	88.44	47.90

Social and relationship capital

B-BBEE contribution level	➤	1	2	2
Black ownership (%)	▲	30.1	38.22	30
Social and labour plans (SLPs) project delivery (time variance) (%)	➤	0	(11)	(11)
SLPs project delivery (cost variance) (%)	▼	0	(59)	(58)

Manufactured capital


Capital project delivery measure (time variance) (%)	▼	0	11.1	5
Capital project delivery measure (cost variance) (%)	▼	0	6.3	3.1

Financial capital

Core operating margin (%)	▲	20	17	15.24
Annualised return on capital employed (ROCE) (%)	▼	>20	27	27.51
Net debt to core EBITDA ² (times)	▼	<1.5	1.0	0.6

▲ Improvement in performance/ value created ➤ Unchanged performance/ value preserved ▼ Deterioration in performance/ value preserved

* 2019 figures cannot be compared to 2020 due to a change in the definition.

 Refer to strategic dashboard in the ESG report for more information.

¹ HEPS is headline earnings per share.

² Earnings before interest, tax, depreciation and amortisation (EBITDA) is net operating profit before interest, tax, depreciation, amortisation, impairment charges/reversals and net loss or gain on the disposal of assets and investments (including translation differences recycled to profit or loss).

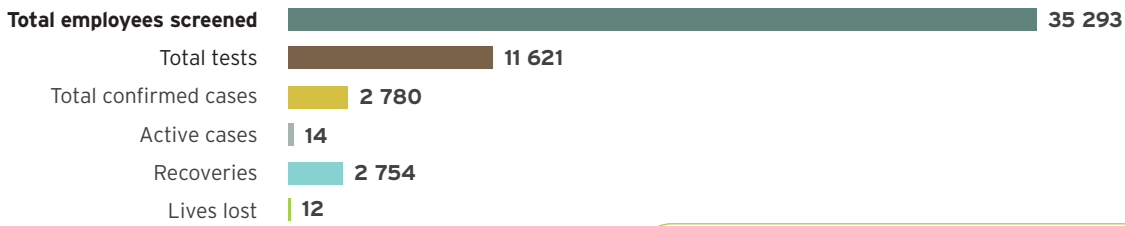
YEAR IN REVIEW continued

OUR RESPONSE TO COVID-19

OVERVIEW

Exxaro monitored and responded to the unfolding pandemic from the first report of the disease by the World Health Organization in 2019. Guided by leading global and local authorities, we continued protecting our people’s health and safety throughout the pandemic.

Exxaro’s COVID-19 statistics as at 1 March 2021



BU's	Confirmed cases	Active cases	Recoveries	Lives lost
Belfast	99	0	99	0
Leeuwpán	265	0	265	0
Matla	842	5	834	3
Grootegeluk	1 095	4	1 088	3
Tshikondeni	2	0	2	0
ECC	205	0	201	4
The conneXXion	55	1	53	1
FerroAlloys	22	0	22	0
Durnacol	5	0	5	0
Hlobane	0	0	0	0
Cennergi	15	0	15	0
MaFube	175	4	170	1
Total	2 780	14	2 754	12

Keep On campaign

As the festive season approached, the second wave gained momentum. Considering the increase in safety incidents during this season, compounded by panic about the negative impact of COVID-19, Exxaro launched the Keep On communication campaign to convey messages of compliance, encouragement and caution. Hygiene kits (face masks, sanitiser, multivitamins and awareness material) were given to employees to share with family and friends.

The campaign encourages employees and our host communities to keep wearing masks, maintain social distance, wash hands and look out for COVID-19-related symptoms. If anyone shows symptoms, they are informed of easy, safe and free COVID-19 testing at one of our stations. Daily reminders are sent to employees via the LetsConnect app.

When the South African government declared a state of national disaster, we implemented crisis management and business continuity plans including health and safety controls. The rise in local cases activated the next phase of risk management – focusing on three objectives:



Regrettably, we have lost 12 colleagues to COVID-19 complications as of 1 March 2021. Our sincerest condolences go to their families, friends and teams.

In September 2020 when cases declined, and anticipating the second wave seen in parts of the northern hemisphere, Exxaro introduced new interventions to bolster preventive efforts. These included closer management of employees with comorbidities, driving COVID-19 compliance and our employee assistance programme (EAP), and providing oximeters and a COVID-19 call centre to people in self-isolation. We also decided to continue amended business processes so that restrictions were only eased to allow international travel.

Measures that remain in place include:

- Working from home for employees who do not have to be in the office
- Rigorous screening and testing of employees as they return to work
- Continuation of EAP counselling services
- Isolation facilities for employees who test positive for COVID-19
- Limited travel between BUs

As a member of the Minerals Council South Africa, Exxaro collaborates with other mining houses in preparing for the COVID-19 vaccine roll out. We will use our existing healthcare facilities to vaccinate employees and host community members.

IMPACT ON STRATEGY

Despite COVID-19, Exxaro reported resilient results for the year ended 31 December 2020. We returned a total dividend of 2 429 cents per share to shareholders in 2020.

Our capital allocation framework, given the impact of COVID-19 on the economy, remains prudent in returning cash to shareholders, managing debt and selectively reinvesting for the growth of our business. To manage COVID-19 uncertainty, Exxaro acquired a short-term overdraft facility of R1.75 billion. In total, R1 billion was repaid in July 2020 and R750 million in October 2020. We also activated R2 billion, which is available under our R10 billion facility with a consortium of banks.

COVID-19 accelerated responsible investing momentum and exerted pressure on capital markets to commit to carbon reduction targets. We are confident that attaining our carbon-neutrality target for scope 1 and scope 2 emissions by then, while making our portfolio resilient in a low-carbon world through our energy and minerals strategies (🌱 page 54), will mitigate the financial impact of our carbon exposure risk.

With the just transition as our pathway, our considered social interventions include sustainable impact strategies that involve, among others, regenerative rehabilitation and repurposing relevant assets, such as our land, to develop new industries beyond coal mining for local communities. COVID-19 impacted the initiation of some planned Impact Catalyst projects (🌱 page 80 in the ESG report). We experienced a two-month delay in progress due to lockdown but we used this time to refine our approach.

In addition to measures implemented to combat the spread of COVID-19, Exxaro has sufficient liquidity to withstand interruptions and will remain a going concern for the foreseeable future.

OPERATIONAL RESPONSE

IMMEDIATE CRISIS MANAGEMENT

CARE AND SAFETY

- **Employee** safety, resilience and productivity
- **Partner** with government for resilient communities
- **Support** small, medium and micro-enterprises (SMMEs)

STRATEGIC AND LONG TERM

BUSINESS CONTINUITY

- Capital **optimisation** and cost management
- **Collaborate** with Minerals Council for industry safety and prevention measures
 - **Cooperate** with Department of Mineral Resources and Energy (DMRE)

LONG-TERM RESILIENCE

- Greater **policy certainty**
- Agree on **key national projects** and policy interventions
- Public-private **partnerships**
- **Unlock SMMEs** – improve ease of doing business

IMPACT ON OPERATIONS

- BUs at varying capacities during level 5 lockdown. There were no impacts on Cennergi
- 10-day shutdown at Belfast, ECC and Leeuwan over Easter 2020
- Surprise DMRE visit to Matla confirmed compliance with regulations
- Matla at 80% (others at full capacity) during level 3 lockdown
- 2 780 confirmed COVID-19 cases as at 1 March 2021



COVID-19 sanitising procedures

YEAR IN REVIEW continued

IMPACT ON STAKEHOLDERS

Stakeholders	Short term	Long term
<ul style="list-style-type: none"> • Employees and contractors • Labour unions 	<ul style="list-style-type: none"> • Roster changes • Pre-site screenings • Relocation to temporary accommodation closer to operations • One-on-one professional and anonymous counselling services • Monitoring and screening to mitigate transmission • Mental health awareness • Destigmatisation campaign 	<ul style="list-style-type: none"> • Re-establish working conditions • Staggered return to work • Some employees continue working remotely (depending on job description) • Workforce capacity may increase • Social distancing remains important • Accelerated digital migration to redesign and enhance the future of work (new and innovative technologies for remote working and business value)
<ul style="list-style-type: none"> • Communities • NGOs 	<ul style="list-style-type: none"> • Immense financial strain • Healthcare facilities under strain • Insufficient PPE • Schools need to comply with COVID-19 regulations 	<ul style="list-style-type: none"> • Vaccine roll out • Uncertain future • Climate change impacts likely to be aggravating • Develop strategic response intervention for community development
<ul style="list-style-type: none"> • Customers • Government • Investors and analyst 	<ul style="list-style-type: none"> • Lower demand during lockdown • GG6 expansion project delayed • Reversion to riskier financial markets 	<ul style="list-style-type: none"> • Resurgence of infections will impact economic recovery with constrained household and corporate expenditure • Economic reconstruction and recovery plan expected to increase economic growth • Maintain dividend policy
<ul style="list-style-type: none"> • Suppliers 	<ul style="list-style-type: none"> • Limited access to emergency funding • Cannot run businesses from home • Unable to support families • Reduced turnover • Decrease in employees • Temporary closure or pause in trading 	<ul style="list-style-type: none"> • Government and private-sector relief funding • Navigating pandemic and lockdown challenges • Payment holidays • Dealing with employee-related matters • Focus on SMME development through enterprise and supplier development (ESD) programme
<ul style="list-style-type: none"> • Media 	<ul style="list-style-type: none"> • Exxaro's media engagements strategy is aimed at informing stakeholders with relevant information about Exxaro's total performance and creating awareness of the organisation, through social and traditional media communication • Our social media strategy shifted in 2020 towards developing differentiated content for each platform that resonates with each target audience – that is, it is more stakeholder-led • We also had a series of media engagement sessions in collaboration with the Minerals Council South Africa addressing pertinent social issues related to COVID-19 and how the industry was addressing these for their employees and host communities 	<ul style="list-style-type: none"> • Continue using social media platforms that are community and career driven yield the most impact in terms of reach and engagement

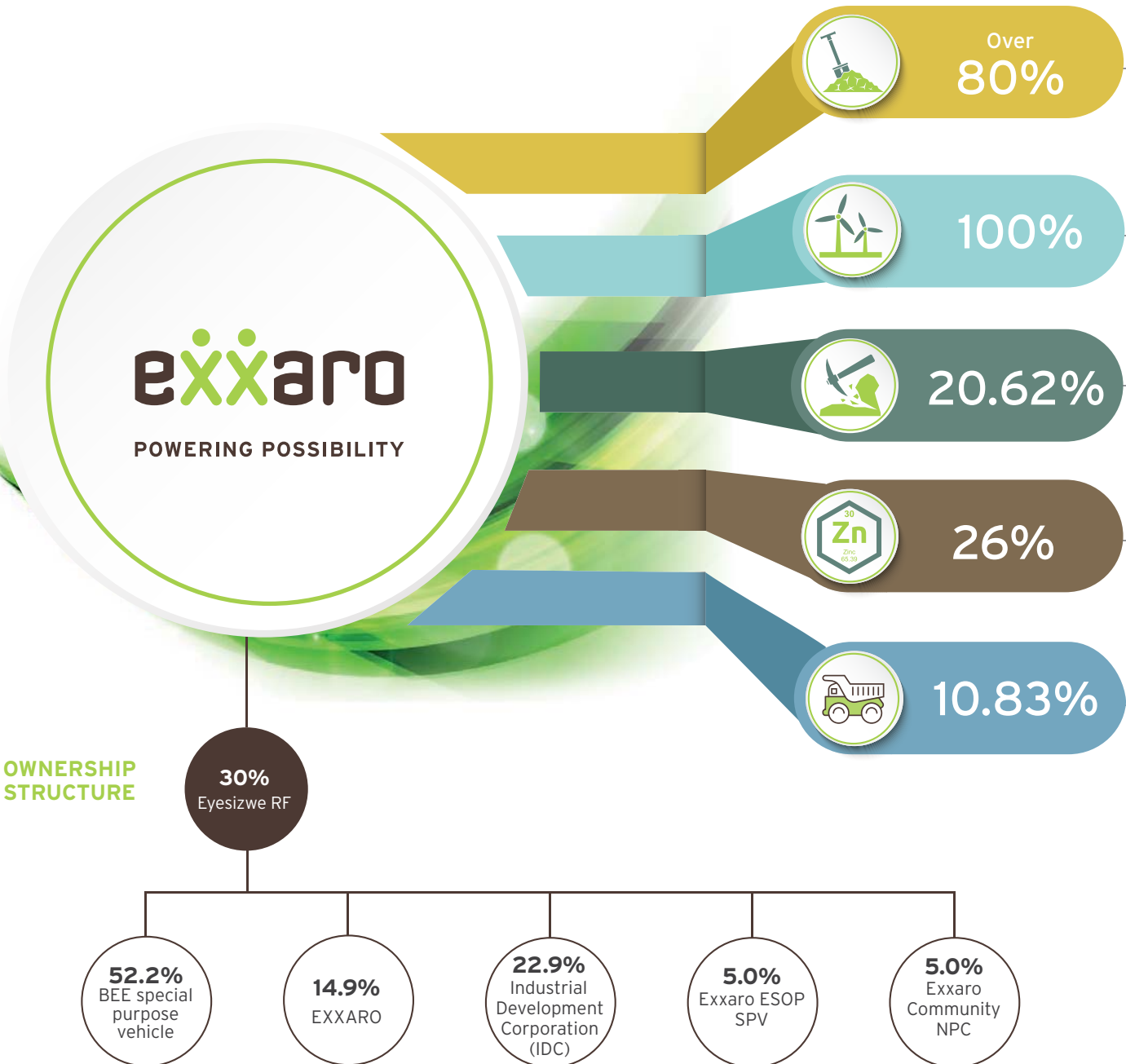
 Refer to stakeholder management on page 62 for detailed information on our stakeholder engagement during this time.

COVID-19 food parcel donation at Leeuwpan mine



BUSINESS STRUCTURE AND OWNERSHIP

Exxaro is one of the largest and foremost black-empowered, South Africa-based diversified resources companies. The company was formed in 2006 but has decades of experience as a company rooted in South Africa and respected by its peers for its innovation, ethics and integrity.



Our asset portfolio includes interests in coal, renewable energy (wind) and titanium dioxide (TiO₂). Exxaro is a 30% black-empowered and listed company on the JSE's Top 40 Index and a top 30 member of the FTSE/JSE Responsible Investment index.

In 2020, Exxaro produced 47.4 million tonnes (Mt) (including buy-ins of 0.3Mt) of coal (2019: 45.6Mt), reflecting contributions from our expanded flagship Grootegeluk mine.

At 31 December 2020, the group had assets of R78.6 billion and a market capitalisation of R50 billion (US\$3.4 billion).

INVESTMENT PORTFOLIO

Coal

Coal mining is Exxaro's core operation, structured under four legal entities all managed and operated by Exxaro. We also have a 50% joint venture with Anglo South Africa Capital Proprietary Limited (Anglo) in the Mafube operation, and a 49% equity interest in Tumelo Coal Mines Proprietary Limited (Tumelo).

We also have a 11.97% effective equity interest in Richards Bay Coal Terminal Proprietary Limited (RBCT).

CENNERGI**

Renewable energy (wind)

Exxaro contributes to the national energy supply through Cennergi. Two wind projects in the Eastern Cape reached commercial operation in 2016: Amakhala Emoyeni near Bedford (134MW) and the Tsitsikamma Community Windfarm on Mfengu community land (95MW).

SIOC

Ferrous

A leading supplier of high-quality iron ore to the global steel industry and a Kumba Iron Ore Limited subsidiary. We hold a 20.62% interest in the Sishen Iron Ore Company.

BLACK MOUNTAIN

Exxaro holds a 26% interest in Black Mountain Mining (BMM), a zinc-led business, and continues to evaluate it's options.

TRONOX HOLDINGS PLC***

TiO₂

26% direct interest in KZN Sands Proprietary Limited (KZN Sands) and Tronox Minerals Sands Proprietary Limited (Namakwa Sands) and 10.83% interest in Tronox Holdings plc, a global leader in mining, production and marketing inorganic minerals and chemicals. In 2017, Exxaro began implementing the strategic disposal of this shareholding. Subsequent to 31 December 2020, Exxaro divested from its investments in Tronox.

* Eyesizwe (RF) Proprietary Limited (Eyesizwe), a special purpose vehicle private company, incorporated under South Africa's laws, holds the black economic empowerment (BEE) shares.
 ** Acquisition of Tata Power's 50% interest in Cennergi was effective on 1 April 2020.
 *** Subsequent to 31 December 2020, Exxaro divested from its investments in Tronox.

OUR ASSETS



Coal Core operations

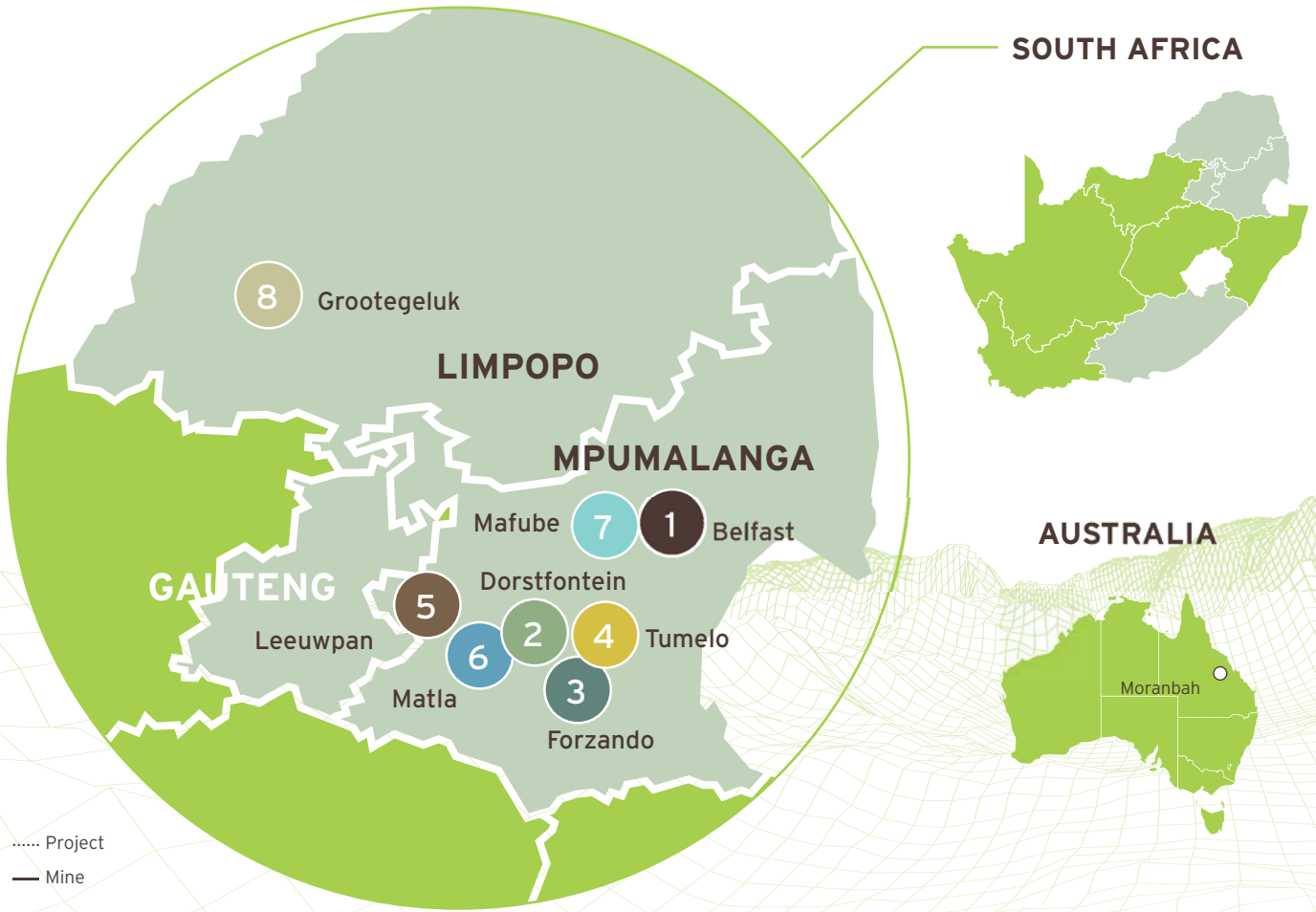
- Largest coal reserves in the country providing a platform for sustainable early value
- Largest supplier of energy coal to Eskom and ArcelorMittal SA Limited (AMSA) while domestically growing projects for export thermal coal
- Grootegeluk is acknowledged as one of the largest integrated mining and 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 (GG6) and new rapid load-out station to enhance the growth of our exports
- Six managed coal operations (including 50% share of Mafube) produced 47.4Mt of thermal and metallurgical coal (up 4% in 2020) – the majority of power station coal is supplied to Eskom
- To date, 74% of the R17.5 billion capex has been spent on greenfield and brownfield expansion and sustaining projects



Renewable energy Wind

Cennergi is a southern African-based diversified independent power producer (IPP) that focuses on the ownership, operation and maintenance of renewable energy projects and complete asset management services of its own projects, as well as those of others.

COAL ASSET BASE



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

OPERATIONS



BELFAST

Location: South of Belfast
Market: Export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 71.3Mt
Indicated: 19.9Mt
Mineral Reserves (inclusive)
Proved: 40.2Mt
Probable: 2.1Mt
Mining method: Open-cut
Run of mine (RoM): 3.24Mt
Life of mine (LoM): 11 years



2

DORSTFONTEIN COMPLEX

Location: North-east of Kriel
Market: Domestic and export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 175.6Mt
Indicated: 121.4Mt
Mineral Reserves (inclusive)
Proved: 50.9Mt
Probable: 30.1Mt
Mining method: Open-cut and underground
RoM: 3.4Mt
LoM: 16+ years*



3

FORZANDO COMPLEX

Location: North of Bethal
Market: Domestic and export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 86.9Mt
Indicated: 32.3Mt
Mineral Reserves (inclusive)
Proved: 9.6Mt
Probable: 4.1Mt
Mining method: Open-cut and underground
RoM: 2.2Mt
LoM: 5 years*



4

TUMELO

Location: North-west of Hendrina
Market: Domestic and export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 7.7Mt
Indicated: 0.2Mt
Mineral Reserves (inclusive)
Proved: Not yet declared
Probable: Not yet declared
Mining method: Underground
RoM: –
LoM: –



5

LEEUPPAN

Location: South-east of Delmas
Market: Domestic and export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 79.9Mt
Indicated: 2.6Mt
Mineral Reserves (inclusive)
Proved: 42.0Mt
Probable: 5.7Mt
Mining method: Open-cut
RoM: 6Mt
LoM: 8 years

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



6

MATLA

Location: West of Kriel
Market: Domestic (Eskom)
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 694Mt
Indicated: 123Mt
Mineral Reserves (inclusive)
Proved: 147.5Mt
Probable: 21.7Mt
Mining method: Underground
RoM: 6.2Mt
Life of mine (LoM): 3+ years*



7

MAFUBE

Location: East of Middelburg
Market: Domestic and export
Product: Thermal coal
Mineral Resources (inclusive)
Measured: 111.2Mt
Indicated: 9.9Mt
Mineral Reserves (inclusive)
Proved: 32.1Mt
Probable: 23.0Mt
Mining method: Open-cut
RoM: 5.4Mt
LoM: 11 years



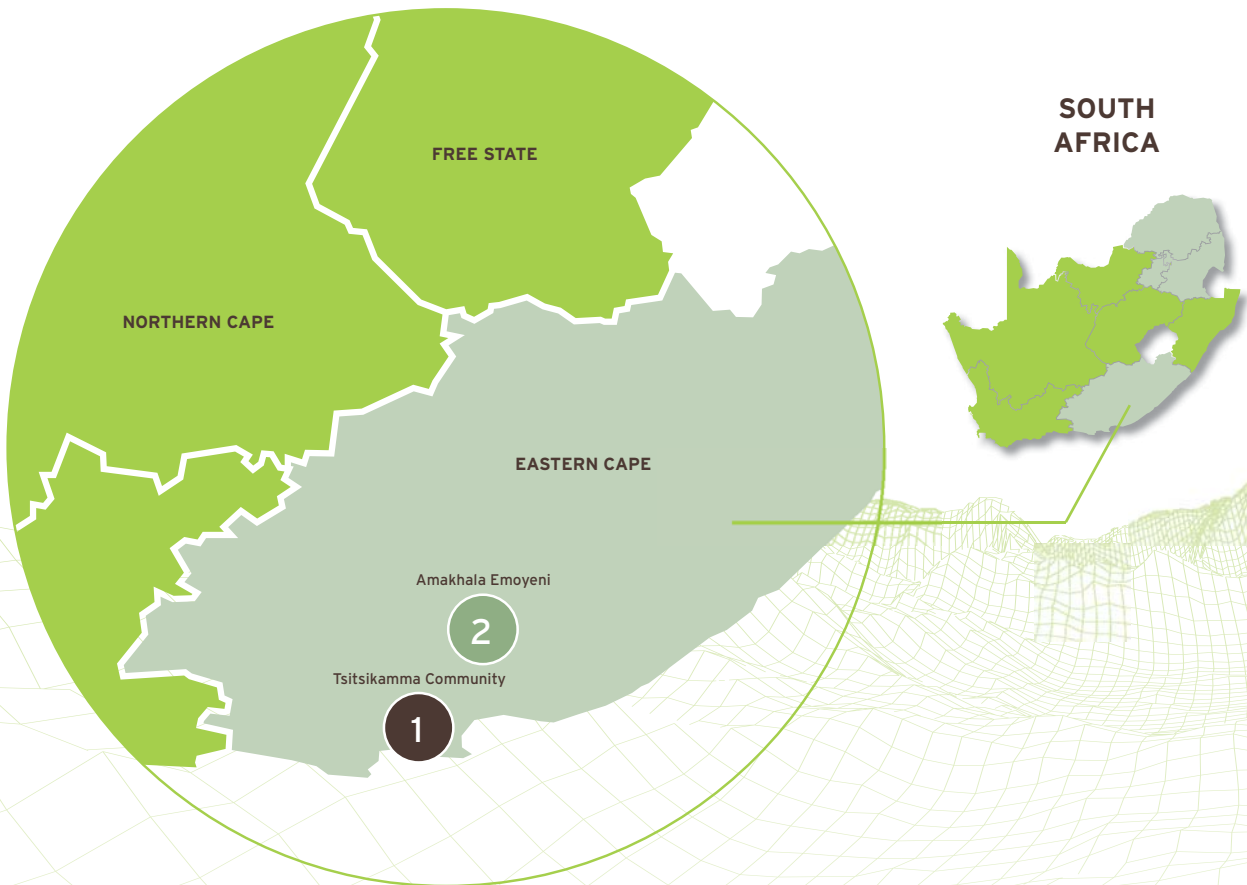
8

GROOTEGELUK COMPLEX

Location: West of Lephalale
Market: Domestic and export
Product: Thermal and metallurgical coal
Mineral Resources (inclusive)
Measured: 2 532Mt
Indicated: 1 422Mt
Mineral Reserves (inclusive)
Proved: 1 730Mt
Probable: 898Mt
Mining method: Open-cut
RoM: 54.6Mt
LoM: 21+ years*

* Adequate reserves well beyond expiry of mining right.

RENEWABLE ENERGY ASSET BASE



OPERATIONS



1

TSITSIKAMMA COMMUNITY WINDFARM (TCWF)

Location: Near Tsitsikamma in the Eastern Cape
Capacity: 95MW
Number of turbines: 31 x 3MW
Performance: Achieved 101.5% of target over 5 years
Customer: Eskom
PPA#: 20 years
Commercial operation: 2016
Shareholding: Cennergi (Pty) Ltd (75%), Watt RE Times (16%) and the Tsitsikamma Development Trust (9%)



2

AMAKHALA EMOYENI WINDFARM (AE01)

Location: Near Bedford and Cookhouse in the Eastern Cape
Capacity: 134MW
Number of turbines: 54 x 2.4MW
Performance: Achieved 99.4% of target over 5 years
Customer: Eskom
PPA#: 20 years
Commercial operation: 2016
Shareholding: Cennergi (Pty) Ltd (95%), Cookhouse Community Trust (2.5%) and the Bedford Community Trust (2.5%)

Power purchase agreement (PPA)

Turbine at Amakhala Emoyeni windfarm



OUR INVESTMENT PROPOSITION

Based on disciplined governance and capital allocation, quality resources, access to funds and competitive returns, Exxaro is a unique listed investment opportunity for shareholders.

WE DIFFERENTIATE OURSELVES IN THE MARKET THROUGH:

OUR UNIQUE COMPETITIVE ADVANTAGES

Our continued focus on operational excellence is designed to set our offering apart.

- Large multi-product and long-life coal reserve base, with a quality coal reserve
- Defensive and established domestic (short and long-term contracts) and international customer base
- Adequate port and rail allocation to support export growth
- Resilient and debt-free 30% black ownership structure
- Ongoing cost-efficiency programmes
- Focused approach to carbon reduction and management throughout our value chain
- Portfolio optimisation for carbon and cost efficiency of our portfolio



OUR FINANCIAL STRENGTH

Our focus on preserving and building our financial resilience has stood us in good stead.

- Strong balance sheet – 28% net debt:equity
- Earnings and cash-generative operations
- Returning cash to shareholders: dividend policy of 2.5 to 3.5 times adjusted group earnings, pass-through of SIOC dividend received and special dividends from surplus cash – competitive dividend yield



OUR GROWTH PROSPECTS

We continue looking beyond today, to ensure we are able to deliver value into the future.

- Long-term strategic plan in place to support the just transition to a low-carbon economy in a commercially appropriate manner
- Organic coal production growth to supply domestic markets, Eskom and export markets
- Domestic and offshore coal revenue growth, completing the R17 billion capex programme
- Stable revenue model from renewable energy investment



OUR UNERRING COMMITMENT TO SAFETY

Our commitment to health and safety: zero harm remains Exxaro's key safety objective.

- Recorded a record-low lost-time injury frequency rate (LTIFR) of 0.05 as at 31 December 2020 (55% better than the set target of 0.11)
- Achieved a record four fatality-free years on 2 March 2021



OUR WORLD-CLASS LEADERSHIP AND 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, that is, transparency, accountability and integrity.

- Experienced, growth-oriented leadership team
- Established governance structures – proven and leading ESG performance
- Ethical leadership
- Stakeholder-oriented approach
- Leadership is proactive in the just transition and response to climate change



STAKEHOLDER PERSPECTIVE AND RETURNS

- Compliance and governance that ensures a sustainable organisation
- Return on invested capital that is above our cost of capital
- Catalyst for economic development which creates opportunities for job creation and ESD
- Responding to the systemic challenge of climate change providing an opportunity for employees and communities to transition to a new world





GOVERNANCE FOR SUSTAINABLE VALUE CREATION

Within a constantly changing business environment, board members and executive management have a key role, and indeed a responsibility, to create value for the business and society. This requires the board and executive management to examine the company's impact on society and how it could make a positive difference in the communities where Exxaro operates by embedding societal values deep into our core purpose, strategy and everyday decision-making. This was further strengthened through the group's corporate governance framework, structure and processes the board created to oversee sustainability matters including reporting and accountability. Performance and sustainability are fully integrated in the achievement of value over time.

OUR LEADERSHIP TEAM

Our board

Our board of directors is accountable for Exxaro's governance and performance, balancing the company's interests as a responsible corporate citizen with the legitimate needs and expectations of stakeholders.



Jeffrey van Rooyen (70)

Board chairperson and independent director



Mxolisi Mgojo (60)

CEO



Riaan Koppeschaar (50)

Finance director



Geraldine Fraser-Moleketi (60)

Lead independent non-executive director



Likhapha Mbatha (66)

Non-executive director



Zwelibanzi Mntambo (63)

Non-executive director



Mark Moffett (61)

Independent non-executive director



Isaac Mophatlane (48)

Independent non-executive director



Ras Myburgh (62)

Independent non-executive director



Vuyisa Nkonyeni (51)

Independent non-executive director



Anuradha Sing (49)

Independent non-executive director



Peet Snyders (60)

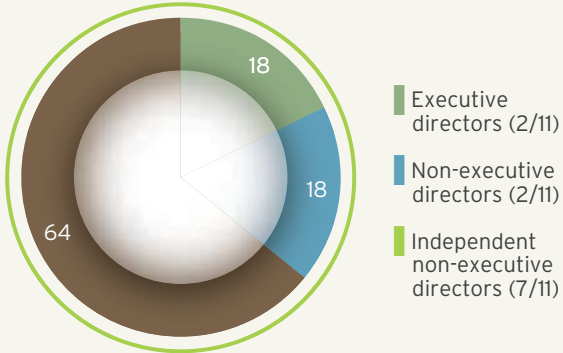
Independent non-executive director

- Nomination committee chairperson
- Remuneration committee chairperson
- Social and ethics committee chairperson
- Audit committee chairperson
- Investment committee chairperson
- Sustainability, risk and compliance committee chairperson
- Executive directors

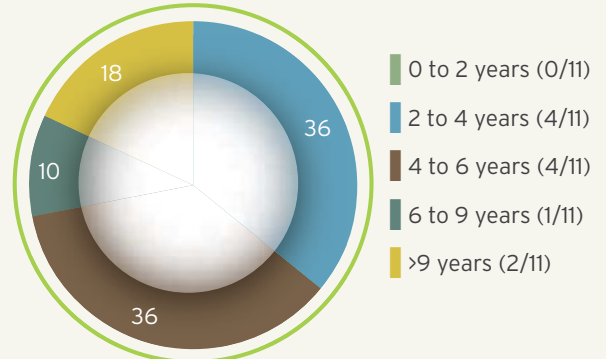
- Audit committee member
- Investment committee member
- Remuneration and nomination committee member
- Social and ethics committee member
- Sustainability, risk and compliance committee member

Board composition

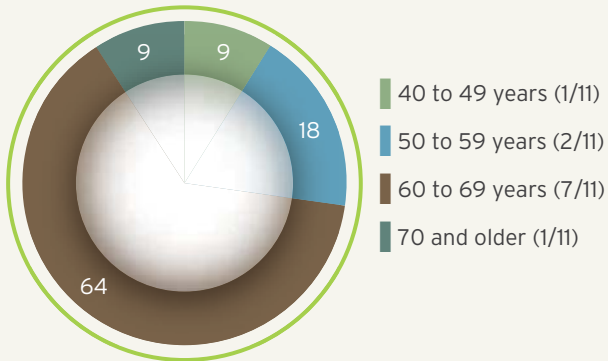
Board composition* (%)



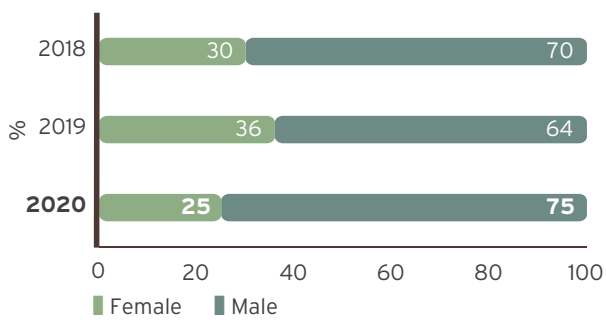
Director tenure* (%)



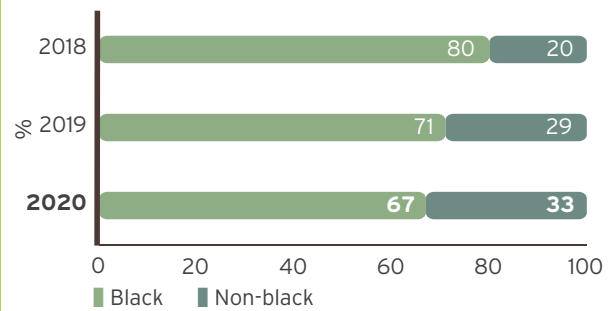
Age diversity (%)



Gender diversity year-on-year



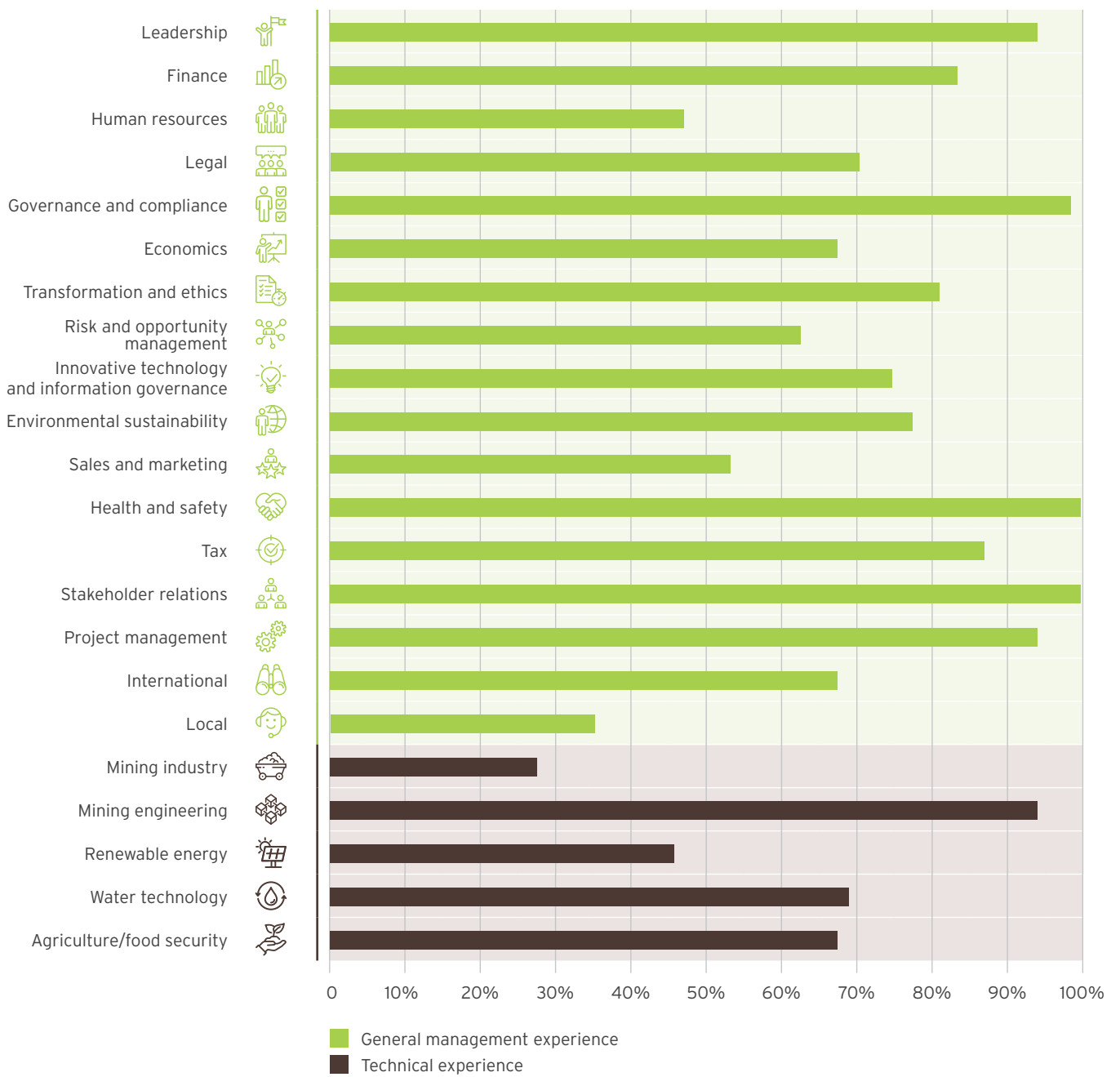
Racial diversity year-on-year



* Excluding Anuradha who retired by rotation on 28 May 2020.

GOVERNANCE FOR SUSTAINABLE VALUE CREATION continued

Diversity of skills and experience



Refer to the ESG report for full details about the board and its roles and responsibilities.



GOVERNANCE FOR SUSTAINABLE VALUE CREATION continued

Our executive committee



Mxolisi Mgojo (60)
CEO



Riaan Koppeschaar (50)
Finance director



Nombasa Tsengwa (56)
CEO designate



Vanisha Balgobind (47)
Executive head:
human resources



Alex De Angelis (40)
Executive head: strategy
and business
transformation



Johan Meyer (52)
Executive head: projects
and technology



Mzila Mthenjane (50)
Executive head:
stakeholder affairs



Wim Diedericks (53)
Executive head: strategy
and business
development

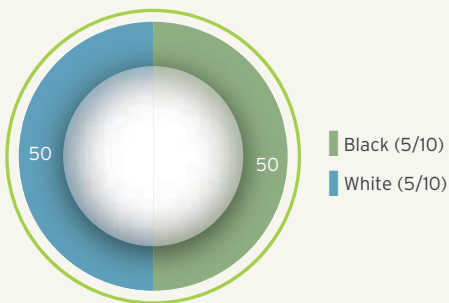


Mongezi Veti (57)
Executive head:
sustainability

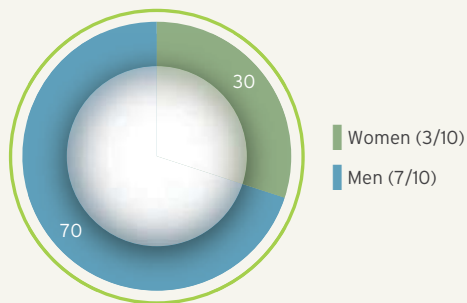


Saret van Loggerenberg (45)
Group company secretary
and legal (ex officio)

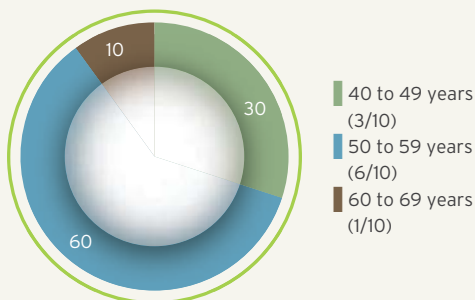
Executive racial diversity (%)



Executive gender diversity (%)



Executive age diversity (%)



Refer to the ESG report for full details about the board and its roles and responsibilities.

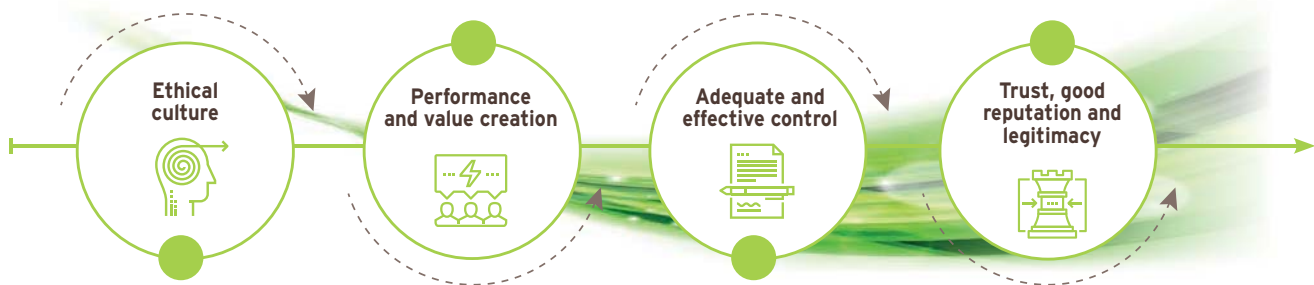
SUMMARISED CORPORATE GOVERNANCE REPORT

The board of directors (the board) drives the strategy, sets performance and culture expectations as well as the governance framework for Exxaro, including its subsidiary companies, trusts and joint ventures.

In 2020, the board approved that the core businesses, energy and minerals, are empowered to exercise decision making and use their resources to thrive in an increasingly dynamic market and industry sector. The group is being designed to support this, with governance structures tailored to the level of maturity of core businesses, and to allow more decentralised decision making where empowered accountability can be exercised.

The board remains the focal point and custodian of corporate governance for the group and is fully committed to good corporate governance.

The board regards good corporate governance as fundamentally important to create value, applying the following principles and governance outcomes in its own ethical and effective leadership:



See page 94 of the ESG report for detailed disclosure.

GOVERNANCE FOR SUSTAINABLE VALUE CREATION continued

Ethical culture


At Exxaro, integrity is central to how board conducts itself and sets the tone for building a truly ethical culture that is the basis of how we conduct business.


Building organisational ethics is a journey. The board assumes responsibility for the governance of ethics and sets the direction for the approach to ethics and how it should be addressed by the organisation. Through the code of ethics, the company confirms the ethical principles of the organisation that, when followed, promote values such as trust, acceptable good 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 all our business operations. We recognise our obligations to all our stakeholders, particularly shareholders, clients, employees, business partners, competitors, the authorities, the environment and the wider community.

BOARD CHARTER AND CODE OF CONDUCT

Our board charter and code of conduct (board charter) regulates the parameters in which the board operates, and ensures application of good corporate governance principles in all dealings by, in respect and on behalf of the company and the group. It sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures.

 For more information, refer to our ESG report.

 For more information on our supplier code of conduct, please refer to https://www.exxaro.com/assets/Files/8172_Exx_SUPPLIER_SD_code_FA.pdf

MONITORING ETHICAL CULTURE

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

Our internal auditors conducted an integrity survey in the group during 2020. Select employees participated in the survey and gave valuable feedback about the integrity culture, employees living the Exxaro values, employees' adherence to these values and the code of ethics. Based on the survey results, the board made the following observations:

Code of ethics

- 84% read, understood and received training
- 96% consistently live the values
- 95% understand the importance of a strong internal control environment and support initiatives to strengthen controls

Reporting ethical breaches or fraud and corruption

- 97% were aware of the fraud and ethics hotline and 3% were not aware

The survey results were positive overall and key areas identified that require focus and/or intervention are being addressed.

STRATEGY


The board ultimately considers and approves the short, medium and long-term strategy, as formulated and developed by management. During assessment and formulation of the strategy, the board engaged with executive and senior management in several strategy sessions throughout 2020. The board appreciates that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process. The insight that conditions are changing and there is a need to become future fit continues to drive decisions and measure transition going forward.

 Our strategy is on page 54.




RESPONSIBLE CORPORATE CITIZENSHIP IN ACTION

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.

 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 plan documents procedures that guide Exxaro's response, recovery and restoration of operations to a predefined level after disruption.

When the South African government announced a national state of disaster and lockdown from 26 March 2020, the company immediately implemented its crisis management and business continuity plans across the group. The plans included health and safety controls and preventive measures implemented immediately and considered necessary to sustain our business. These plans also ensure we continue serving stakeholders, and protecting and supporting employees and their families.

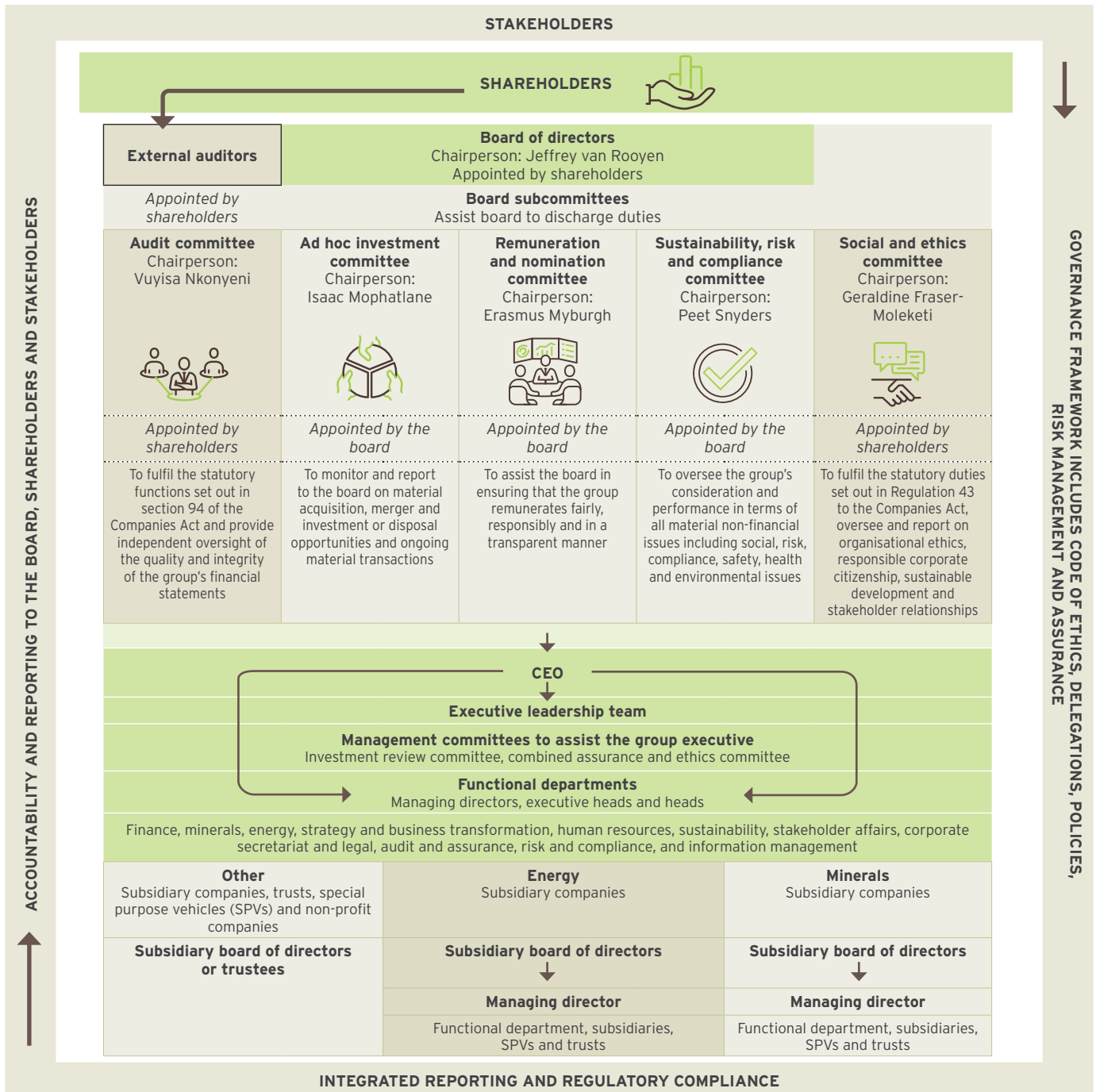
 For more information on our response, see page 14.

Adequate and effective control

Exxaro's corporate governance structure supports its ability to create value in the short, medium and long term. It is assessed to ensure agile decision making and to support business requirements. Through this structure, the board exercises effective control, and builds and protects the organisation's reputation and legitimacy. We consider good corporate governance as the responsibility of our board, executive management and all our employees.

In accordance with our changing context, the remuneration and nomination committee, contributing to the governance enhancement programme, aims to align strategic changes in the group with board and board committee composition. This requires revision of committee terms of reference and review of its mandate.

Our corporate governance structure




GOVERNANCE FOR SUSTAINABLE VALUE CREATION continued

BOARD COMMITTEE REPORTS

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

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

The terms of reference of the respective committees were updated with key focus areas and objectives revisited. In addition, a reporting framework was developed addressing the board's expectations about reports received from management.

 Detailed reports from each of the board committee are on pages 117 to 133 of the ESG report.

TECHNOLOGY AND INFORMATION MANAGEMENT

The board governs technology and information management in a way that supports the organisation setting and achieving its strategic objectives. As information management and governance form an integral part of overall enterprise governance, the board adopted the following policies:

- Acceptable use of information and communications technology (ICT) equipment policy to protect our employees, partners and the company from illegal or damaging actions when using information, electronic and computing devices, and network resources to conduct business with internal networks and business systems
- A formal management framework for ICT governance providing structure to ensure information management investments support business objectives by aligning the information management strategy with the business strategy

The information management programme, including document information management and implementation of the data privacy programme in compliance with the Protection of Personal Information Act, 2013 (Act 4 of 2013) is in full force and effect.

INNOVATION

Within our overarching values, we have five cultural themes: responsibility, adaptability, openness and connectivity, diversity and ownership. We aim to foster a culture of adaptability to the ever-changing world around us, encouraging employees to learn and improve in everything they do. As change is inevitable, based on current social, economic and technological realities, the company aims to be agile and create new opportunities to move the group forward as a collective.

This culture enabled the company to seamlessly continue business activities during the COVID-19 lockdown and deliver on its objectives.

We held our first virtual annual general meeting (AGM) in 2020, with shareholders or their proxies participating via electronic communication. Participants could vote during the AGM through an electronic participation platform. If participants wanted their vote(s) 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.

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 board is satisfied that the company and group have a mature risk process that ensures risks potentially impacting its strategic objectives are pursued by management to create shareholder value.

Our top five risks in 2020 were:


- COVID-19 concerns
- Eskom systemic risk
- Unavailability of rail capacity
- Community unrest
- Safety and health concerns

 Please refer to page 71 for details on our risks.

Trust, good reputation and legitimacy

STAKEHOLDER ENGAGEMENT

In support of its purpose to power better lives in Africa and beyond, 2020 saw the creation of the social impact strategy. The strategy ensures that the company continues to work towards improving the quality of our relationships with stakeholders. We strive to build long-term, stable and trusting relationships that create shared value. With a relatively procedural engagement approach, we mature through integrated and relational levels to the intentional, proactive management of stakeholder-related risks and opportunities.

 More information on our stakeholder engagements can be found on page 63.

Performance of our board


Board meeting attendance

The board held four quarterly meetings, two governance sessions and seven special board meetings during the year. Attendance is calculated against the number of meetings the director was required to attend.

Members	Designation	Attendance
Jeffrey van Rooyen	Independent non-executive director and board chairperson	100%
Geraldine Fraser-Moleketi	Lead independent non-executive director	100%
Riaan Koppeschaar	Executive director: finance director	100%
Likhapha Mbatha	Non-executive director	85%
Mxolisi Mgojo	Executive director: CEO	100%
Zwelibanzi Mntambo	Non-executive director	92%
Mark Moffett	Independent non-executive director	92%
Isaac Mophatlane	Independent non-executive director	100%
Ras Myburgh	Independent non-executive director	100%
Vuyisa Nkonyeni	Independent non-executive director	100%
Anuradha Singh [#]	Independent non-executive director (during her tenure)	100%
Peet Snyders	Independent non-executive director	100%

[#] Anuradha retired by rotation on 28 May 2020.

Key board activities in 2020

- **Amendment of the corporate governance framework:** The board approved amendments to the governance framework on 28 May 2020 to be more adaptive and agile, enable committed decision making as well as a more decentralised decision-making process through an effective and relevant corporate governance framework. Guidance was taken from King IV in these amendments and is reflected on page 100 of the ESG report 
- **Climate change:** As the physical and transitional impacts of climate change pose a serious threat to our business and society, it requires immediate action to reduce the local and global physical effects. The board is aware of the role fossil fuel-generated power plays in releasing GHGs and contributing to climate change. A climate change response strategy was presented to the board, highlighting the need to respond to growing global and local pressure to move towards a low-carbon economy. The board requested a strategy for its approval to develop a climate change policy and to incorporate recommendations from the TCFD, highlighting climate change transitional and physical risks confronting the organisation and the related financial impacts of these risks. A strategic decision was made to begin the transition to a low-carbon future. On 12 March 2020, Exxaro published its climate change position statement, which contains our aspirational target to be carbon-neutral by 2050
- **GHG and water consumption reduction:** From an environmental point of view, there has been significant focus on reducing GHGs and water consumption. At the 2019 Sustainability Summit, Exxaro reaffirmed its commitment to reducing its GHG emissions by 30%, its water consumption by 30% and a 20% energy intensity reduction by 2026. Reduction in water use and carbon emissions is 5% year-on-year. The TCFD framework was adopted on 10 March 2020 to engage with shareholders and other stakeholders about climate issues
- **Cennergi acquisition:** The board considered and approved the acquisition of Khopoli Investments' 50% shareholding in renewable energy company, Cennergi. After concluding the agreement, Exxaro held 100% of Cennergi in 2020

Phase 2 of implementation of the replacement BEE transaction: As part of the replacement BEE transaction of 2017, Exxaro committed to introducing appropriate schemes to benefit employees and communities. Exxaro is guided by the Mining Charter III when implementing these schemes.

Performance evaluation

An independent third party conducted a high-level evaluation of the board, committees and individual directors, including the chairperson and committee chairpersons, the finance director and the group company secretary. Board members participated in an independent evaluation process and received comprehensive feedback on the performance and effectiveness of the board and its committees. The purpose of the board evaluation was to ascertain:

- If the board addressed and improved items identified as part of the 2019 board evaluation process
- How effectively the board dealt with the COVID-19 crisis
- Whether the board made progress in key focus areas highlighted in the 2019 board evaluation

The evaluation showed that, in the board's opinion, its overall performance is satisfactory although definite areas warrant consideration and attention to further strengthen its performance and effectiveness. Specific observations and recommendations, based on ratings and comments, were made to the board and will form the basis of an action plan for 2021.

Conclusion

The board is satisfied that it complied with the provisions of the Companies Act and relevant laws of establishment relating to its incorporation, and that the company is operating in conformity with its MoI and other relevant constitutional documents. The board is also satisfied that it fulfilled its responsibilities in accordance with its charter during the reporting period.

 Refer to our ESG report for the full corporate governance report.

Our commitment in action



Exxaro ranked 3rd in the Transparency and Corporate Reporting: South Africa 2020 (TRAC SA 2020)

100 SA Companies under scrutiny for the transparency and implementation of anti-corruption programme

OUR BUSINESS MODEL

Our business model, as reflected below, is a high-level summary of what we need, do and create as a business.

OUR INPUTS

The resources and relationships we rely on

OUR ACTIVITIES

What we do

NATURAL CAPITAL

- Run of mine: 81.0Mtpa (2019: 79.2Mtpa)
- Land managed for six mining operations
- Water withdrawal: 10.92Mm³ (2019: 7.68Mm³)
- Diesel: 96 131kL (2019: 98 702kL)
- Electricity: 605 770MWh (2019: 625 211MWh)



HUMAN CAPITAL

- Employees: 6 739 (2019: 6 812)
- Contractors: 15 726 (2019: 13 330)
- Investment in skills development and talent management: R227 million (2019: R298 million)
- Investment in employee remuneration: R3.8 billion (2019: R4.2 billion)
- Culture: connect2NEXT



SOCIAL AND RELATIONSHIP CAPITAL

- Social licence to operate required to conduct business
- Investments in SLP projects: R27.53 million (2019: R38.6 million)
- Investments in ESD: R79.8 million (2019: R170.7 million)
- Investments in community and volunteerism: R143 million (2019: R95 million)



MANUFACTURED CAPITAL

- Eight mines, two coal projects and two windfarms
- Sustaining capital: R2.1 billion (2019: R2.2 billion)
- Expansion capital: R1.0 billion (2019: R3.6 billion)
- Investment in property, plant and equipment: R3.2 million (2019: R6.1 million)



INTELLECTUAL CAPITAL

- Continued investment in world-class digitalisation
- Business Excellence integrated into the business
- Leadership and management training: 184 people attended (2019: 372)
- Significant investment in updating and aligning our strategy to our purpose and long-term goals
- Continued investment in leading governance structures: changes in board, engagement with investors



FINANCIAL CAPITAL

- Core equity-accounted income: R6.5 billion (2019: R4.8 billion)
- Core EBITDA: R7.3 billion (2019: R5.8 billion)
- Cash dividend paid (including special dividend): R3 billion (2019: R5.8 billion)
- Revenue: R28.9 billion (2019: R25.7 billion)



At the core of Exxaro is our goal of **powering better lives for Africa and beyond**. We achieve this by:

- **RESPONSIBLE MINING**
 - Responsible environmental stewardship
 - Diversity and inclusion
 - Values-based leadership
 - Effective governance

- **DIVERSIFIED EQUITY INVESTMENTS**
 - SIOC – iron ore
 - BM – zinc
 - Tronox – titanium

- **RENEWABLE ENERGY OPERATIONS**

- **INVESTMENTS IN COMMUNITY DEVELOPMENT INITIATIVES**

- **STAKEHOLDER ENGAGEMENT AND COMMUNICATION**

We know that it's not just about **WHAT** you do, but also **HOW** you do it. That's why we continuously strive to differentiate ourselves in the industry by how we do business. We pride ourselves on being more than just a mining business. Creating and sustaining value for our stakeholders, while ensuring we are a force for good, supporting the economic and social growth of the country.

The capital constraints 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 fuel sector
- Increasing expectations on companies to solve societal issues
- Increased reputational risks stemming from employees, contractors and suppliers' conduct

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

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

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

VALUE CREATION OVER TIME

It is enabled through our strategy and designed to deliver on our purpose: to power better lives for Africa and beyond.

OUR OUTPUTS

What we produce

OUR OUTCOMES

The broader outcomes of our activities on the capitals

Risks and opportunities
Page 66

Strategy and resource allocation
Page 56

COAL

47.4Mt product volumes
(2019: 45.6Mt)



RENEWABLE ENERGY

727GWH in wind energy
(2019: 762GWh)



IRON ORE (SIOC)

R6.1 billion core equity-accounted income
(2019: R4.4 billion)



TITANIUM DIOXIDE

R226 million core equity accounted income
(2019: R236 million)



WASTE

1 511 tonnes hazardous waste (2019: 4 090 tonnes)
1 031ktCO₂e emissions (2019: 1 082ktCO₂e)



Stakeholders
Page 62

Performance
Page 83

- + Carbon intensity down 9% (2019: down 5%)*
- Water intensity increased by 38% from 2019 (2019: reduced by 10%)*
- Environmental incidents: zero level 3s (2019: zero level 3)
- + Valid mining rights: 100% (2019: 100%)
- Stoppage directives: three (2019: seven)

- = Employee and contractor fatalities: none (2019: none)
- LTIFR: 0.05 (2019: 0.12)
- OHIFR: 0.19 (2019: 0.24)
- + Scarce skills retention on target

- Community incidents: 3 (2019: 4)
- + Top-quartile mining performer in ESG
- + Governance structure ESG analyst rating: 4.6 out of 5 (2019: 4.6 out of 5)
- + ESD: 2.6% of NPAT (2019: 1.8%), supporting 24 suppliers in 2020
- + BEE level 2 (2019: level 2)

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

- + Core system availability: 98.86% (2019: 99.8%)
- + Cyberintrusions: none (2019: none)

- + Core EBITDA margin: 25% (2019: 23%)
- + ROCE: 25% (2019: 28%)
- + Core HEPS: 2 973 cents per share (2019: 2 354 cents per share)
- + Market capitalisation: R50 billion (2019: R47 billion) (2019: 13%)

- + Positive impact > value created
- Negative impact > value eroded
- = Neutral impact > value preserved

* Although we have achieved greater levels of efficiency in our use of natural capital, these outcomes have been marked as negative as they reflect a reduction in the balance of natural capital available.

How we are improving our outcomes

We strive to mine responsibly, minimise our environmental impacts and be an active participant in the just energy transition to a low-carbon economy.

Further reading

- Chairperson's statement (page 10)
- Our strategy (page 54)
- Our environment (page 118)
- CEO's report (page 52)

We are committed to achieving zero harm and continue working with our employees and contractors to eradicate any safety incident.

Further reading

- Chairperson's statement (page 10)
- Our strategy (page 54)
- CEO's report (page 52)

We continuously seek ways to engage and maintain relationships of mutual respect and benefit with our stakeholders.

Further reading

- Chairperson's statement (page 10)
- Stakeholder management (page 62)
- Our strategy (page 54)
- CEO's report (page 52)
- Social licence to operate (page 116)

Optimising our manufactured assets remains a key strategic priority.

Further reading

- Chairperson's statement (page 10)
- Our strategy (page 54)
- CEO's report (page 52)

Ensuring our competitive advantage through innovation and digitalisation remains key to Exxaro's strategy going forward.

Further reading

- Chairperson's statement (page 10)
- Our strategy (page 54)
- CEO's report (page 52)
- Business resilience (page 104)

We continue focusing on initiatives designed to lower costs, increase quality and manage our risk profile to deliver financial value.

Further reading

- Chairperson's statement (page 10)
- Our strategy (page 54)
- CEO's report (page 52)
- Finance director's review (page 84)
- Business resilience (page 104)

OUR MATERIAL MATTERS IN ACTION




Since 2019, our material matters have broadened in scope and significance, not surprising given the broader macro-trends such as COVID-19, global instability and climate change. Each material matter is explained below and aligns with our strategy (during 2020), business model and selected SDGs.

PRICE AND CURRENCY VOLATILITY

Why this matters

Price volatility refers to fluctuations in the price of our export and some domestic coal products. Currency volatility refers to fluctuations in the exchange rate for exports. As a price taker with product prices denominated in United States (US) dollar, we are exposed to changes in the US dollar to South African rand exchange rate and shifts in coal and iron ore prices (two major contributors to earnings).

Larger macro-economic factors impact price and currency volatility. We have no control over these, which could significantly impact our business. We implement several plans to manage these challenges in our approved risk appetite (limited price hedging) and remain cognisant of the potential impact. Additionally, our revenue is diversified by Eskom's fixed contracts with annual price escalation, providing a degree of stability.

Material theme	2020 strategic objectives*	Related risks	Related SDGs
 Macro-environment	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Cost competitiveness of products Country risk (political) Low commodity price 	 

Related capitals




Affected stakeholders

Customers, investors (returns on investment), employees (employment security) communities and government (taxes and employment)

Key stakeholder engagements

Exxaro engages continuously with customers and the market on coal pricing.

- Export volume pricing is based on All Publications Index 4
- Eskom coal pricing for long-term supply contracts at Grootgeluk are fixed and adjusted annually based on inflation
- Short-term coal supply contracts to Eskom for ECC and Leeuwan were not concluded by year end





 Refer to macro-environment on page 98 for more information.

COUNTRY RISK

Why this matters

Country risk refers to the inherent risk of conducting business in a country.

We are exposed primarily to risks relating to South Africa – our home base. These risks include high levels of unemployment, downgrades by credit rating agencies, dampened economic growth and lagging policy reform. Country risk remains a critical risk area for us to monitor as deterioration may affect the ease of doing business, operational returns and the attractiveness of South Africa as an investment destination. We continue monitoring these risks and implement appropriate strategies, where possible, to ensure we can create value for our stakeholders and deliver on our purpose.

Material theme	2020 strategic objectives	Related risks	Related SDGs
 Macro-environment	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Cost competitiveness of products Country risk (political) Low commodity price Unavailability of rail capacity 	  

Related capitals




Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

All stakeholders could be affected to varying degrees by a deteriorating operating environment. Ongoing engagements with stakeholders on Exxaro's response to this risk.

 Refer to macro-environment on page 98 for more information.



* All material matters correlate to our 2020 strategy, but have also informed our new Strategic Growth and Impact strategy. See page 54 of the integrated report for more information on our strategic evolution.

KEY CUSTOMER DEPENDENCY

Why this matters

Our operational sustainability is tied to the success of Eskom, the national power utility and ArcelorMittal SA Limited (Arcelor Mittal).

We continue collaborating with our customers to ensure mutual success while looking to broaden our customer base.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Business resilience 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> Eskom systemic risk Cost competitiveness of products 	

Related capitals




Affected stakeholders

Customers, and investors and analysts

Key stakeholder engagements

- During South Africa's first COVID-19 lockdown, Eskom declared force majeure at both Matimba and Medupi power stations indicating that the demand would be lower. Our view was and continues to be, that the event did not constitute a force majeure, as stipulated in the coal supply agreements (CSAs). We continue to engage with Eskom on this and other issues
- Production volumes reduced during the first part of the year as a result of the COVID-19 lockdown. As producers returned to full production, we saw a marked increase in demand. We kept in close contact with our key customers and were able to respond promptly as their coal demands increased
- Some customers were adversely affected by the COVID-19 pandemic and requested more lenient payment terms in the short term
- As these requests were for extended payment terms over a short period, Exxaro responded favourably to these requests; at the same time, managing this closely to ensure that the customers did not default on the agreed terms



 Refer to business resilience on page 104 for more information.

INFRASTRUCTURE ACCESS AND CAPACITY

Why this matters

Infrastructure access and capacity relate to ports, railways, mines and power stations.

Outdated, inefficient or poorly functioning infrastructure, as well as a lack of access to infrastructure, can adversely impact our operations' effectiveness and our ability to service our customers and other stakeholders.

Material theme	2020 strategic objectives	Related risks	Related SDGs
Macro-environment 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Prudently optimising capital 	<ul style="list-style-type: none"> Unavailability of rail capacity Cost competitiveness of products Country risk 	

Related capitals




Affected stakeholders

Customers, suppliers, government, investors and analysts

Key stakeholder engagements

Engagements with Transnet Freight Rail take place regularly and at various levels in order to discuss matters of both operational and strategic consequence. Exxaro experienced challenges with the availability of trains.


 Refer to macro-environment on page 98 for more information.


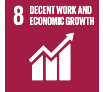

OUR MATERIAL MATTERS IN ACTION continued

PRUDENTLY MAXIMISING THE VALUE OF OUR COAL PORTFOLIO

Why this matters

Our coal portfolio is a valuable natural resource entrusted to us, and must be selectively and responsibly extracted to ensure we optimise its value, support economic growth and social development while safeguarding the natural environment, managing reputational risks and preparing for the low-carbon future.

Our just transition to a low-carbon future has a foothold on the early value coal strategy, a key pillar of our Sustainable Growth and Impact strategy.  See page 54 for more information.

Material theme	2020 strategic objectives	Related risks	Related SDGs
 Business resilience	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Community unrest Safety and health concerns Cost competitiveness of products Climate change concerns Country risk (political) Inability to achieve financial targets Low commodity price 	 

Related capitals




Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, unions, non-governmental organisations (NGOs), and investors and analysts

Key stakeholder engagements

- We have made good progress in our efforts to divest from the less robust local assets
- We have intensified our engagement with Anglo in order to facilitate processes to get to an investment decision on Moranbah South in as minimal time as possible
- At Leeuwan and ECC, we continued to update employees on the progress of the divestment process and to address their concerns about the change of ownership
- Our early value coal strategy aims to reduce the potential for stranded assets and maximise the value of the coal business in the short to medium term establishing a foundation for transitioning to a low-carbon future








 Refer to business resilience on page 104 for more information.

SUPPORTING A JUST TRANSITION TO A LOW-CARBON ECONOMY

Why this matters

Exxaro is committed to alleviating potential social and relationship and human capital disruption that could lead to further unemployment and poverty.

We consider the social impact on employees and communities who depend on the coal economy and respond by preparing affected people through appropriate skills and social support structures, for example alternative economic activities.

Material theme	2020 strategic objectives	Related risks	Related SDGs
 Business resilience	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> Climate change concerns 	     

Related capitals




Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, unions, NGOs, and investors and analysts

Key stakeholder engagements

- As we move towards carbon neutrality by 2050, we continue to ensure that our transition contributes to the socio-economic wellbeing of the communities in which we operate. We continue to empower local suppliers and emerging small businesses to grow their businesses beyond the life of our operations
- We have begun establishing strategic relationships to support us in our mineral succession planning, whereby we are evaluating the alternative use of rehabilitated land for economic activities beyond mining




 Refer to business resilience on page 104 for more information.

FINANCIAL PERFORMANCE AND RESILIENCE

Why this matters

Over time, our financial performance and resilience directly influence our business's sustainability, success and viability.

Without delivering solid returns to shareholders over time and ensuring we have the financial resources to implement our growth plans and social development objectives, we cannot deliver value to our broader stakeholders.

Material theme	2020 strategic objectives	Related risks	Related SDGs
 Business resilience	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Cost competitiveness of products Country risk (political) Inability to achieve financial targets Low commodity price 	 

Related capital




Affected stakeholders

Investors and analysts, customers, suppliers, government, communities, employees and contractors

Key stakeholder engagements

We have adopted agility in our day-to-day business operations, by implementing new ways of work, that allowed us to capture opportunities that presented themselves during the pandemic. Our newly implemented short-cycle value chain control, which is part of our new ways of work and response to the challenges brought by the pandemic, helped in ensuring product placement across various markets, even during global lockdown.





- The deteriorating macro-environment and the economic shock from COVID-19 resulted in the reduced financial viability of many contractors
- We engaged extensively with strategic suppliers with the view of tapping into the innovation potential and to delivering further value. Commodities that have been positively impacted by this review include the sourcing of magnetite and fuel

 Refer to business resilience on page 104 for more information.

COST COMPETITIVENESS OF OUR PRODUCTS

Why this matters

Cost competitiveness is our ability to sustainably produce quality coal products at the lowest marginal and average total cost, both in the short and long term. We strive to ensure our coal operations are best-in-class and cost competitive through our operational excellence drive, including adopting relevant technology and innovation, as we continue meeting customer expectations in terms of volumes, quality and price. Being cost competitive in an environment of price volatility is a key tenant of our operational excellence strategy.

Material theme	2020 strategic objectives	Related risks	Related SDGs
 Business resilience	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Unavailability of rail capacity Cost competitiveness of products Country risk (political) Inability to achieve financial targets Low commodity price 	  

Related capitals




Affected stakeholders

Customers, suppliers, employees, contractors, and investors and analysts

Key stakeholder engagements

- Exxaro is only competitive if we can sell our products profitably at market-related pricing. To this end Exxaro engages continuously with customers on what product works best in the required application. We also take a value chain approach by following a market to resource optimisation strategy
- Given the impact of COVID-19, we have implemented a cost-saving drive called "closing the gap" across our operations, which has enabled us to preserve cash, thereby ensuring healthy cash flow to mitigate the impact of the pandemic on our business operations

 Refer to business resilience on page 104 for more information.

OUR MATERIAL MATTERS IN ACTION continued

CAPITAL ALLOCATION

Why this matters

Capital allocation refers to how we invest and distribute our financial resources to support our strategy, increase efficiency, expand operations and maximise value. We carefully consider how we allocate capital to achieve our strategic goals and invest in our current operations and future growth plans.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Business resilience 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> Eskom systemic risk Cost competitiveness of products Inability to achieve financial targets Low commodity price 	 


Related capitals    

Affected stakeholders

Investors and analysts, and debt funders

Key stakeholder engagements

- Our capital allocation framework provides a guideline for the use of cash generated, including the dividend policy and reinvestment strategy to enhance the return on capital employed (ROCE). Business of tomorrow investments have ceased and are held for possible future divestment
- A key consideration for proceeds received from the disposal of our Tronox investment was the special dividend and share buy back during Q2 2021

 Refer to business resilience on page 104 for more information.

LEGAL, REGULATORY AND COMPLIANCE EXCELLENCE

Why this matters

Legal, regulatory and compliance excellence is our awareness and understanding of, and compliance with relevant industry and company laws, policies and regulations.

For Exxaro, this means actively monitoring the regulatory environment to identify any changes in compliance requirements and adapting to compliance efforts accordingly, maintaining our licence to operate and going beyond compliance. This includes, among others, codes of good practice, industry charters and other regulations, and best practice such as the UN SDGs and NDP.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Business resilience Our people 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> Community unrest Safety and health concerns Climate change concerns Country risk (political) 	   

Related capitals  

Affected stakeholders

Government, employees, contractors, and investors and analysts

Key stakeholder engagements

- We regularly engage with the relevant authorities to ensure that our permits and rights are up to date and protected

 Refer to business resilience on page 104 and our people on page 108 for more information.

TRANSPARENCY, ETHICS AND INTEGRITY

Why this matters

Creating and preserving value for our stakeholders is guided by our values and requires effective and efficient governance processes and practices informed by good corporate citizenship pillars, namely transparency, accountability and integrity.

We continuously aim to be a responsible and ethical corporate citizen. Our approach to transparency, ethics and integrity encompasses among others, fraud prevention, anti-bribery and anti-corruption. In addition, we face intense scrutiny by consumers and activists demanding greater visibility and transparency regarding our carbon footprint and emissions reduction strategies, environmental stewardship and achieving social objectives.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Our people 	<ul style="list-style-type: none"> Ensuring the sustainability of our business 	<ul style="list-style-type: none"> Community unrest Safety and health concerns Climate change concerns 	   


Related capitals   

Affected stakeholders

Customers, suppliers, employees and contractors

Key stakeholder engagements

- The procurement fraud and the proliferation of procurement scams present a risk to Exxaro and its suppliers. Above inflation increase in input costs present a risk to Exxaro's financial sustainability. The adoption of best-in-class business processes and technology has enabled us to respond to both financial and fraud risks. During 2020 the board approved a new source to pay and accounts payable policy, we reviewed our supplier code of conduct, which articulates a commitment to the prevention of corrupt practice, anti-bribery and corruption laws and we improved our supplier due diligence processes. All suppliers are required to commit to this code of conduct as a condition of tender. In 2020, online training on Exxaro's anti-bribery and anti-corruption policies was carried out with employees and contractors. In 2020 we also completed the roll-out of Coupa, a Software as a Service (SaaS)-based e-procurement platform that will further reduce fraud, increase transactional speed and enable greater value release through savings
- Board governance sessions are held twice a year to update the board and executive leadership on key and leading trends on governance







 Refer to our people on page 108 for more information.

RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

Why this matters

Environmental stewardship refers to responsibly using the natural resources we rely on.

It highlights the custodial role we play in terms of how we use, manage and protect the natural environment while delivering on our strategic objectives and ensuring we create value for our stakeholders and the country at large. Key stewardship efforts relate to water, air quality and carbon emission reduction.

Material theme	Strategic objectives	Related risks	Related SDGs
Climate change Social licence to operate 	<ul style="list-style-type: none"> Ensuring the sustainability of our business 	<ul style="list-style-type: none"> Climate change concerns Water security Air pollution Biodiversity and land use 	    


Related capitals  

Affected stakeholders

Communities, customers, suppliers, government, employees, contractors, NGOs, and investors and analysts

Key stakeholder engagements

- Several initiatives are underway aimed at reducing the environmental impact of Exxaro. A pilot study is being conducted with the collaboration of original equipment manufacturers to pilot the use of compressed natural gas on haulage trucks. Similarly, Exxaro has concluded an agreement with a service provider to recycle old off-road tyres

 Refer to our environment on page 118 and social licence to operate on page 116 for more information.







OUR MATERIAL MATTERS IN ACTION continued

CLIMATE CHANGE RESILIENCE

Why this matters

Climate change resilience refers to our ability to adapt and succeed in the face of direct and indirect climate change impacts. In addition to addressing and managing these risks, it encompasses our ability to capitalise on the strategic opportunities presented by the shift to a lower-carbon and resource-constrained economy.

Guided by our purpose, our Sustainable Growth and Impact strategy is designed to ensure we are able to manage the direct and indirect climate change impacts on our current portfolio while ensuring we are able to contribute to the low-carbon environment of the future.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Macro-environment Climate change 	<ul style="list-style-type: none"> Achieve carbon neutrality by 2050 	<ul style="list-style-type: none"> Climate change concerns 	    


Related capitals    


Affected stakeholders

Customers, suppliers, government, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

- We recognise the numerous benefits associated with adopting a value chain approach to climate adaptation and resilience, especially given that the negative impacts of climate change are not only limited to our business's operating space. Therefore, during 2020, engagements with our host communities and other value chain partners were undertaken to enable us to adopt critical elements for the design of a comprehensive climate adaptation and resilience approach which is largely based on sustainably investing in our operations, communities and value chain partners.
- We have completed our TCFD recommendations assessment, with a favourable score of 90%. The outcome of the assessment will provide a framework for the future engagement of shareholders and other capital providers.

 Refer to macro-environment on page 98 and our environment on page 118 for more information.

 Detailed disclosure is available in our CCRS report

Cennergi's Amakhala Emoyeni windfarm







WORKFORCE: CULTURE, CAPABILITY, DIVERSITY, INCLUSION AND INNOVATION

Why this matters

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

We are committed to ensuring we have the right capabilities and values to deliver on our strategy and lead the business into the future to achieve our vision and fulfil our purpose.

Material themes	2020 strategic objectives	Related risks	Related SDGs
<p>Our people</p> 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Delivering operational excellence Creating a culture of inclusivity, agility and adaptability Strengthen our capabilities Drive performance to support our strategy 	<ul style="list-style-type: none"> COVID-19 concerns Community unrest Safety and health concerns 	  


Related capitals  

Affected stakeholders

Customers, suppliers, employees and contractors

Key stakeholder engagements

- Exxaro is in the second year of a culture shift that is seeking to promote new ways of working across the organisation. After extensive face-to-face launch events with employees in 2019, the focus turned to internal communications in 2020 via email, portal and the SMS/mobile platform, LetsConnect. The culture changes are supported by the launch of a new online learning platform and a new leadership philosophy built around mindsets.
- Exxaro is exploring partnerships with several stakeholders to support the implementation of our diversity and inclusion strategy and to benchmark policies and practices. In 2020, we signed up to the United Nations Women's Empowerment Principles, which offer guidance on how we can further empower women in our workplace and in our communities. We met with the Department of Women, Youth and Persons with Disabilities and the Gender Equality Commission to understand national initiatives to which we could direct our support, and we engaged with the NBI to better understand its transformation and equity programme. We continue to work closely with Women in Mining in South Africa where a key focus in 2020 was gender-based violence (GBV). Internal communication campaigns on GBV received high levels of support from employees. Finally, we participated in the Bloomberg Gender Equality Index (GEI) for the first time.

 Refer to our people on page 108.




OUR MATERIAL MATTERS IN ACTION continued

HEALTH, SAFETY AND WELLNESS

Why this matters

Our employees are the organisation's lifeblood. Exxaro is committed to protecting their health, safety and wellness. We strive to achieve zero harm through collective responsibility, commitment and risk awareness.

Our targeted health, safety and wellness strategies and programmes are in place to help us achieve this. Throughout the COVID-19 pandemic, we continuously leveraged and enhanced our existing health and wellness programmes to protect our employees, contractors and communities.

Material theme	Strategic objectives	Related risks	Related SDGs
Our people 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Delivering operational excellence Human Rights practice 	<ul style="list-style-type: none"> COVID-19 concerns Community unrest Safety and health concerns 	 


Related capitals  

Affected stakeholders

Employees, contractors, communities and unions

Key stakeholder engagements

- The people implications of COVID-19 stirred up a new reality for the human resources discipline, necessitating real-time co-creation of relevant guidelines across multidisciplinary working teams, with employee wellbeing at the forefront of our solutions thinking. Communication during this period focused largely on COVID-19, addressing employee concerns about a potential loss of income, as well as initiatives such as return-to-work protocols, remote work support, a return-to-work survey, an anti-stigmatisation campaign, mental health and wellness, were leveraged to hinge culture messages. The process of aligning diversity and inclusion initiatives to culture also commenced.
- COVID-19 placed new health and operational risks to Exxaro and its contractors. Exxaro conducted an impact assessment on suppliers impacted by COVID-19 lockdown regulations. Exxaro took a stance to compensate contractors who were not able to render a service during the lockdown in part or in full for actual proven costs.
- The strategy for the sourcing of COVID-19-related personal protective equipment (PPE) sought to minimize supply risks for the business but also increase the participation of local small, medium and micro-enterprises (SMMEs):
 - In order to minimise social contact we utilised Exxaro's new digital sourcing platform
 - To mitigate the supply risk among SMMEs, we placed qualifying SMMEs on early payment terms
 - Exxaro further provided nearly R80 million in loan and grant funding to SMMEs through 2020
- The COVID-19 pandemic has had grave implications for our communities, compounding unemployment and poverty. With lockdown regulations being eased, community groups demanded that business units (BUs) prioritise skills development, employment and business opportunities. Exxaro has developed a post-lockdown response plan to address the needs of the communities. The plan will be carried out in collaboration with social partners such as World Vision and local non-profit organisations (NPOs). Our stakeholder relationships provided a platform for an effective response to the COVID-19 challenge within our communities, it included extensive collaboration with local and provincial governments on numerous initiatives.
- COVID-19 and its impact on employee safety, job security and continued employment conditions took centre stage with labour stakeholders during 2020. We continue to engage with unions at all levels to ensure they understand and have input into Exxaro's approach to COVID-19. We have also developed people management guidelines to address the concerns raised.
- Exxaro continues to engage with the DMRE through the Mining Charter III, as well as provincial departments of health in a coordinated and collaborative response to the COVID-19 crisis.


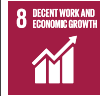
 Refer to our people on page 108 for more information.

CYBERSECURITY, TECHNOLOGY AND DIGITALISATION

Why this matters

Technology is rapidly changing and evolving, impacting organisations around the world through its unprecedented risks and opportunities. To navigate this, Exxaro's resilience and agility will be enabled by leveraging digital tools, as well as progressive methodologies and capabilities that enable us to enhance performance across the value chain.

We continue investing in technology and digitalisation, taking an enterprise-wide approach rather than a point solution. While the business advances its transformation, and relies increasingly on technology, we remain cognisant of managing the risks associated with technology and digitalisation as we strive to secure Exxaro's assets across all information security domains.

Material themes	2020 strategic objectives	Related risks	Related SDGs
<p>Business resilience</p> 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital 	<ul style="list-style-type: none"> COVID-19 concerns Cybersecurity risk 	


Related capitals    

Affected stakeholders

Customers, suppliers, communities, employees, contractors, and investors and analysts

Key stakeholder engagements

An industry leading cybersecurity assessment tool has been implemented that automatically measures and monitors all aspects of cybersecurity and provides an overall rating percentage (called a cybersecurity "posture"). This rating is benchmarked against peer companies and Exxaro has already achieved a higher rating than the industry norm which will be improved even further going forward.

 Refer to business resilience on page 104 for more information.








OUR MATERIAL MATTERS IN ACTION continued

SOCIAL UNREST

Why this matters

In our mining communities, our operations are the primary economic activity (other than Eskom) where there is limited economic diversification independent of mining. With few job opportunities elsewhere, due to low economic growth and high levels of unemployment, the local communities require employment and procurement opportunities (please see material matter below as well). Furthermore, there is increasing pressure on private organisations to provide services traditionally supplied by the state. These pressures can result in social unrest affecting our communities, employees and operations.

We believe that Exxaro is a tenant in our host communities. A successful relationship with communities is key to our business success and growth. In addition to our SLPs, we invest in areas such as environmental conservation and health and welfare through our corporate social investment (CSI) programmes. Exxaro will continue addressing these issues of concern through current and future “impact at scale” initiatives to reach a long-term resolution on future opportunities to benefit communities.

Material themes	2020 strategic objectives	Related risks	Related SDGs
Macro-environment Social licence to operate  	<ul style="list-style-type: none"> Ensuring the sustainability of our business Optimising our portfolio Delivering operational excellence Prudently optimising capital Human Rights practices 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Community unrest Climate change concerns Country risk (political) 	    

Related capitals



Affected stakeholders

Government, communities, employees, contractors and unions

Key stakeholder engagements


- We are striving to increase the participation of black-owned suppliers and those from host communities. Exxaro has adopted source to pay and supply chain sustainability policies that support the increased participation of black-owned, black women-owned, youth and people with disabilities. Exxaro is fully compliant with the B-BBEE codes with regards to preferential procurement and is on track to achieve full compliance with respect to the Mining Charter III by 2021. In 2020, Exxaro awarded over R500 million in direct contracts to black-owned SMMEs
- Prevailing health conditions, low literacy and low skills levels within the community, are a barrier to community members accessing employment and procurement opportunities, which continues to drive community protests. The emergence of “splinter groups” within recognised community representative structures is a threat to constructive engagement and the effective implementation of social initiatives as it create inconsistencies in representation, unproductive engagement, occasionally violent community engagement events, individual agendas and non-compliance with engagement processes
- Local taxi associations are key stakeholders in Exxaro’s BUs as they are relied upon for the transportation of staff members and contractors. However, there are challenges associated with local taxi associations as they expect and demand opportunities to transport employees and contractors while imposing exorbitant transportation rates which affect workers ability to travel to and from work
- Prevailing misalignment and tension between local government structures, community members and community representation exacerbated by service delivery challenges has introduced complexity in the local stakeholder landscape and challenges Exxaro’s ability to implement SLP initiatives
- Exxaro’s community benefit scheme was officially registered as “Exxaro Matla Setshabeng Development NPC” during 2020. The community investment vehicle also received circa R60 million in dividends from Exxaro. The community benefit scheme is pitched at the district level, aligning with the DMRE definition of community, to enable regional development and partnership with industry peers and the government through the district development model
- We are exploring a pilot project with the NBI and Municipal Infrastructure Support Agent (MISA), a project management unit of the Department of Cooperative Governance and Traditional Affairs (COGTA) to implement a municipal capacity-building programme
- Cooperation from Exxaro contractors is being pursued to address the concerns and expectations of communities and ensure local consideration in skills development, employment and subcontracting
- We have embarked on a process to enhance our Human Rights practice to ensure safe conduct of security personnel to avoid conflict during social unrest events/activities

 Refer to macro-environment on page 98 and social licence to operate on page 116 for more information.

SUPPORTING JOB AND BUSINESS CREATION

Why this matters

Given the high levels of unemployment and poverty in South Africa, particularly among the youth and women, Exxaro is committed to supporting job and business creation by investing in community upliftment and youth development. We focus on investments beyond mere CSI to create solutions that leave a legacy for our communities. We aim to empower, upskill and develop South Africans from a young age to ensure a sustainable future for generations to come.

Material themes	2020 strategic objectives	Related risks	Related SDGs
<p>Social licence to operate</p> 	<ul style="list-style-type: none"> Ensuring the sustainability of our business Delivering operational excellence Become catalyst for economic development 	<ul style="list-style-type: none"> COVID-19 concerns Eskom systemic risk Community unrest Cost competitiveness of products 	   


Related capitals  


Affected stakeholders

Suppliers, government, communities, employees, contractors and unions

Key stakeholder engagements 

- The focus of other government engagements in the second half of the year has been in support of Exxaro's minerals succession plan – focusing on building relationships with departments and agencies that might help Exxaro to improve its understanding of best practices on communal land usage and the organisation's role as an investor and supporter of South Africa's growth aspirations
- Engagement with community stakeholders typically revolves around demands for access to employment and procurement opportunities at Exxaro's operations, as well as skills development that enables access to employment or procurement opportunities. Since the launch of Exxaro's ESD programme in 2019, engagements have also taken place to promote access to ESD opportunities that in particular, lead to participation in the Exxaro value chain
- The gradual easing of COVID-19 lockdown regulations has seen most ESD beneficiaries return to normal operations. The ESD programme is achieving its objectives of both legislative compliance and social impact. Efforts with non-financial support programmes are gaining momentum and a progress report will be provided in the next reporting cycle
- A survey conducted at the beginning of the COVID-19 lockdown amongst the Exxaro ESD programme beneficiaries, revealed that, of the 20 beneficiaries responding to the survey, 55% indicated that their operations would be reduced, 35% would stop operations and 10% would remain unchanged. Eleven ESD programme beneficiaries were issued with force majeure letters by the various BUs and this had an impact on their cash flows. Consequently, the ESD programme gave priority to existing ESD beneficiaries for support through loan repayment holidays and information webinars. A total of 13 ESD beneficiaries successfully applied for loan repayment holidays of between three to six months, totalling R10.9 million
- The maintenance of healthy relationships with organised labour remains crucial for Exxaro and was particularly important within the context of COVID-19 in 2020. Our union engagements structures at BUs and employer level continue to function constructively in support of a stable employee relations climate. In addition to these normal engagements, a special session with the executive and national union leadership was held to provide an update on business context and seek their insights. We plan to hold similar sessions in future

 Refer to social licence to operate for more information.

 Refer to stakeholder management on page 62 for detailed information about how we engaged with our stakeholders during the year.



Truck and shovel at Grootegeluk

POSITIONING THE BUSINESS FOR GROWTH

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POWERING KNOWLEDGE

PROFESSIONAL GROWTH PLATFORM



At Exxaro, we're committed to creating real impact through innovative solutions. This year, we partnered with a blended learning platform provider to offer training and development to our communities, in addition to our workforce.

On 30 November 2020, we launched the Powering Knowledge platform for 50 small, medium and micro enterprises (SMMEs) in Belfast and Lephalale. The community-focused learning solution is designed to offer online reskilling and upskilling training as well as ESD programmes for SMMEs who are instrumental in creating jobs and growing the economy.

The digital platform allows Exxaro to support more businesses than it would be able to in traditional face-to-face training environments. It also allows participants to work through the material at their own pace.

This is another example of how we continue embracing and enabling our people and communities through technology and innovation, powering tomorrow today.

CEO'S REPORT



Mxolisi Mgojo
Chief executive officer

While the first three months of 2020 passed smoothly with strong operational results, the emergence of COVID-19 disrupted life as we knew it. As a team, we quickly reset our compass and shifted our engagement platforms for positive outcomes.


WORKING TOGETHER TO FACE COVID-19

The pandemic underscored fundamental underlying societal issues, including unemployment, inequality and constrained healthcare. Across the spectrum, business, government, social partners and other stakeholders rallied together to respond to COVID-19 to halt its spread, and support those in need. The challenges we all faced during the year were extensive, these moments of triumph and ubuntu are what resonate with me.

Exxaro saw this time of crisis as an opportunity to ensure our stakeholders, including government, our employees, suppliers and contractors and host communities, received the necessary support and commitment to help them overcome the pandemic's negative impacts. As the country continues to face numerous challenges, exacerbated by COVID-19, I believe we have no choice but to come together to create a better future for the next generation.

Our operations heeded the call with a sense of urgency. From a community perspective, approximately R1.95 million was spent on various COVID-19-related initiatives including an R20 million donation to the Solidarity Fund, R13.9 million towards small, medium and micro-enterprises (SMMEs) and R7 million for two testing facilities at Grootegeluk and Matla. We conducted skills development and ESD programmes via online platforms for host communities. Our investment in free community WiFi for Siyathuthuka in Belfast ensured social distancing without loss of communication. Our Belfast and Grootegeluk operations assisted the Emakhazeni and Lephalale municipalities respectively with short-term water supply to prevent the spread of COVID-19. We collaborated with mining contractors and non-governmental organisations to provide food parcels and PPE to vulnerable people and essential service providers at the cost of R1.8 million and R209 million on COVID-19 preventative measures. Exxaro also contributed R460 000 to the Minerals Council South Africa initiative to provide PPE to the Department of Health in Mpumalanga.

To keep our employees safe, and in line with our health and wellness strategy that focuses on the diagnosis, management and prevention of diseases, our response to the pandemic continues to focus on avoiding, reducing and managing COVID-19 cases. As at 1 March 2021, a total of 2 780 employees have been infected since the onset of the pandemic, with a recovery rate of 99%. Our deepest condolences to those who have lost their loved ones due to the virus. We remain committed to our fight to prevent further loss of life and continue to implement COVID-19 preventative measures in line with government regulations and recommendations.

 Refer to our response to COVID-19 on page 14 for more information on the initiatives we implemented to assist host communities.

OUTPERFORMING EXPECTATIONS


Despite a depressed global coal market for most of 2020, we reported a 25% increase in core group EBITDA to R7 291 million (FY19: R5 832 million), and a 26% increase in core headline earnings per share (HEPs) at R29.73 (FY19: R23.54) for the financial year ended 31 December 2020. This is a notable achievement in the face of the COVID-19 pandemic, a distressed local economy and relatively low thermal coal pricing environment.

We navigated significant headwinds and new risks brought about by COVID-19 during the year, however, pleasingly all Exxaro operations returned to full capacity from the second half of the year, with Matla at 80% until the end of the third quarter. Overall coal production volumes (excluding buy-ins) increased by 4% to 47.4Mt, mainly attributable to higher production at Grootegeluk as well as the Belfast mine, which was fully ramped-up from March 2020. The increase was partly offset by lower production at Leeuwan and ECC due to the COVID-19 lockdown. Sales improved by 5% to 46.8Mt as a result of a 34% increase in exports as well as higher domestic sales from Grootegeluk, offset somewhat, by lower domestic sales at Leeuwan and ECC.

Our ability to create value for stakeholders is anchored around our safety performance. Amidst the backdrop of the pandemic, it is pleasing to be able to report on our record safety performance. A significant highlight for the year was the achievement of a record 48 months without a fatality as at 2 March 2021, and we continued to operate uninterrupted with no section 54s. Our LTIFR for the year of 0.05 was 55% better than the set target, and represents a 58% year-on-year improvement in our LTIFR, which is a company record. I would like to commend all our teams for continuing to drive zero harm so effectively.

STRATEGIC DIRECTION

Exxaro grapples with two key concerns when facing strategic decision making: Exxaro's future, and how do we balance the competing needs of our stakeholders while ensuring we deliver on our purpose?

 We have always been a predominantly fossil fuel business. However, we understand the crisis facing the planet due to climate change and are committed to being carbon-neutral by 2050 in terms of scope 1 and scope 2 greenhouse gas (GHG) emissions (as detailed in our ESG report in the environment section). At the same time, we must meet the needs of our stakeholders as we safely and responsibly extract maximum value from our assets.

 In 2020, we reviewed our strategic intent and developed a new Sustainable Growth and Impact strategy (refer to our strategy: positioning Exxaro for sustainable growth and impact on page 54). This strategy considers the complexities and opportunities we face, ensuring we are responsible today as well as into the future. Further, the outcomes of our TCFD recommendations assessment will provide a structured framework for engagement with the financial community as we embark on our just transition journey in response to climate change.

Our strategy also recognises that, to ensure sustainability, our positive impacts must reach far and wide. Exxaro must be a catalyst for meaningful change, with our legacy measurable long after mining ceases. This should be embodied in creating opportunities and economies that sustain communities and broader society for generations to come.

UNLOCKING VALUE THROUGH OUR PEOPLE

As we embark on the next leg of our strategic journey, how we execute our plan will be a critical determinant of its success. That's why we are focused on ensuring we have the right human capital to drive us forward and that we, in turn, offer our employees a value proposition that both motivates and inspires them.

This past year highlighted the importance of ensuring our people are resilient in a changing working environment to protect both their lives and livelihoods. I was inspired by my colleagues as they adapted time and again to an ever-changing context.

We continue developing and entrenching a company culture of agility, accountability and adaptiveness.

Our continuous investment in our employees across the organisation helps keep our goals aligned and focus in mind. Since 2014, Exxaro has been recognised as one of South Africa's top employers by the globally focused Top Employers Institute. The merit in these awards lies in our commitment to our employees.

We embrace diversity and inclusivity as an enabler of our business strategy, rather than a compliance exercise. The diversity of perspectives, skills and experience in our teams will support our growth and help us identify the unique risks and opportunities we will face. I believe that people must truly be empowered to unlock their unique talents to drive our business forward and ensure we can maximise our positive impact on society.

We strive to actively break down barriers for women in the mining sector. We are also committed to ending GBV, which we foster through collaboration with our peers and the Minerals Council South Africa. Exxaro firmly believes that no person should face discrimination, abuse or hardship for any reason, including race, gender, age or sexual identity, among others.

PROSPECTS

As a business, Exxaro has long recognised the risks associated with climate change, as well as the opportunities it brings for future development. The work we have done to ensure our strategy is aligned to these risks and opportunities will position us well for the future, as we ensure we capitalise on the momentum to liberalise South Africa's energy sector. The combination of energy production and asset management will create an annuity income stream in the long term for the group. In the short term, the aim is to establish credentials as distributed energy solutions.

WITH GRATITUDE

While the year has not been easy, I believe the results speak for themselves. I am deeply appreciative of Exxaro's people for their absolute dedication to their work. Thank you for your tireless efforts this year. To my fellow board members, thank you for your guidance and counsel as we faced complexities extending beyond our business.

Finally, to our stakeholders across the globe, thank you for your continued support.

I truly believe in Exxaro's purpose and, along with my executive committee colleagues, I am committed to ensuring we power better lives every day.



Mxolisi Mgojo
Chief executive officer

19 April 2021

OUR STRATEGY: POSITIONING EXXARO FOR SUSTAINABLE GROWTH AND IMPACT

We concluded the decade to 2020 with a new strategy and started the next decade with a firm foundation for our journey towards a just transition. 2020 marked a milestone in the (near) conclusion and achievement of our prior strategic objectives, namely portfolio optimisation, ensuring a sustainable business, delivering operational excellence and product capital optimisation. We describe our performance against these objectives in the next section in the context of the following five material themes:



We have shifted and migrated from our original thinking of growing Exxaro through our Business of Tomorrow initiatives and responding to climate change threats. Instead, our Sustainable Growth and Impact strategy will transform Exxaro in a systematic and integrated manner into a diversified company that will transition from a coal-base to a renewable energy and minerals business that will thrive in a low-carbon future.

THE CONTEXT FOR CHANGE

Our purpose, to power better lives in Africa and beyond, is fundamental to our business. As our context continues evolving, our purpose informs our strategic plans and where we should focus our efforts.

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. This transition is changing life as we know it today and will impact energy and capital markets, value chains and the overall context for conducting business. 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.

We are committed to responsibly balancing these competing needs and delivering on our purpose, both now and into the future, through a thriving diversified business. Hence, our integrated strategic approach addresses the current state of play and positions our business for the future.

Renewable energy is a rapidly growing aspect of the energy mix across all major economies, including South Africa. In South Africa, the Integrated Resource Plan forecasts renewables' contribution to the energy mix to increase from about 10% today to between 45% to 50% in 2030. Our investment in Cennergi is our commitment to this future energy scenario.

TAKING AN INTEGRATED APPROACH

Our new Sustainable Growth and Impact strategy has been developed through broad consultation, informed by the latest industry research. Key stakeholders have been engaged throughout the process to ensure we consider their legitimate needs. The strategy has been submitted to the board of directors for input, supported by a clear implementation plan.

In developing our Sustainable Growth and Impact strategy, we have further integrated sustainability, growth and impact because we understand that these elements of our business and operating environment are deeply connected.

Going forward, our business portfolio will shift to more sustainable businesses, with a focus on renewable energy and a continued review of minerals contributing to a low-carbon world. This scope will establish the base for our new multi-core business. This multi-core business will be built on the platform of skills and technology that is driving our coal business.


Our coal business remains critical and strategic in supporting South Africa's economic development in the foreseeable future. Consequently, we have prioritised responsible mining through our early value coal strategy, which is a key pillar of the Sustainable Growth and Impact strategy. Our early value coal strategy optimises our coal reserves, minimises stranded high-value reserves and moves our operations lower on the cost curve. We are also able to meet our long-term CSAs to ensure the energy supply that supports the country's socio-economic development.





Our Sustainable Growth and Impact strategy

<p>Our purpose</p>	<p>Powering better lives in Africa and beyond</p>	
<p>Our vision</p>	<p>Resources powering a clean world</p>	<p>What does this mean? We see ourselves as a company who will be providing resources (beyond just commodities) critical to a low-carbon world. We see Exxaro as a diversified organisation with energy and mineral resources capabilities critical and relevant in a world of low carbon emissions.</p>
<p>Our strategy</p>	<p>Creating sustainable growth and impact</p>	<p>How will we achieve this vision? To deliver on our vision, Exxaro will focus on efforts to transition at speed to further diversify our business with a focus on low-carbon minerals and energy businesses by making considered capital allocation decisions and divesting of assets that do not support our strategic aspirations. To successfully operate in these growth areas, we understand that we need our people to thrive – this means creating an enabling work environment through effective operating models, enabling policies and ways of work. These will be built from the strong base that is the Exxaro culture and embodied values. Exxaro’s strategic focus on diversity and inclusion is designed to address the country’s legacy of exclusion by leveraging the power of diversity to create the requisite vibrancy and cultural representation needed to support our focus on innovation. We aspire to grow our ability to catalyse economic growth by providing access to clean energy in our acquisitions and by building and enabling SMMEs.</p>
<p>Our strategic objectives</p>	<p>Our roadmap to sustainable growth and impact</p>	<p>To create Sustainable Growth and Impact, we will focus on the following five objectives:</p> <ol style="list-style-type: none"> 1. Transition at speed and scale We will further evolve into a recognisable diversified minerals and energy business at a pace that will enable us to capture significant growth opportunities while ensuring a just transition. 2. Make our minerals and energy businesses thrive We will enhance focus on our core delivery areas: minerals and energy by using a prudent portfolio management and capital allocation approach as well as operational excellence using innovation and technology. 3. Empower people to create impact Our people are equipped with the capabilities, mindset and passion to achieve our purpose. 4. Be a catalyst for economic development Impact is intrinsic to our business investments and activities. We achieve diversity and inclusion, socio-economic impact as well as environmental stewardship in the delivery of our strategy. 5. Be carbon-neutral by 2050 Actively manage our scope 1 and scope 2 carbon emissions and reduce the volume of potable water consumed in our operations to achieve carbon-neutrality by 2050.

PERFORMANCE AGAINST OUR 2020 STRATEGY

Our 2020 strategic objectives guided our actions in a resource-constrained environment which was exacerbated by the impacts of COVID-19.

 Our trade-offs are outlined on page 60 and our material matters are on page 6 and from page 38 to 49. The following tables outline our strategic objectives that guided our actions and achieved performance.

OPTIMISING OUR PORTFOLIO	
What this means	Related material themes
<p>We remain focused on ensuring we have an optimal portfolio to deliver on our purpose – powering better lives in Africa and beyond. This requires tough calls on our assets to ensure we are responsibly extracting the maximum value from these investments. These must be robust and profitable against volatile market conditions and resilient to climate change pressure.</p>	
KPIs and performance	Performance in 2020
<p>Portfolio optimisation remains a strategic objective to ensure a simplified business structure that will reduce the holding discount in our valuation. In relation to the coal business, we also want to keep a portfolio of assets that will withstand market price volatility with high-quality reserves providing flexibility under changing market conditions for coal products.</p>	<p>Business of Tomorrow: No further investments in Business of Tomorrow. Current Business of Tomorrow investments are held for possible future divestment at an appropriate time.</p> <p>Black Mountain Proprietary Limited (Black Mountain): Exxaro continues to evaluate its options to dispose of its shareholding in Black Mountain following the suspension of the sales process in December 2020.</p> <p>Coal operations As part of our sustainable growth approach, we conducted an internal review to evaluate and optimise our current portfolio of coal operations and investments. We took a strategic decision to dispose of our ECC and Leeuwan operations, having identified these assets as non-core to Exxaro's future objectives. Subsequent to 31 December 2020, Exxaro signed a sale and purchase agreement with Overlooked Colliery Proprietary Limited who will acquire ECC. The sale will only be effective once all conditions precedent to the sales agreement have been met. The disposal process for Leeuwan continues.</p> <p> Refer to our operational performance on page 96 for more information.</p>
Looking forward	Related SDGs
<p>A key component of our new strategy revolves around optimising our strategy to ensure the viability of our business into the future. We will continue aligning our portfolio to these plans. Exxaro's deepest roots and expertise lie in energy. As energy security is critical to food and water security, we determined that we can most powerfully move the needle by sharpening our focus on energy and gaining nearer-term traction in that area and ensuring water security for our current and future mineral operations.</p> <p> See page 54 for more information on our Sustainable Growth and Impact strategy.</p>	

South Africa struggled with national lockdowns to halt the spread of the COVID-19 virus, but our focus remained on delivering against our strategic objectives in a safe and sustainable manner.

ENSURING THE SUSTAINABILITY OF OUR BUSINESS																					
What this means	Related material themes																				
<p>We continue refining our sustainability strategy and sustainable development approach in the context of the just transition.</p> <p>Our embedded safety and health strategies and stakeholder relations enabled us to respond timeously and effectively to COVID-19.</p>																					
KPIs and performance	Performance in 2020																				
<p>Target: top quartile FTSE Russell ESG Index</p> <p>FTSE Russell ESG Index - Exxaro's historical performance</p> <table border="1"> <caption>FTSE Russell ESG Index - Exxaro's historical performance</caption> <thead> <tr> <th>Year</th> <th>Environmental</th> <th>Social</th> <th>Governance</th> <th>Final ESG score</th> </tr> </thead> <tbody> <tr> <td>FY18</td> <td>3.3</td> <td>4.6</td> <td>3.3</td> <td>3.3</td> </tr> <tr> <td>FY19</td> <td>3.6</td> <td>4.6</td> <td>4.0</td> <td>3.6</td> </tr> <tr> <td>FY20</td> <td>3.6</td> <td>4.6</td> <td>4.0</td> <td>4.0</td> </tr> </tbody> </table>	Year	Environmental	Social	Governance	Final ESG score	FY18	3.3	4.6	3.3	3.3	FY19	3.6	4.6	4.0	3.6	FY20	3.6	4.6	4.0	4.0	<p>Health: managing lives and livelihoods </p> <p>Exxaro's coal operations and Cennergi were declared essential services to ensure continued coal and wind supply for electricity generation during the national lockdown in 2020. Consequently, we were able to maintain 100% operating capacity for most of our operations since the start of the lockdowns. However, our Matla operation operated at 80% until the beginning of October 2020. As such, employee and community safety and health were paramount to, firstly, minimise the spread of COVID-19 while maintaining production performance and secondly, respond promptly to ensure effective recovery.</p> <p> See page 14 for more COVID-19-related information.</p> <p>Just transition journey – a holistic response to climate change</p> <p>Our TCFD analysis highlighted the increasing risk of carbon price exposure as Global Climate Action is focused on meeting the Paris Agreement target of 2°C (and below) by the end of the century. We are confident that attaining our carbon-neutrality target for scope 1 and scope 2 emissions by 2050, combined with making our business portfolio climate resilient in a low-carbon world through our Sustainable Growth and impact strategy, will mitigate the financial impact of carbon exposure risk. Our considered social interventions include sustainable impact strategies that will involve, among others, regenerative rehabilitation and repurposing relevant assets such as our land, to develop new industries beyond coal mining for the livelihoods of local communities.</p> <p>We are committed to implementing the TCFD recommendations, which will support our communicated strategic direction. We started with an assessment process prior to the national lockdown and due to the setback from the pandemic, the publication of the recommendation report was delayed.</p> <p> Refer to page 118 for more information.</p>
Year	Environmental	Social	Governance	Final ESG score																	
FY18	3.3	4.6	3.3	3.3																	
FY19	3.6	4.6	4.0	3.6																	
FY20	3.6	4.6	4.0	4.0																	
Looking forward	Related SDGs																				
<p>We remain focused on improving our overall ESG performance with responsible stewardship and managing our sustainability. Our focus remains on health and safety, our social licence to operate and including human rights best practice, environmental stewardship and managing and responding to climate change.</p> <p> See page 54 for more information on our Sustainable Growth and Impact strategy.</p>																					

PERFORMANCE AGAINST OUR 2020 STRATEGY continued

DELIVERING OPERATIONAL EXCELLENCE

What this means

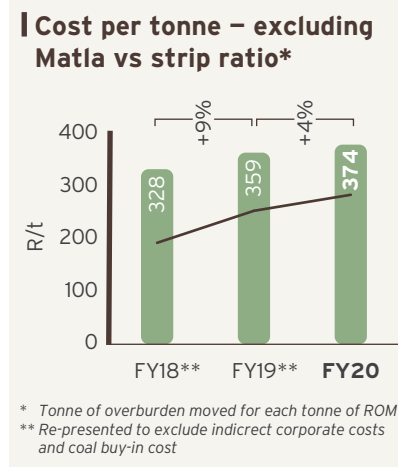
Operational excellence refers to the drive to improve how we do business. While our primary measure remains on our cost per tonne mined, this strategic objective stretches across all operations and reflects the constraints of the environment we operate in and our drive to maximise efficiency in this context.

Related material themes



KPIs and performance

Target: limit increase to mining inflation (R/tonne)



Performance in 2020

We continue rolling out our integrated operations centres across our BUs, enabling operational insights and in-time decision making. These centres assist us on our journey to improving our safety, productivity and cost performance. Our investments in digitalisation, innovation and technology support these goals, and we continued to seek opportunities to ensure cost-competitive production and improved efficiency for higher volumes.

Responsible and safe operations are a key component of delivering operational excellence and we continue investing in programmes that support a safe and healthy working environment, responsible environmental stewardship and protecting our social licence to operate.

More information can be found in our business resilience and people sections on page 104 and 108 respectively.

Looking forward

Our goal is to ensure our coal operations will be best-in-class and cost-competitive. Supported by our companywide drive to achieve operational excellence, we continue meeting our customers' expectations of volumes, quality and price.

See page 54 for more information on our Sustainable Growth and Impact strategy.

We are planning for a below consumer price index (CPI) +2% (mining inflation) increase in production unit costs per tonne, acknowledging inflation costs, with improving volume efficiencies. Cash cost performance and free cash flow generation (as our expansion capex comes to an end) will be material measures of operational success.

Related SDGs



PRUDENTLY OPTIMISING CAPITAL

What this means

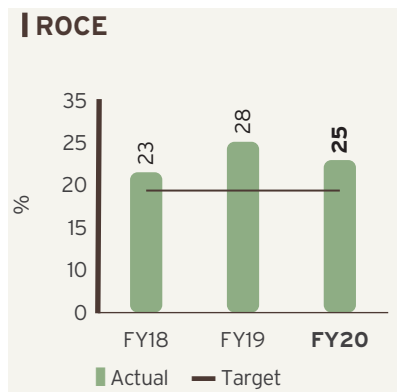
Cautiously allocating our capitals, particularly our financial capital, is a critical part of our value creation process and, as such, forms part of our strategic objectives. Our leadership teams are charged with prudently allocating capital to ensure we deliver on our current strategic priorities, as well as position the business for future growth.

Related material themes



KPIs and performance

Target: return on capital employed (ROCE) of >20%. Dividend policy: 2.5 times to 3.5 times group core net profit after tax (excluding SIOC core equity-accounted income) less non-controlling interests (NCI) of Exxaro subsidiaries (excluding NCI of Eyesizwe) “adjusted group earnings” and a pass through of the Sishen Iron Ore Company Proprietary Limited (SIOC) dividend.



Performance in 2020

Exxaro's improved capital allocation programme continued delivering on commitments related to capital expenditure for its production growth through project delivery and return of cash to shareholders with the near conclusion of our expansion programme. Our focus remains on optimising and implementing our portfolio of growth and sustaining capital.

In relation to capital expenditure and project delivery, other than GG6, all projects were on schedule and on budget. On the GG6 expansion project, the overall schedule was impacted by the COVID-19 national lockdown period and contractor performance, resulting in an overall 12-month delay from the originally approved timeline, and an estimated 10% capital overrun. The project and operations teams continue seeking opportunities to optimise capital expenditure and mitigate negative impacts on the business.

Grootegeeluk's rapid load-out station project is aligned with the TFR north-west corridor expansion project. On 30 September 2020, it was successfully handed over to the Grootegeeluk complex for operation.

We are in the process of finalising our options regarding the future of the Thabametsi mine, given the latest announcements that the Independent power producer (IPP) is unlikely to continue due to the withdrawal of key stakeholders.

Debt management (balance sheet): In order to manage its capital expenditure programme, Exxaro sources funds in both the Debt Capital and traditional banking markets. Alternative sources of funding allow Exxaro to fund its obligations in terms of the capital expenditure programme with a blend of interest rates which results in a lower interest cost.

Looking forward

We continue ensuring we align with shareholder expectations – protecting returns, prudently allocating capital to our existing business and ensuring transparency regarding our future capital allocation plans.

Refer to page 54 for more information on our Sustainable Growth and Impact strategy.

Related SDGs



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 outline two of the many strategic trade-offs we grappled with during the year below.


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 also 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.

 For more information, see page 118.

Related material themes



Related SDGs



BALANCING SHORT-TERM SHAREHOLDER EXPECTATIONS WITH LONG-TERM STRATEGIC INVESTMENT


Balancing short-term shareholder performance expectations while continuing to invest in future growth can be challenging. Many of our strategic investments are long-term initiatives that require significant time and financial investment. These include our digitalisation and innovation journey, investments in renewable energy and capital expansion projects. Conversely, shareholders have a reasonable expectation to receive returns through dividends and capital appreciation.

We are committed to navigating this challenge through transparency and communication, and ensuring our strategy aligns with shareholder expectations.

Our board-approved dividend policy offers shareholders clarity about dividend expectations and our growth plans. Our revised strategy, and focus on building our renewable energy and minerals businesses, necessitated a review of our dividend policy during the year. The board of directors has approved cover ratios (2.5 times to 3.5 times) to be applied to the Exxaro adjusted group earnings and not only coal earnings. Our current dividend policy, which has been clearly communicated to shareholders, now entails:

- A pass through of the SIOC dividend received
- A dividend based on a cover ratio of 2.5 to 3.5 times Exxaro adjusted group earnings, to include earnings contributions from Cennergi

Furthermore, we continue engaging with stakeholders to help them understand our strategic growth strategy and, in turn, ensure we align with and understand their expectations.

 For more information, see page 62.

Related material themes



Related SDGs



Shirley Mnisi of our ESD beneficiary, Jehovha Jaira




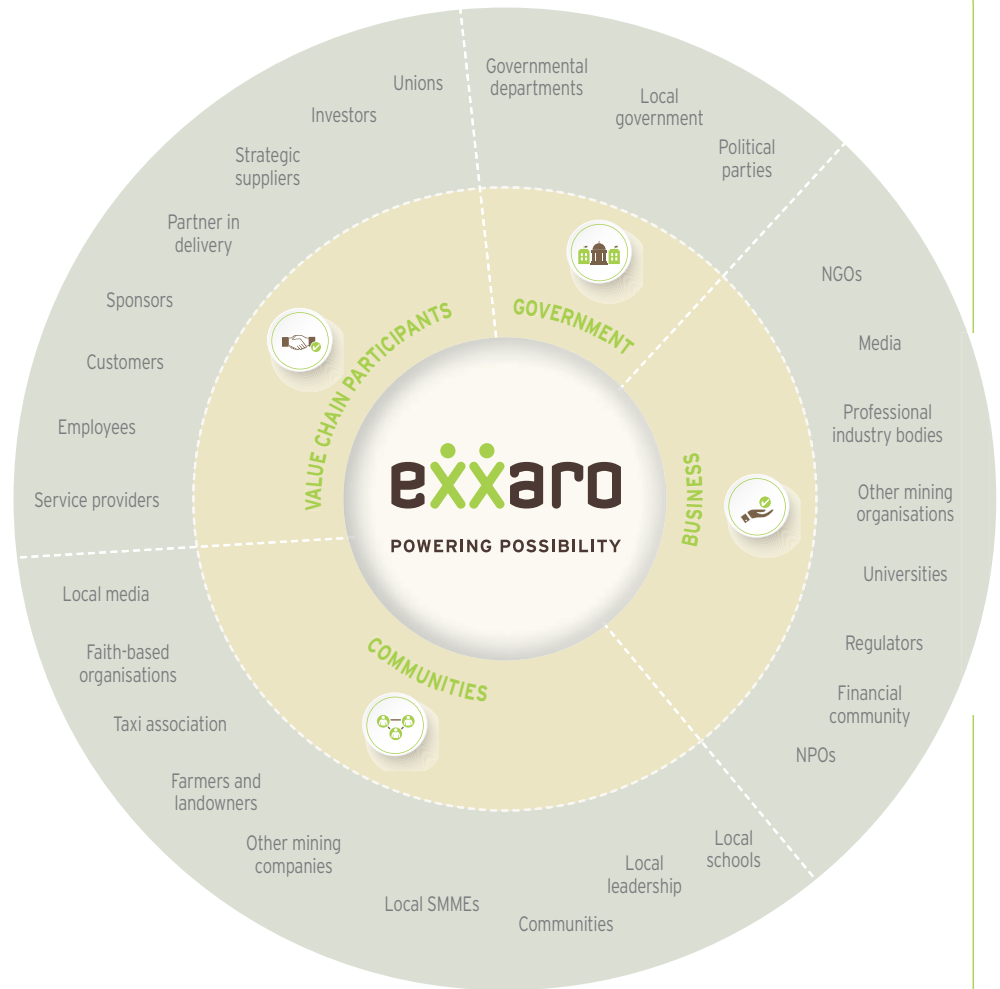
STAKEHOLDER MANAGEMENT

In support of Exxaro’s purpose of powering better lives for all in Africa and beyond, we continue to work towards improving the quality of our relationships with stakeholders. We strive to do so by building long-term, stable and trusting relationships that facilitate business activities and create shared value for all our stakeholders.

EXXARO'S STAKEHOLDER UNIVERSE

We take a holistic approach to stakeholder engagement, believing that we are a participant in an interconnected network. As such, we view stakeholders in terms of our stakeholder universe framework, which includes stakeholders who have a material influence or have a high potential of forming part of a network of influence on the execution of the stakeholder excellence agenda. These stakeholders can be grouped into four main clusters including government (regulators), communities, value chain participants and the business community.

 For more information about engagements with key stakeholders please see page 30 of our ESG Report.



Exxaro's approach to stakeholder management

Exxaro utilises a key account management (KAM) approach to stakeholder management. Our management process has foundations in the global best practice AccountAbility 1000 Stakeholder Engagement Standard (AA1000 SES). Our objective is to enable a responsive and proactive method of managing stakeholder relationships and stakeholder-driven risks in an increasingly dynamic and uncertain operating environment.

Given our decentralised operating structure, interactions between head office and operations has been focused on developing and implementing BU stakeholder management plans in accordance with the KAM approach and use of technology systems to support engagement activities. Developments in this regard are encouraging.

The board approved a new stakeholder management policy in 2020. The new policy aims to promote and embed the implementation of our stakeholder management practice, and application of the guidelines in Exxaro, supporting the achievement of the company's strategic objectives.

Looking ahead, the primary focus will be on ensuring an enterprise-wide application of the KAM approach and monitoring the culturalisation of stakeholder management. This is to ensure we mature from ad hoc and procedural engagement to the intentional, proactive management of stakeholder-related risks and opportunities.

Stakeholder rating scale

- 0 No existing relationship, or the relationship that does exist has deep challenges and problems
- 1 An established relationship exists, but can be improved
- 2 A good, quality relationship exists with the opportunity to improve further
- 3 A very strong relationship exists, based on mutual trust and respect

SUMMARY OF KEY STAKEHOLDER RELATIONSHIPS

GOVERNMENT (REGULATORS)

Why we engage


Government and regulatory authorities are a critical stakeholder group. We operate in a highly regulated industry and strive to go beyond compliance, building partnerships with our regulators to ensure mutual success. Through transparent engagement, we look to identify areas of collaboration, share insights on policies and other plans and ensure Exxaro is working with government to be a catalyst for economic growth and development.

Quality of the relationship: 2/3

Basis of rating: External assessment

- We conduct a reputation survey every two to three years (the last survey was conducted in 2018)
- A pilot relationship quality assessment is underway, aiming to quantify the quality of key relationships in the DMRE as well as provincial governments of Limpopo and Mpumalanga. The results will be available in the first half of 2021

Hot topics

-  Exxaro's response to COVID-19 and economic recovery
- Just (energy) transition and Exxaro's strategic outlook
- Social impact issues, including the economic and financial inclusion of women in South Africa's economy, Exxaro's contribution to the end of gender discrimination and GBV, Exxaro's community benefit scheme, local community concerns, Exxaro's land and agriculture projects in Limpopo, Mpumalanga and the Eastern Cape, and the best practice use of communal land

EMPLOYEES

Why we engage


Employees are the strategy execution engine for Exxaro. Therefore, it is essential that the focus, profile and development efforts of Exxaro's employee base are aligned with its strategy. That's why we engage proactively with our employees through various channels, both formal and informal, as well as in person and electronically.

Quality of the relationship: 2/3

Basis of rating: External assessment

- We conduct a reputation survey every two to three years. The last survey was in 2018
- Baseline employee engagement survey conducted in 2020

Hot topics

-  COVID-19 and preventing the spread of the virus
- Fullco agreements (continuous operation with limited to no interruptions (public holidays bought out in a collective agreement))
- Divestment from the ECC and Leeuwpan operations
- Diversity and Inclusion

  For more information about how we are responding, please refer to the people section on page 108.

LABOUR UNIONS


Why we engage


Labour unions represent our employees and, as such, form an important part of our stakeholder universe. Proactive engagement is an essential part of our risk management and maintaining workplace harmony.

Quality of the relationship: 2/3

Basis of rating: Internal assessment

Hot topics

- Wage negotiations
-  COVID-19 and employee wellbeing
- Recognition thresholds

  For more information about how we are responding, please refer to the people section on page 108.

STAKEHOLDER MANAGEMENT continued

COMMUNITIES

Why we engage

Exxaro operates in eight local municipalities of South Africa and two provinces (Mpumalanga and Limpopo) with closed mines in another three municipalities, including two in KwaZulu-Natal. Stakeholder-related risks and issues among this group of stakeholders relate primarily to Exxaro's material issues of social unrest and maintaining our social licence to operate.


Through our ongoing engagements, we strive to ensure there is no community unrest that can lead to production delays and stoppages, a proactive resolution of issues and challenges before they escalate to community unrest, improved visibility of Exxaro's success stories, local job opportunities and community development initiatives, and shared value and benefit from local mining activity.



Quality of the relationship: 2/3

Basis of rating: Internal assessment informed by various external surveys

- We conduct a reputation survey every two to three years (the last survey was conducted in 2018)
- Perception assessment conducted by social facilitators at Belfast and Matla

Hot topics

- Employment and procurement opportunities at Exxaro as well as skills development that enables access to employment or procurement opportunities at Exxaro
- Challenges facing communities including prevailing health conditions, low literacy and low skills levels in the community are a barrier to community members accessing employment and procurement opportunities, which continues to drive community protests
- Challenges regarding engaging communities including inconsistent community representation, unproductive engagement and participation in community forums, violent community engagement events, community demands led by individual agendas and community representatives unwilling to adhere to sound governance processes
-  The COVID-19 pandemic has grave implications for our communities, compounding unemployment and poverty. When lockdown regulations eased, community groups demanded to engage with BUs on prioritisation of skills development, employment and business opportunities. Cooperation with Exxaro contractors is being pursued to ensure local consideration in skills development, employment and subcontracting government engagements are also addressing challenges to the prevention of the spread of the virus. Exxaro's areas of intervention included water-related infrastructure through our SLPs as well as provision of accessories to schoolchildren and food parcels to needy communities. Community development and engagement are guided by the implementation of the SLPs, focusing on expediting water and health-related infrastructure
- Local taxi associations are key stakeholders in Exxaro's BUs as we rely on them to transport employees and contractors. However, there are challenges associated with local taxi associations; they expect and demand opportunities at exorbitant rates, which affects employees' ability to travel to and from work
- Local governments frequently shy away from accountability for mandated responsibilities, leading to instances where activities and/or outcomes are expected and/or demanded from Exxaro. This misalignment of expectations is exacerbated by service delivery gaps and internal factional conflicts in local governments
- Prevailing misalignment and tension between local government structures, community members and representation, exacerbated by service delivery challenges, introduced complexity in the local stakeholder landscape and challenged Exxaro's ability to implement SLP initiatives
- Climate change and sustainability: there are significant environmental impacts of mining activity on communities

  For more information about how we are responding, please refer to the social licence to operate and environment sections of this report on page 116 and 118.

INVESTORS

Why we engage


Our investors are the owners of our business and have expectations regarding the value creation of their investment. Through clear communication of our strategy and distribution policies, we can align with their expectations and grow trust in our organisation, which strengthens our access to capital.


Quality of the relationship: 2/3

Basis of rating: Internal assessment informed by various external surveys

- The results of the annual investor/analyst perception survey conducted in May 2020 showed minor changes compared with the results of the 2019 survey and remained positive. There was a higher level of qualitative feedback in the third report, revealing insights and making constructive suggestions
- Overall, Exxaro management is still perceived as delivering well in its operational commitments. However, there was a decline in clarity of the overall acquisition/disposal strategy and the diversification strategy
- Disclosure perceptions increased slightly with the perception that Exxaro has the technical and leadership skills required to achieve its objectives, with capital allocation and our approach to it perceived positively

Hot topics

- The coal business's performance, the shift to energy rationale, capital allocation and impact on the dividend policy as well as inquiries into the energy strategy. An emerging area of interest is shareholder climate change activism
-  The impact of COVID-19 on the business is still top of mind for investors who focused on management actions taken during the crisis to cope with and contain the virus – balance sheet, operations and employee and community safety and livelihoods were the main issues
- Exposure to Eskom and key relationship management versus the stated legal challenge in light of the force majeure. Additionally, the risk Eskom's structural breakup comprises for the future as well as its recent/current unreliable electricity supply
- A persistent investor issue is the value unlock of "rump" (assets) and the company's stated strategic asset focus versus selective diversification. The early value coal strategy and avoidance of sterilised or non-contributory assets in the Waterberg and Mpumalanga have played a key role in the perception of the investment case
- Exxaro's renewable energy strategy and cornerstone investment of 100% ownership of Cennergi will remain top of mind for the foreseeable future

 For more information about how we are responding, please refer to the Chairman's statement, CEO's report and Financial director's overview on pages 10, 52 and 84 respectively.



CUSTOMERS**Why we engage**


We aim to foster customer understanding and strategic partnerships through continuous engagement and information sharing, and actively listening to our partners to foster mutually beneficial relationships. Engagements are aimed at understanding the environment, trends and market sentiment; exploring future relationships; and improving operational and financial performance.

Quality of the relationship: 2/3**Basis of rating: Internal assessment informed by various key data measured**

- Effective and ongoing engagement with customers
- Effectively dealing with and resolving complaints from customers

Hot topics

- Reduced production volumes impacting supply to the market
- Inability to consistently provide product at the correct specification
-  Disruptions in demand as South Africa and the world are faced with the second/third waves
-  Credit risk/poor payment – some customers were adversely affected by the COVID-19 pandemic and requested more lenient payment terms in the short term

 For more information about how we are responding, please refer to the operational review section on page 96.

SUPPLIERS**Why we engage**

Our suppliers are a critical part of our value chain. Managing these relationships to create mutual benefit supports our operational, strategic and impact goals, and forms part of our risk management approach.

The supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities. Supply chain management achieves this through supplier collaboration initiatives intended to deliver cost savings, achieve sustainability mandates, ensure the security of supply and mitigate business risk exposure. The supplier relationship management approach positions Exxaro at an advantage to extract discretionary value and emerge as a "customer of choice" for selected strategic suppliers.

Quality of the relationship: 3/3**Basis of rating: Internal assessment informed by various external surveys**

- We conduct a reputation assessment every two to three years (the last assessment was conducted in 2018)

Hot topics

Exxaro's sourcing strategies set out to concurrently optimise for:

- Performance and supply risk
- Financial and fraud risk
- Supply chain sustainability

 For more information on our ESD programme, please refer to page 78 of our ESG report.

BUSINESS RISKS AND OPPORTUNITIES FOR GROWTH

Exxaro drives accountability, transparency and business efficiency on all levels of the organisation through our integrated risk management approach that forms part of our strategy, governance and day-to-day operations.

OUR ENTERPRISE RISK MANAGEMENT (ERM) PROCESS

The Exxaro risk management process is a strategic enabler embedded in all our processes, functions and systems. Risk management, together with crisis management, is a board objective, which is ingrained in Exxaro's corporate culture.

The risk management framework is based on principles embodied in the ERM framework published by the Committee of Sponsoring Organisations of the Treadway Commission, the International Guideline on Risk Management (ISO 31000) and King IV. It also considered applicable codes of best practice such as:

- ISO 9001
- ISO 14001
- ISO 18001

The group's risk management is mature. It is performed at management level with a different scope and context in mind. The organisational risk layers are vertically integrated and provide input into the specific risk profiles.



GOVERNANCE AND OVERSIGHT OF RISK MANAGEMENT

Exxaro is committed to complying with and maintaining the principles of the code of corporate practices and conduct set out in King IV. In terms of this code, the board is responsible for the overall governance of risk management, as well as forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the organisation.

Exxaro's ERM framework aims to integrate risk management across the organisation to support our vision, strategy and values, and drive the achievement of business objectives. Exxaro has accomplished this by:

- Embedding risk management within its culture
- Proactively identifying future uncertainties and planning for them
- Exploiting opportunities presented by risk events
- Training employees to think about risks as part of their decision-making process

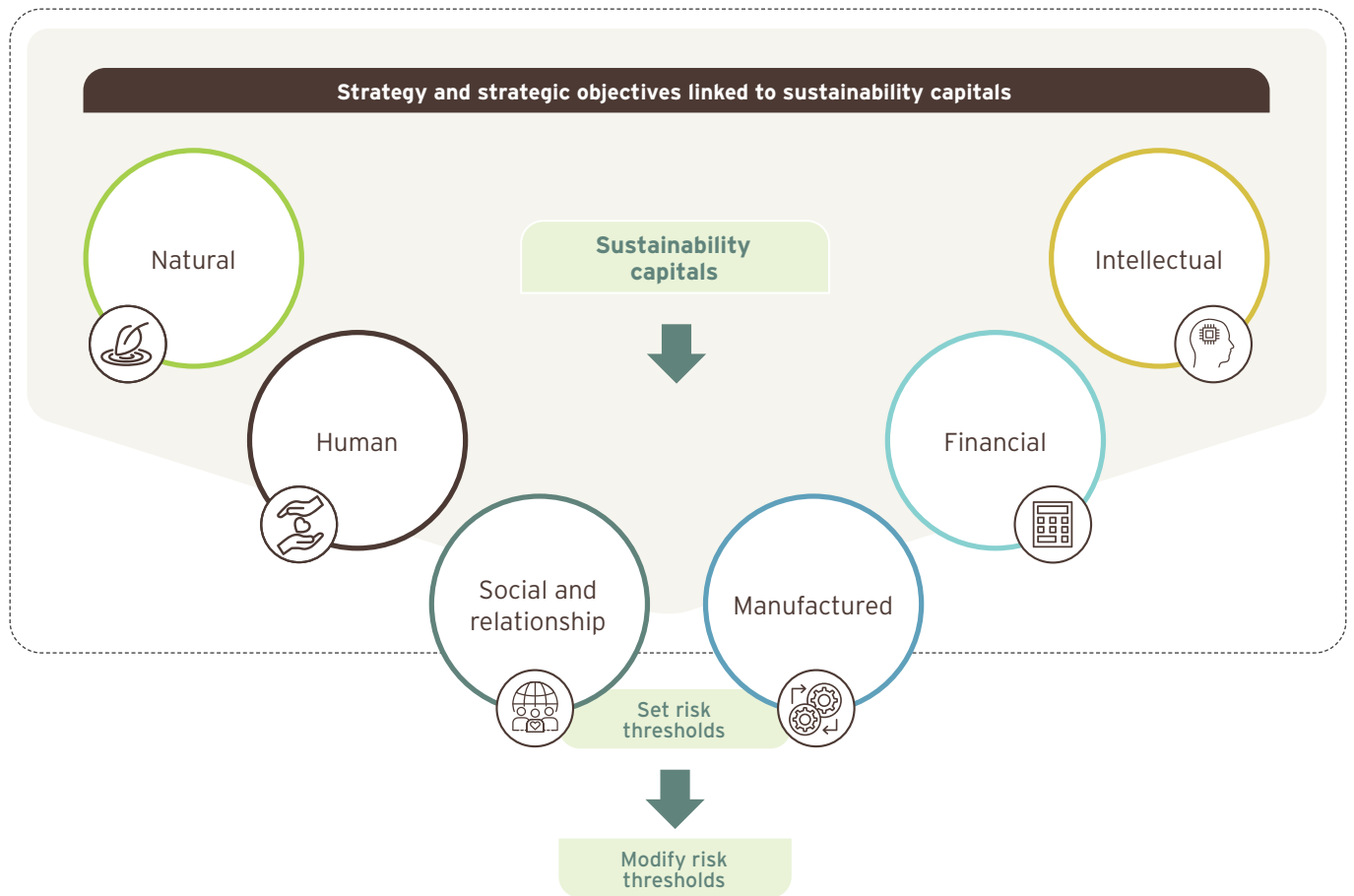
RISK APPETITE AND THRESHOLDS

Exxaro defines risk appetite as the type and level of risk the group is willing to accept to meet strategic objectives. The risk appetite is a key input in the strategy planning process.

We understand that, if we want to create value for all our stakeholders and remain sustainable, we need to measure and monitor our progress by using appropriate key performance indicators (KPIs).

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

Risk appetite methodology



For details, please refer to performance against strategy on page 56.

The Exxaro ERM framework is also an appropriate tool for the identification and realisation of 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 near future it is important to adapt the coal business to change and to identify and pursue possible opportunities that ultimately create value, such as reducing stranded high-value coal reserve risk.

The opportunities we identified in 2020 are outlined in the table below and informed our Sustainable Growth and Impact strategy.

Opportunity	Strategic objective
The early value coal strategy and our ability to maximise resource to market opportunities leveraging the low cost and flexibility of our coal assets and reserves	Make our minerals and energy businesses thrive
Accelerated expansion into renewable energy to support our low-carbon transition	Carbon-neutral by 2050 Make our minerals and energy business thrive
The relationships and partnerships we have built and continue to build as part of our ESG commitments and ultimately Sustainable Growth and Impact strategy to create future growth for Exxaro	Empower people to create impact
Enhance Exxaro's social impact from its growth and transition to a low-carbon future	Become a catalyst for economic development Transition at speed and scale

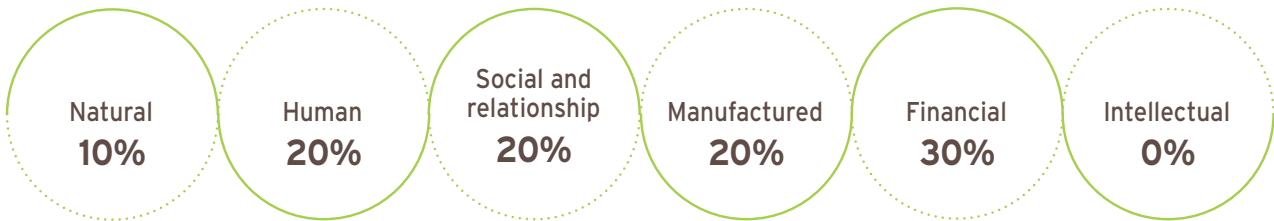
BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

2020 VERSUS 2019 RISK COMPARISON

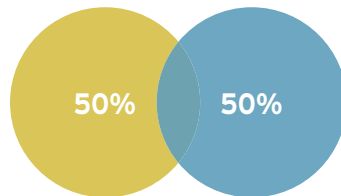
Our risk scores are derived from the product of the likelihood and the impact of the unwanted event. We rank our risks according to residual risk score from highest to lowest.

$$\text{Risk} = f \left(\begin{array}{c} \text{Likelihood} \\ \text{of risk occurring} \end{array} \times \begin{array}{c} \text{Impact} \\ \text{of the risk} \end{array} \right)$$

% of risks linked to sustainability capitals



% risks from internal versus external sources

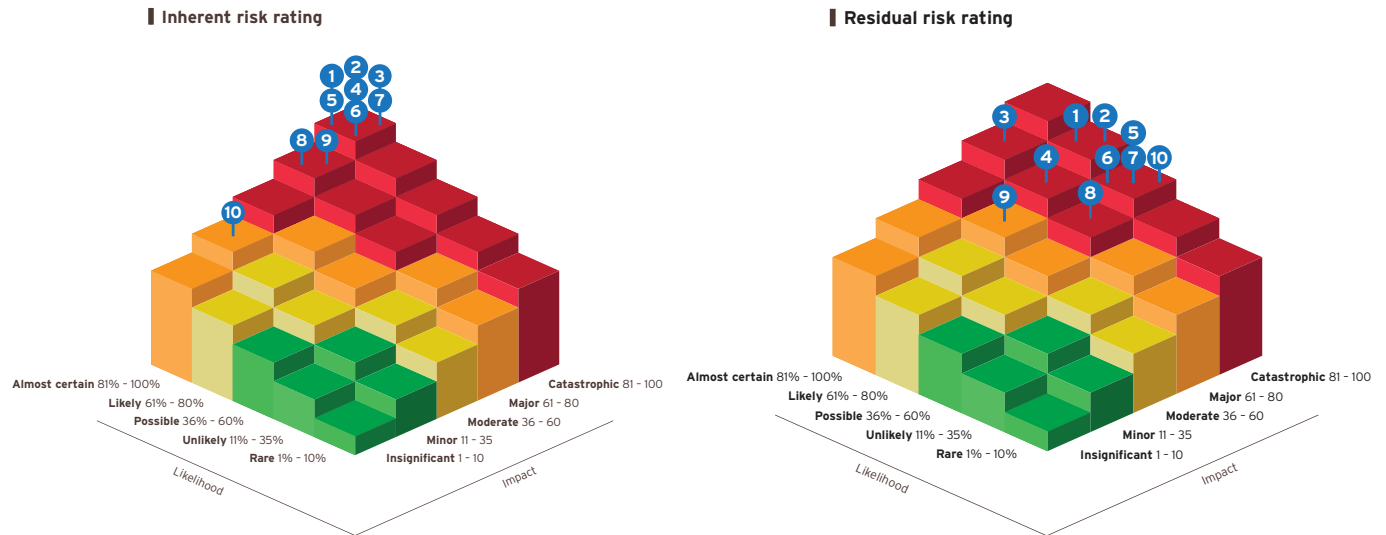


Matla mineral resource management team at work



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.




Residual risk			
Rank	Risk	Likelihood	Residual risk
1	COVID-19 concerns	70	67
2	Eskom systemic risk	71	65
3	Unavailability of rail capacity	85	60
4	Community unrest	79	57
5	Employee safety and health concerns	58	56
6	Cost competitiveness of products	49	47
7	Climate change concerns	52	46
8	Country risk (political)	58	46
9	Inability to achieve financial targets	75	45
10	Low commodity price	55	44

Inherent risk			
Rank	Risk	Likelihood	Inherent risk
1	COVID-19 concerns	98	98
2	Community unrest	97	92
3	Eskom systemic risk	95	90
4	Cost competitiveness of products	95	90
5	Employee safety and health concerns	92	87
6	Climate change concerns	95	86
7	Low commodity price	95	81
8	Country risk (political)	95	76
9	Unavailability of rail capacity	85	64
10	Inability to achieve financial targets	85	51

BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

RESPONSE TO RISKS AND TRENDS

Managing risk is a trade off between the expense of treatment plans and the impact of the risk.

 To manage the risks associated with COVID-19 and to ensure business continuity, a decision was taken to activate Exxaro's crisis management plan as an integrated response that prioritised actions to ensure the stability of operations and safety of our employees, contractors, service providers and host communities. The crisis management team was mandated to oversee the COVID-19 response strategy to ensure that action plans/treatments to address risks were implemented effectively. Amid these extraordinary circumstances, the impact of the pandemic on the business and its financial performance was not material.

This bears testament to the resilience of our business and the effectiveness of our response actions (page 14). As we venture along the transition journey to transform our business, we anticipate our risk profile will morph to reflect exposures characterising the nature of our business. At the same time, we will continue to harness opportunities along our journey.

Ranking	Risk name	Outlook
01	COVID-19 concerns	The COVID-19 pandemic has dealt a heavy blow to the global economy. The effects of the second wave of COVID-19 will continue to be felt throughout 2021. The current COVID-19 preventative measures and anticipated roll-out of the vaccine programme in South Africa with the aim of achieving herd immunity will assist in arresting the spread of the disease.
02	Eskom systemic risk	Financial viability of Eskom remains a concern in the short to medium term. Eskom's operational challenges and the slowdown in the economy will affect Eskom's ability to generate revenue and address its financial challenges.
03	Unavailability of rail capacity	Exxaro currently does not have full access to our contracted export capacity due to various operational challenges experienced by TFR. A study is currently underway to identify alternative solutions to transport our product.
04	Community unrest	Civil unrest has been identified as one of the country's key risks. This will impact our communities and has the potential to spill over into operations. The socio-economic impacts of COVID-19 will continue to be felt as the South African economy struggles to recover and create job opportunities.
05	Employee safety and health concerns	With continued implementation of safety improvement plans, our safety performance is expected to continue improving.
06	Cost competitiveness of products	Rand per tonne (impacted by production and efficiency) will remain a focus area. Volatile conditions and cost pressure remain. Key actions to reduce cost include: install renewable electricity given the expected price increases from Eskom
07	Climate change concerns	COVID-19 has increased global action against climate change.
08	Country risk	Socio-political risks, policy uncertainty and the weak economy have heightened focus on this risk.
09	Inability to achieve financial targets	Record highs were recorded for export coal volumes at the end of December 2020. Good financial results are expected for 2021 due to cost-saving initiatives and favourable commodity prices.
10	Low commodity prices	The positive outlook for coal prices in 2021 will have a positive impact on revenue and profits.

Lines of defence

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

Risk trend

- ↑ Increased
- ↓ Reduced
- Unchanged
- + New



1. COVID-19 concerns

Drivers

- Low commodity prices
- Disengaged and anxious workforce (permanent employees and contractors)
- Rapid spread of the virus
- 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 on 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)

Impacts

- Safety impacts (fatalities and incidents)
- Health 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

Capitals impacted

Strategic performance 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

Treatments

- "Hardened" security processes and tools and increased monitoring
- Commissioning of 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 South Africa and provincial and local governments
- Ongoing monitoring of messaging and continuous updates of critical information
- Roll out and continuous updating of COVID-19 business continuity management plan at operations
- Human resources guidelines in line with government's lockdown regulations
- Activation of crisis management plan

Lines of defence: 1 and 2

Materiality theme:

Risk trend ↑

BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

Lines of defence	Risk trend
1 Management of risk (risk owner)	↑ Increased
2 Management support and oversight	↓ Reduced
3 Independent assurance	→ Unchanged
	+ New

2. Eskom systemic risk

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 liquidity risk: Eskom not honouring commercial rights and obligations as per CSAs

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 at Grootegeeluk due to pit liberation impacts as a result of further Medupi power station delays or inability of Eskom to take contracted offtake

Capitals impacted



Strategic performance KPIs

- B-BBEE contribution level
- Black ownership
- SLP project delivery
- Capital project delivery
- Core operating margin
- Annualised ROCE
- Annual core HEPS and net debt to core EBITDA

page 13 of this report and page 20 of ESG report

Treatments

- Cost of coal production becomes uncompetitive at Matla (lack of capital)
- Enforcement of CSA and arbitration award in terms of environmental funding
- Capex funding to build siding to evacuate coal at Matla
- Active participation by Exxaro to move coal from the Waterberg to Mpumalanga and deployment of temporary solution to load test train from Waterberg to Mpumalanga
- Top management and political interaction with ministers when required
- Ongoing discussions on the future of Matla

Lines of defence: 1 and 2

Materiality theme:

Risk trend →

3. Unavailability of rail capacity

Drivers

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

Impacts

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

Capitals impacted



Strategic performance KPI

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

Treatments

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

Line of defence: 1

Materiality themes:

Risk trend +

Lines of defence

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

Risk trend

- Increased
- Reduced
- Unchanged
- New

4. Community unrest

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
- 2021 municipal electioneering
- Perceived slow transformation at operations
- Conduct of contractors (employment practices) Exxaro is seen as endorsing
- Fractured communities and competing interests
- Manipulation of information/community against Exxaro
- Lack of employment opportunities (worse since COVID-19 outbreak)
- Economic recession resulting in job losses during the COVID-19 pandemic
- Lack of procurement opportunities

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

Capital impacted



Strategic performance KPI

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

page 13 of this report and page 20 of ESG report

Treatments

- Emergency response and crisis management plans
- Carve out opportunities
- Municipal capacity building
- Impact Catalyst projects (refer to ESG page 80)
- ESD (including contractors)
- Build local, provincial and national government relationships
- Invest in non-mining skills development programmes
- Roll out bursaries/skills development programmes
- Roll out community engagement plans for proactive engagement (refer to ESG page 78)
- Transparent and ongoing communication with communities
- Effective local procurement strategy
- Certified COVID-19 testing facilities in Mpumalanga and Limpopo for community members in place

Lines of defence: 1 and 2

Materiality themes:



Risk trend

BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

Lines of defence	Risk trend
1 Management of risk (risk owner)	↑ Increased
2 Management support and oversight	↓ Reduced
3 Independent assurance	→ Unchanged
	+ New

5. Safety and health concerns

Drivers

- Rapid spread of COVID-19 infections among employees and contractors
- Anxious and disengaged workforce (additional COVID-19 regulation and some companies impacted by COVID-19 laying off 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 (in line of fire)
- 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

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)

Capital impacted



Strategic performance KPIs

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

  page 13 of this report and page 20 of ESG report

Treatments

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

Lines of defence: 1, 2 and 3

Materiality theme:



Risk trend ↓

Lines of defence

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

Risk trend

- ↑ Increased
- ↓ Reduced
- Unchanged
- + New

6. Cost competitiveness of products

Drivers

- 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
- Volatility of exchange rate
- 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)

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

Capital impacted



Strategic performance KPIs

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

Treatments

- Embrace technology and innovation initiatives to improve productivity performance
- Ensure achievement of P75 (refers to an improved year-on-year performance level in terms of production volumes across our BUs, against a base set for each operation in 2018, to be achieved in 2020)
- 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

Lines of defence: 1, 2 and 3

Materiality theme:



Risk trend →

BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

Lines of defence	Risk trend
1 Management of risk (risk owner)	↑ Increased
2 Management support and oversight	↓ Reduced
3 Independent assurance	→ Unchanged
	+ New

7. Climate change concerns

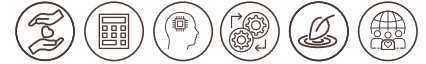
Drivers

- 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; 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)

Capitals impacted



Strategic performance KPI

- Water intensity
- Carbon intensity

page 13 of this report and page 20 of ESG report

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 PPE 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 transition to a low-carbon future
- Invest in appropriate technology to reduce own emissions
- Embed climate change mitigations in design criteria for existing and new projects
- Plan and embark on early value coal strategy to reduce stranded assets
- Develop renewable energy strategy to transition to lower carbon economy
- Adopt TCFD framework to engage with stakeholders
- Align with Paris Agreement
- Develop market intelligence on carbon pricing
- Effective water management processes for water security

Lines of defence: 1, 2 and 3

Materiality themes:



Risk trend ➔

Lines of defence

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

Risk trend

- ↑ Increased
- ↓ Reduced
- Unchanged
- + New

8. Country risk (political)

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 gross domestic product (GDP) growth forecasted to be (3.1%) for 2021
- Limited fiscal capacity

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 (such as 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

Capitals impacted



Strategic performance KPIs

- Enhancing social investment through "impact at scale" initiatives for local and regional community development
- Government engagements (national, provincial and local) through industry lobby groups and own initiatives
- Strategic capital investment that contributes to economic development

Treatments

- Aligning purpose with governance and ethics
- Continuous monitoring of independent country risk assessment report
- Engage shareholders on coal business and capital allocation for new strategy
- Establish and participate in collaborative regional development platforms for community impact
- Exxaro developing 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 of stakeholders
- Increased focus on provincial and local players and intensified engagement across local stakeholder networks to mitigate shocks "from above"

Line of defence: 1

Materiality theme:



Risk trend ↑

BUSINESS RISKS AND OPPORTUNITY FOR GROWTH continued

Lines of defence	Risk trend
1 Management of risk (risk owner)	↑ Increased
2 Management support and oversight	↓ Reduced
3 Independent assurance	→ Unchanged
	+ New

9. Inability to achieve financial targets

Drivers

- Macro-economic factors
- Disaster Management Act directives issued
- Critical input supplies not available
- Counterparties not meeting contractual obligations (Eskom and AMSA)
- Claims from contractors due to the impact of the COVID-19 pandemic on timelines
- Reduced rail capacity for exports in 2021

Impacts

- Cash flow constraints
- Increased cost of production

Capitals impacted



Strategic performance KPIs

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

Treatments

- Disposal of ECC and the Leeuwan 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)

Lines of defence: 1, 2 and 3

Materiality theme:



Risk trend ↓

10. Low commodity price

Drivers

- Global and domestic economic slowdown worse after the COVID-19 outbreak
- Structural economic challenges in the USA and trade wars
- Global resistance to fossil fuels
- Cost of renewable energy technology decreases

Impacts

- Financial losses
- Difficult to forecast planning and budgets
- Feasibility of new projects (capital projects not achieving expected returns)
- Existing assets not achieving expected returns

Capital impacted



Strategic performance KPIs

- Core operating margin
- Annualised return on capital employed
- Annual core HEPS and net debt to annualised EBITDA

page 13 of this report and page 20 of ESG report

Treatments

- Impact of volatility frequently assessed in corporate model
- Improve speed of mine planning to match price volatility
- Negotiate long-term fixed price agreements
- Diversify away from thermal coal
- Adoption of resource to market model
- Focus on market intelligence in the coal sector
- Adjust and optimise business plan for circumstances (alternative markets)
- Ensure operations are low on the cost curve

Line of defence: 1

Materiality themes:



Risk trend ↓

Digital operation centre at Matla



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 102 of our ESG report) with comparable information for trend analysis where possible.

The board and audit committee assessed the effectiveness of controls for the year ended 31 December 2020 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 compliance	Ngubane	3	Yes	Yes
Insurance risk surveys	IMIUI	3		Yes
Major and mega capital projects	EY	3		Yes
Mineral Resource and Mineral Reserve 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 2020

The total number of findings raised since 2018 is 309. The split by status of the findings is depicted in the chart below. As at 31 December 2020, there was a total of 150 findings that had been successfully resolved from the total of 309, leaving a total of 159 open findings that require the attention of management and assurance providers.

Status of findings	Internal audit	Other assurance providers	Total
Follow-up in progress	33	0	33
Ready for audit	40	74	114
Within timelines	5	2	7
Open/outstanding (overdue)	2	3	5
Total	80	79	159

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	0	1	1	0	2
Other assurance providers	0	0	0	3	3
Total	0	1	1	3	5

THE EXXARO ZERO HARM PLEDGE

(May you all stand, put your hand over your heart and repeat after me as the m

I PLEDGE THAT I WILL ALWAYS:

Be responsible for my personal safety and the safety of others

Remember that ALL accidents are preventable

Obey safety rules, policies and procedures

Refrain from performing any task I am not adequately trained to do

Do not work if I feel it's unsafe to do

Practice good housekeeping

Report any incident, injury, unsafe condition or unsafe practice immediately
Safety rep.

Choose safety all the time, whether I am at work or at home

SAFETY ALWAYS..... ALL THE TIME

Safety pledge at Exxaro's 2020 Sustainability Summit which was certified as a green event by the Heritage Eco-Events Programme

OUR PERFORMANCE IN 2020

- 84 Finance director's overview
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- 98 Macro-environment
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- 108 Our people
- 114 Human rights
- 116 Social licence to operate:
enabling our legitimacy
- 118 Our environment:
stewardship and compliance

POWERING KHETHA UKUPHEPHA



This year, Exxaro celebrated four years without a fatality across our mining operations; a remarkable milestone and one that highlights the importance of our continued and collective safety efforts.

Safety is an ongoing focus for us as a business and our commitment to achieve zero harm is embodied in our Khetha Ukuphepha campaign, meaning "Choose Safety". The campaign was designed to ensure every employee keeps safety and individual responsibility front and centre. It promotes adherence to our strict safety standards and ensuring we all return home each day unharmed.

"We believe that zero harm is possible. We cannot sell coal associated with injuries and loss of life. That's not our business. Four years without any fatalities marks a great milestone for our company and for the future of the South African mining industry. The leadership and strategic initiatives to improve safety regulations have ensured that all of our employees can work in an environment they can trust, and that they can return home to their loved ones unharmed," said Dr Joseph Matjila, group manager: safety and health.

FINANCE DIRECTOR'S OVERVIEW



Riaan Koppeschaar
Finance director

While Exxaro's operations were declared an essential service during the lockdown period, and able to operate, the environment remained challenging. However, our managed operations were able to show strength and resilience resulting in a 25% increase in core EBITDA* to R7.3 billion.

The contribution from our non-controlled operations showed a significant increase with core equity-accounted income increasing 36% to R6.5 billion, mainly due to the performance of SIOC[^].

This translated into core headline earnings per share rising to R29.73 compared to R23.54 in 2019. We are pleased to have declared record ordinary dividends of R18.86 per share to our shareholders, compared to R14.30 for 2019.

GLOBAL ECONOMY AND COMMODITY PRICES

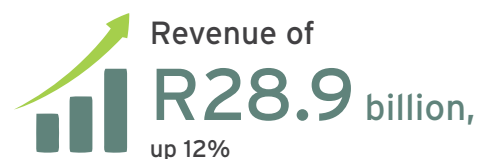
Notwithstanding the COVID-19 lockdown restrictions imposed in 2020, steam coal demand remained fairly steady in the domestic market. There was good offtake from Eskom at the Matimba Power Station, with the Medupi Power Station falling slightly short for the year. Eskom did not take coal from Leeuwpan and ECC as the parties are still in the process of concluding new CSAs.

Demand from AMSA was impacted due to the initial lockdown restrictions and lower steel demand. AMSA's offtake recovered somewhat with the easing of the lockdown restrictions.

Internationally, the onset of the COVID-19 pandemic impacted global demand as industries ceased production under lockdown conditions. This was evident in the sponge iron markets on the East Coast of India. As restrictions eased, demand in India returned to pre-pandemic levels in the last quarter of 2020. The import ban on Australian thermal coal in China resulted in China importing coal from South Africa. In turn, Australian coal found its way into the Indian and Pakistani power generation and cement markets.

The average benchmark API4 RBCT export price of US\$65 per tonne was 10% lower (2019: US\$72 per tonne) resulting in an 11% lower average price per tonne achieved of US\$48 (2019: US\$54 per tonne). The average spot exchange rate was weaker at R16.45 to the US dollar (2019: R14.44).

SNAPSHOT



Core EBITDA* of

R7.3 billion, up 25%

Core headline earnings of

R29.73 per share, up 26%

Cash generated by operations at

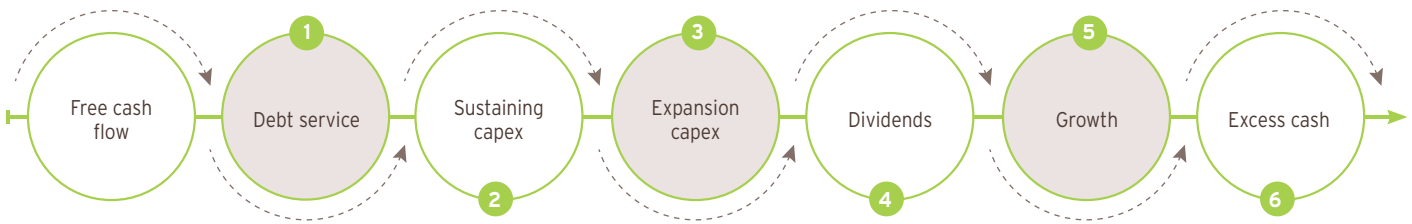


* Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss).

[^] Sishen Iron Ore Company Proprietary Limited.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

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



During 2020, we received cash of R10.1 billion, comprising R6.8 billion from our operations (net of tax paid) and dividend income received from our equity-accounted investments of R3.3 billion.

We then utilised this cash in terms of our capital allocation framework, to mainly:

- Service our debt (R1.1 billion)
- Sustain our coal operations with capital expenditure (R2.1 billion)
- Expand our coal operations with further capital expenditure (R1 billion)
- Pay ordinary dividends of R4 billion
- Acquire Exxaro shares in the market to the value of R270 million to settle vested share-based payment schemes
- Pay the final payment for the ECC contingent consideration of R195 million

Our net debt increased to R11 billion at 31 December 2020 with the consolidation of the Cennergi project financing of R4.7 billion.

The closing net debt position at 31 December 2020 therefore culminated in a:

- Net debt: equity ratio of 28%
- Net debt: core EBITDA cover ratio of 0.96 times, excluding the Cennergi project financing, which was well below our target of 1.5 times

Given our strong balance sheet, underpinned by strong cash flow generation, the board of directors approved a final dividend of 1 243 cents per share in March 2021, in line with our revised dividend policy, comprising:

- A pass through of the SIOC dividend receivable
- 2.5 times adjusted group earnings

Exxaro paid the following dividends during 2020:

- A final dividend relating to the 2019 financial year of 566 cents per share (R1 420 million to external shareholders) paid in April 2020
- An interim dividend of 643 cents per share (R1 614 million to external shareholders) paid in September 2020

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 the operations of Exxaro benefit through CSI
- All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion

Core equity-accounted income of

 **R6.5 billion,**
up 36%

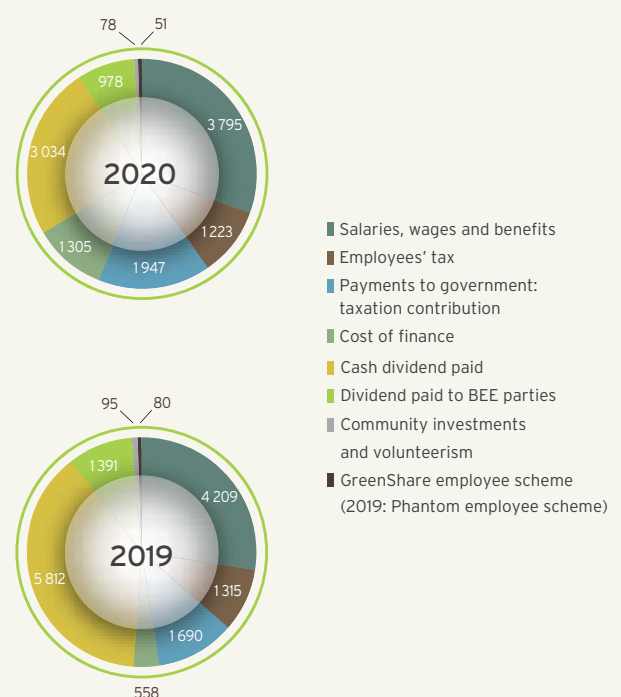
Total ordinary dividend declared of

 **R18.86 per share**
for 2020

Tronox proceeds to be returned to shareholders:

Special dividend of **R5.43 per share**
R1.5 billion share buy-back programme

Value distribution (Rm)

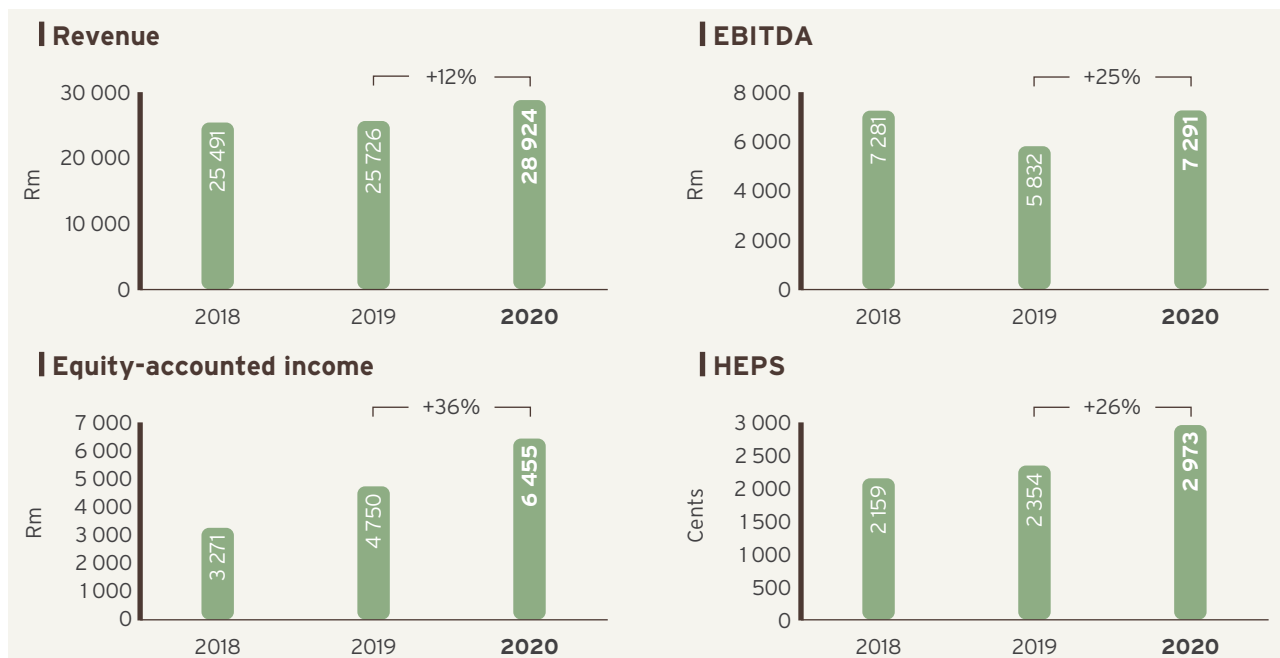


FINANCE DIRECTOR'S OVERVIEW continued

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 items to derive our core financial results. Further details on non-core items are shown under the respective financial performance measures.

Group core performance – diverse portfolio delivers higher earnings



Group revenue

Consolidated group revenue increased 12% to R28 924 million (2019: R25 726 million), mainly due to higher commercial coal revenue driven by higher domestic prices on Eskom sales, slightly offset by lower metallurgical and market coke prices in line with international prices, as well as record coal export volumes. Despite the impact of the COVID-19 pandemic, we managed to increase export volumes by 34%, mainly due to higher coal availability, with Belfast ramping up to full production, albeit at lower export prices realised in line with the lower benchmark API4 price. The 14% weaker average rand/US dollar spot rate realised also contributed to an overall increase in export revenue. With the acquisition of the remaining 50% interest in Cennergi, renewable energy revenue was included in our consolidated financial results from 1 April 2020.

Group EBITDA and core EBITDA

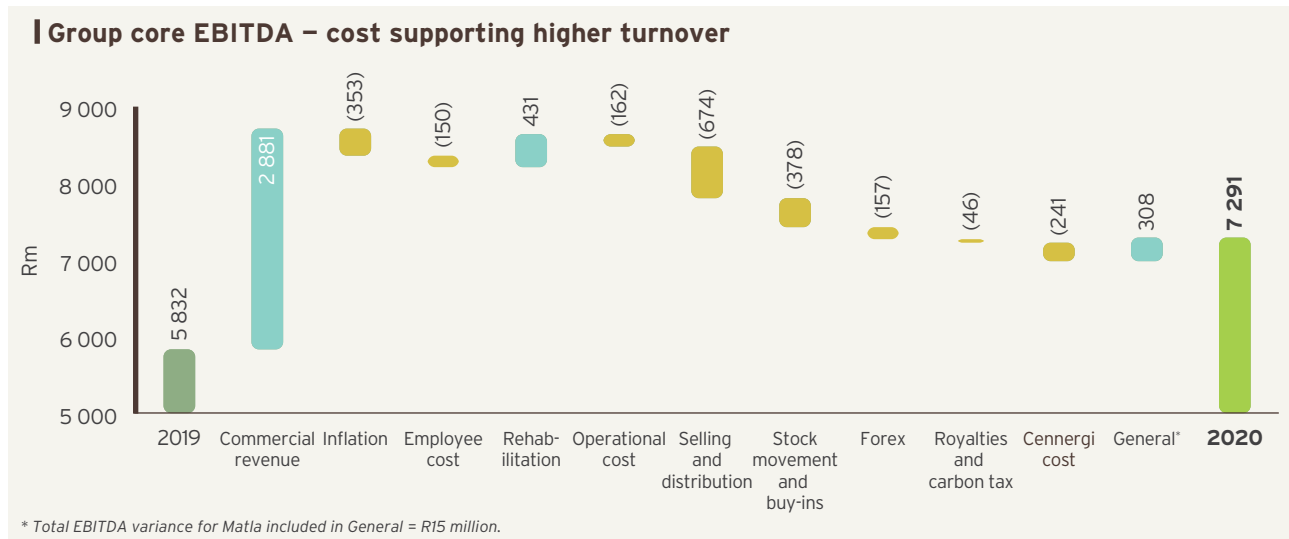
The higher revenue was the main driver of the 22% increase in consolidated group EBITDA of R7 246 million (2019: R5 953 million).

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 items)

	2020 Rm	2019 Rm
EBITDA	7 246	5 953
Insurance claim recovery from external parties	(14)	(99)
Losses on share of cash flow hedge reserve recycled on deemed disposal of Cennergi JV	59	
Indemnification asset relating to the tax implications of the partial disposal of Tronox Holdings plc		(65)
Targeted voluntary packages		396
Loss on financial instruments revaluation recycled to profit or loss		1
Fair value adjustment on debt		(58)
Fair value adjustment on the ECC contingent consideration		(296)
Core EBITDA	7 291	5 832

Group core EBITDA increased 25% to R7 291 million (2019: R5 832 million) for reasons shown in the graph below.



The positive revenue impact has already been discussed under group revenue. In respect of inflationary increases, labour inflation was 4.2%, electricity at mine specific rates averaging 10.1% and inflation on the rest of the costs at producer price index (PPI) of 2.5%.

Employee cost was higher with the capitalisation of costs at Belfast ceasing in February 2020. COVID-19 allowances were also paid to employees at the mines during the hard lockdown period coupled with additional costs incurred to comply with sanitisation protocols.

Adjustments to the environmental rehabilitation liability resulted in a positive variance due to the increase in the closure cost estimate at Durnacol and Hlobane in 2019 (not recurring in 2020), an increase in the LoM of Dorstfontein East as well as higher discount rates used in the calculation of the liability for the group. This was partially offset by the liability adjustment of Belfast, which was previously capitalised.

Operational cost was higher mainly due to the ceasing of capitalisation of costs at the Belfast mine, partially offset by lower production volumes and associated production costs at our ECC operations as well as lower contractor costs at Grootegeluk.

The negative variance in selling and distribution costs is in line with higher export sales volumes.

Higher volumes of third-party buy-ins were incurred in the first quarter of 2020 to fulfil contracts, due to some production challenges.

The net negative forex variance is a combination of realised and unrealised forex differences on export sales as a result of the fluctuation of the rand/US dollar exchange rate.

Higher royalties expense was in line with the higher revenue.

Cennergi costs represent operational costs for the two windfarms for the nine-month period from 1 April 2020 to 31 December 2020.

The positive variance under general expenses can be ascribed mainly to lower costs incurred on various projects during the lockdown period as well as a favourable adjustment to our expected credit losses due to outstanding payments received from debtors.

FINANCE DIRECTOR'S OVERVIEW continued

Group core equity-accounted income

Core equity-accounted income from associates and joint ventures (after adjusting for non-core items¹) increased 36% to R6 455 million (2019: R4 750 million), mainly as a result of SIOC.

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

Core equity-accounted income

	Core equity-accounted income/(loss)		Dividend income	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Coal: Mafube	67	127		
Coal: RBCT	8	3		
Ferrous: SIOC	6 123	4 423	3 119	4 051
TiO ₂ : Tronox SA	226	236		
Energy: Cennergi ²	13	45	144	95
Energy: LightApp	(18)	(28)		
Other: Black Mountain	122	51		
Other: Insect Technology	(85)	(103)		
Other: Curapipe	(1)	(4)		
Total	6 455	4 750	3 263	4 146

¹ Non-core items relate to headline earnings adjustments.

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

Group earnings and core earnings

Headline earnings were 2% lower at R7 417 million (2019: R7 599 million). The decrease in the headline earnings is mainly due to the BEE Parties sharing in the consolidated Eyesizwe results for 12 months in 2020 compared to the two months in 2019, partially offset by better profitability from controlled operations and higher equity-accounted income from non-controlled operations. This equates to basic headline earnings per share (HEPS) of 2 955 cents per share (2019: 3 027 cents per share). The weighted average number of shares (WANOS) for both financial years was 251 million.

Key items impacting on comparability (non-core items)

Description	2020 Rm	2019 Rm
Headline earnings	7 417	7 599
– EBITDA adjustments	45	(121)
– Eyesizwe preference dividend accrued (consolidated impact)		25
– Additional tax on non-core adjustments		(101)
Core headline earnings	7 462	7 402

After adjusting for non-core items, core headline earnings increased by 1% to R7 462 million (2019: R7 402 million). To ensure a consistent comparison on core headline earnings per share (core HEPS), the core WANOS before 1 November 2019 was 332 million, reducing to 251 million from 1 November 2019 due to the recognition of non-controlling interests. Core HEPS increased 26% to 2 973 cents per share (2019: 2 354 cents per share), mainly driven by a 36% increase in core equity-accounted income, of which SIOC is the main contributor, as well as better performance from our own managed operations.

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2020 Rm	2019 Rm
ASSETS		
Non-current assets	65 824	57 978
Property, plant and equipment	38 395	33 562
Intangible assets	3 095	16
Right-of-use assets	453	462
Inventories	128	101
Equity-accounted investments	20 006	17 502
Financial assets	2 141	2 674
Deferred tax	1 076	467
Other assets	530	3 194
Current assets	9 033	9 121
Inventories	1 821	1 809
Financial assets	169	272
Trade and other receivables	2 827	3 241
Cash and cash equivalents	3 196	2 695
Other assets	1 020	1 104
Non-current assets held-for-sale	3 749	1 741
Total assets	78 606	68 840
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	1 021	1 021
Other components of equity	2 495	2 723
Retained earnings	35 265	31 032
Equity attributable to owners of the parent	38 781	34 776
Non-controlling interests	9 340	8 111
Total equity	48 121	42 887
Non-current liabilities		
Interest-bearing borrowings	7 448	6 991
Lease liabilities	493	461
Other payables	24	121
Provisions	1 946	4 305
Retirement employee obligations	147	181
Financial liabilities	782	
Deferred tax	8 236	7 138
Other liabilities	27	167
Current liabilities	10 244	5 179
Interest-bearing borrowings	6 163	50
Lease liabilities	29	27
Trade and other payables	2 940	2 603
Provisions	185	99
Financial liabilities	49	498
Overdraft	17	976
Other liabilities	861	926
Non-current liabilities held-for-sale	1 138	1 410
Total liabilities	30 485	25 953
Total equity and liabilities	78 606	68 840

FINANCE DIRECTOR'S OVERVIEW continued

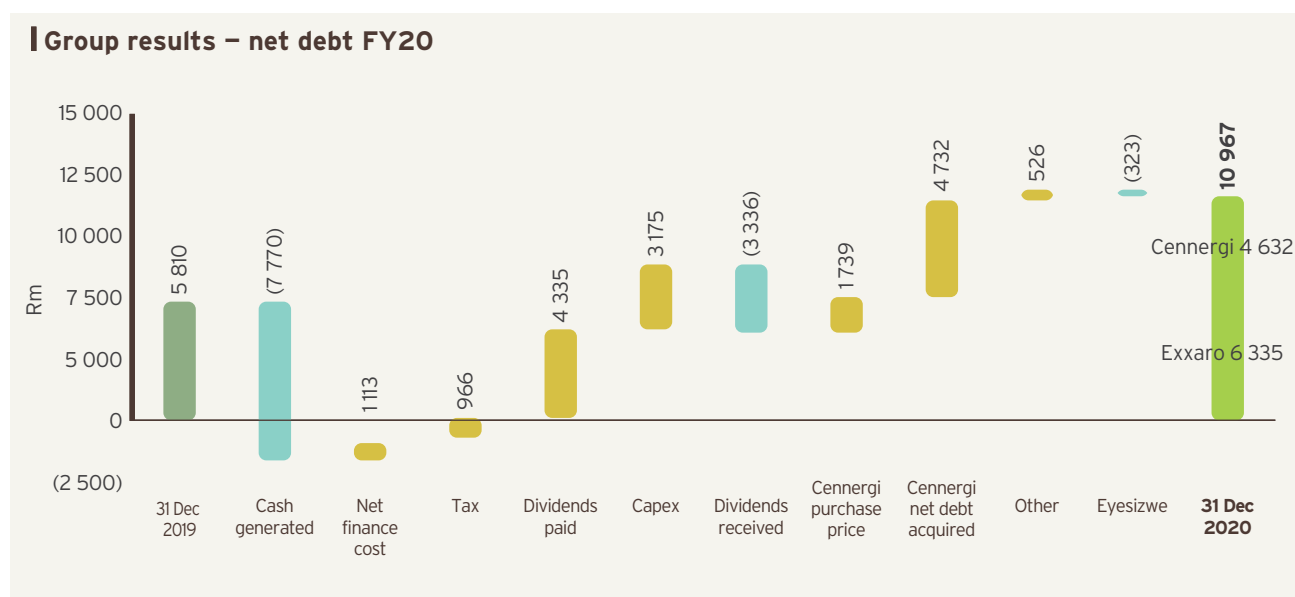
Property, plant and equipment increased by R4 833 million when compared to the previous year, which includes R2 225 million spent on sustaining and environmental capital (stay-in-business capital) and R950 million on new capacity (expansion capital) as well as the consolidation of Cennergi from 1 April 2020.

As part of the accounting for the acquisition of Cennergi on 1 April 2020, intangible assets in respect of key customer contracts of R2 685 million and goodwill of R521 million were recognised.

Cash and cash equivalents increased 19% to R3 196 million when compared to the previous year. Cash flow generated by operations of R7 770 million (2019: R5 273 million) and dividends received from investments of R3 336 million (2019: R4 653 million) were sufficient to cover our capital expenditure and ordinary dividends paid. Total dividends received from our investment in SIOC was R3 119 million (2019: R4 051 million). SIOC declared a final dividend to its shareholders in February 2021, amounting to R3 663 million for Exxaro's 20.62% shareholding. The dividend will be accounted for in 2021.

Net debt for the year ended 31 December 2020 increased by R5 157 million to R10 967 million (2019: R5 810 million), mainly driven by the inclusion of the Cennergi project financing of R4 632 million.

The graph below summarises key movements in the net debt balance for the year ended 31 December 2020.



SALE OF NON-CORE ASSETS AND INVESTMENTS

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain following the suspension of the sale process in December 2020. At 31 December 2020, the investment no longer met the criteria to be classified as a non-current asset held-for-sale with the retrospective reinstatement of the equity method from 1 November 2019.

As mentioned previously, we undertook a strategic decision to dispose of our total equity interest in ECC and Leeuwpan, having identified these assets as non-core to the future objectives of Exxaro. The resultant sales process is well underway and good progress has been made notwithstanding the COVID-19 environment. Subsequent to 31 December 2020, Exxaro signed a sale and purchase agreement with Overlooked Colliery Proprietary Limited, who will acquire ECC. The sale will only be effective once all conditions precedent have been met. The disposal process for Leeuwpan continues.

Subsequent to 31 December 2020, Exxaro concluded its stated strategy to monetise its stake in Tronox over time in the best possible manner taking into account prevailing market conditions.

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 cashflow 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.

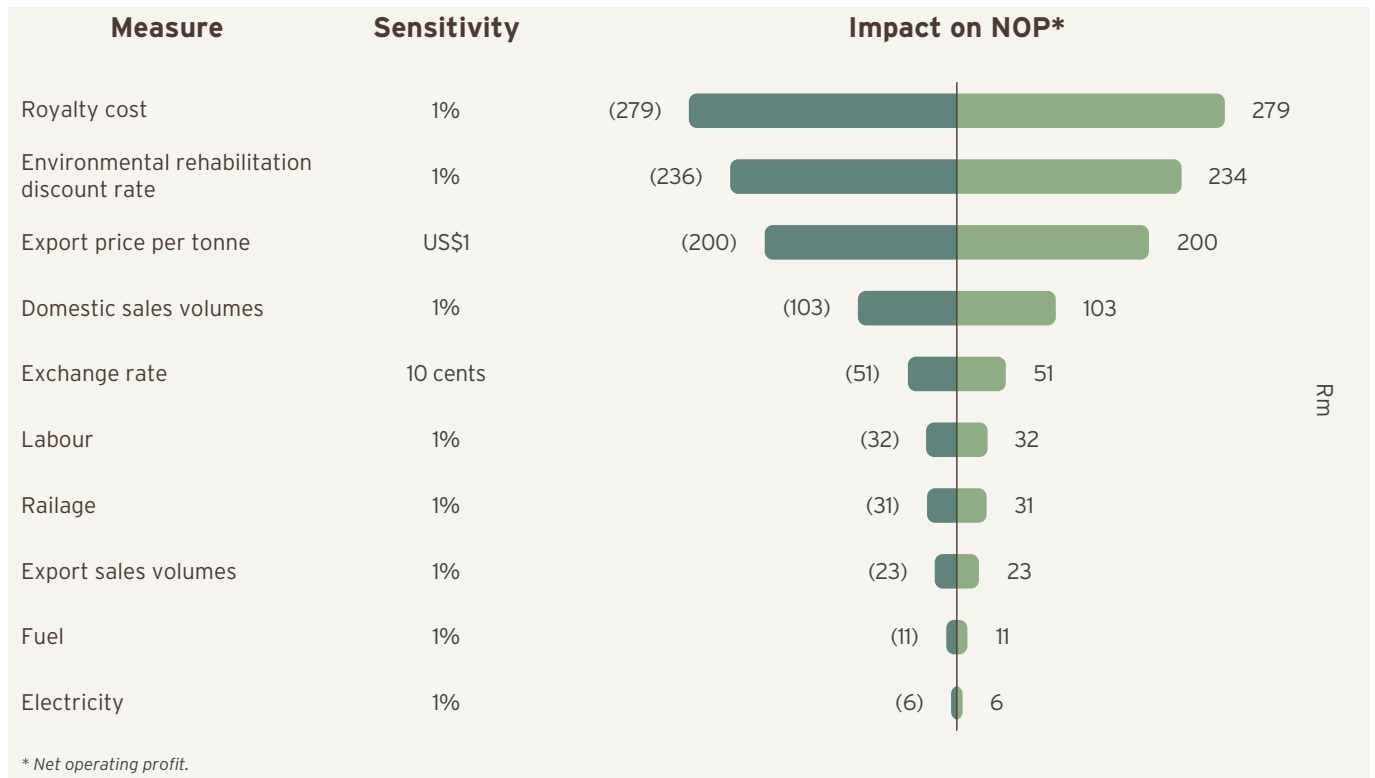
We have also comfortably met all our bank covenants for the year ended 31 December 2020 as well as the previous financial year.

Performance – key indicators	Target	2019	2020
Internal KPIs			
EBITDA interest cover* (times)	>4	160	15
Net debt: equity* (%)	<40	17	17
Net debt: EBITDA* (times)	<1.5	1.0	1.0
Return on capital employed (%)	>20	28	25
Bank covenants**			
Net debt: equity (%)	<80	17	14
EBITDA interest cover (times)	>4	19	11
Net debt: EBITDA (times)	<3	0.7	0.7

* 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



FINANCE DIRECTOR'S OVERVIEW continued

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 analyses exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, commodity price risk, interest rate risk and price risk), credit risk and liquidity.

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. The group's policy covers 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 the group's income 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.

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 forward exchange contracts (FECs), currency options and currency swap agreements.

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

Uncovered cash and cash equivalents amount to US\$116.35 million (2019: US\$89.81 million).

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

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

The following significant exchange rates applied during the year:

	2020			2019		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US\$	16.45	16.43	14.62	14.44	14.73	14.13
Euro (€)	18.76		17.97	16.16		15.83
AU\$	11.35		11.27	10.05		9.90

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 current commodity FECs on coal will mature within the next four months.

Details of the contracts at 31 December 2020 are as follows:

2020	Group			
	Tonnes	Market related value Rm	Contract value Rm	Recognised fair value losses Rm
Coal	450 000	577	528	(49)

Commodity price sensitivity

An adverse change in the commodity price of 10% is demonstrated below. This analysis assumes that all other variables remains constant.

2020	Impact on profit/(loss) Rm
Coal	(53)

A 10% positive move against the above commodity prices at 31 December 2020 would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

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. 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 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 as follows:

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

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

Liquidity risk management

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

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

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

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2020 Rm	2019 Rm
Amount approved	48 476	43 470
Total borrowings	(13 611)	(7 041)
Unutilised borrowing capacity	34 865	36 429

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2020 and 2019 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.

FINANCE DIRECTOR'S OVERVIEW continued

Credit risk management

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 exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

Exxaro has concentration risk as a result of its exposure to one major customer, being Eskom. To date 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 in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month expected credit loss component that results from possible default events within the 12 months after the reporting date and a lifetime expected credit loss component that results from all possible default events over the expected life of a financial instrument.

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

Detail of the trade receivables credit risk exposure:

At 31 December	Group	
	2020 %	2019 %
By geographical area		
RSA	72	65
Europe	16	17
Asia	12	16
USA		2
Total	100	100
By industry		
Public utilities	57	53
Mining	6	38
Manufacturing	1	1
Merchants	30	1
Food and beverage	1	1
Steel	4	3
Structural metal		2
Cement		1
Other	1	
Total	100	100

OUTLOOK

Economic context

World real GDP growth in 2020 contracted by 3.9% compared to an expansion of 2.6% in 2019. In 2021, global economic growth recovery is anticipated to continue, however, the worldwide resurgence of COVID-19 infections together with associated restrictions and the availability and timeous roll out of vaccines will weigh on the extent of such economic recovery.

The impact of COVID-19 on South Africa's fragile public finances has been devastating. As a result, the much-anticipated Economic Reconstruction and Recovery Plan was released by the President of South Africa on 15 October 2020. If fully implemented, the plan is expected to lay a solid foundation for a higher economic growth path for the longer term.

In South Africa, the rand depreciated to an all-time low (first half of 2020), before it significantly retracted (second half of 2020). The reversion to a riskier financial market environment during the second half of 2020 due to easing of global COVID-19 lockdown restrictions, vaccine development, approval and roll-out strategies, together with the uncertainty of the US elections, supported the rand. However, rand volatility is expected to continue into 2021.

Commodity markets and price

The API4 price remained stable during the third quarter of 2020 before gaining momentum during the fourth quarter of 2020 on the back of demand recovery from India, Japan and South Korea, a tightening in the LNG market with increased global LNG prices, and Chinese buying activity from South Africa. Further to the impact of COVID-19, China's renewed ban on Australian coal imports in September 2020 disrupted the thermal coal market. However, going into 2021, risks to the anticipated coal demand remain as well as the reintroduction of second and further rounds of COVID-19 restrictions.

As a direct result of disappointing iron ore global supply during 2020, inventory levels at both ports and mills did not adequately increase. Increasing concerns in China about iron ore availability, especially considering the high steel production levels recorded, supported the robust iron ore prices into 2021.

Operational performance

South African domestic coal stock levels are fairly high and Eskom stock levels are above average. It is however expected that the demand for thermal coal in the domestic market will remain fairly stable in 2021.

We do not currently foresee a major impact of the second wave of COVID-19 in our international markets. We expect global economic growth to stabilise during 1H21, and thermal coal demand in our markets to remain strong.

The political dynamics between Australia and China are expected to impact South Africa exports as Australian producers encroach on South Africa's natural markets to evacuate coal.

South African free on board export coal prices are expected to remain fairly strong in the first quarter of 2021, but to soften in the second quarter of 2021 as the northern hemisphere moves out of winter.

We continue to drive productivity improvements through our operational excellence and digitalisation processes across the full value chain. This is all in relation to our drive to remain low on the cost curve.

The pre-feasibility study on determining the way forward for the Moranbah South hard coking coal project is expected to commence by the end of the first half of 2021.



Riaan Koppeschaar
Finance director

19 April 2021

Matla workshop



OPERATIONAL PERFORMANCE

COAL

Achievements in 2020

- Product volumes of 47.4Mt
- Sales volumes of 46.8Mt
- Export volumes of 12.2Mt

Despite changes in the coal portfolio, with some operations mining diminishing reserves, as well as delayed expansion projects, our optimisation initiatives are delivering value, particularly operational excellence and digitalisation. Our operational excellence process continues to focus on safety, productivity improvement and cost management, as well as driving the maturity of our LEAN5 initiative. Through our digital programme, we have made remarkable progress in implementing our integrated operating centres and value chain visualisations across our operations, aiming to improve in-time decision making across the entire value chain. Our digital programme will continue to drive value as we focus on mineral resource management integration, data science and selective automation. Our ability to implement expansion projects and deliver early value positions us well to launch into the next phase of value growth.

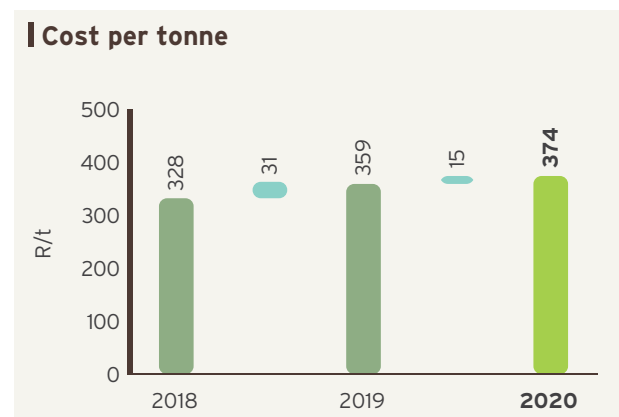
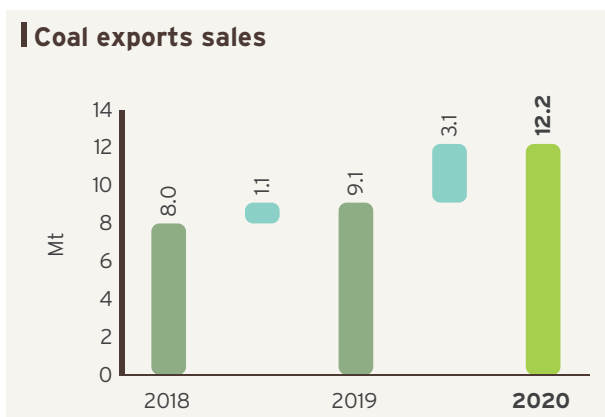
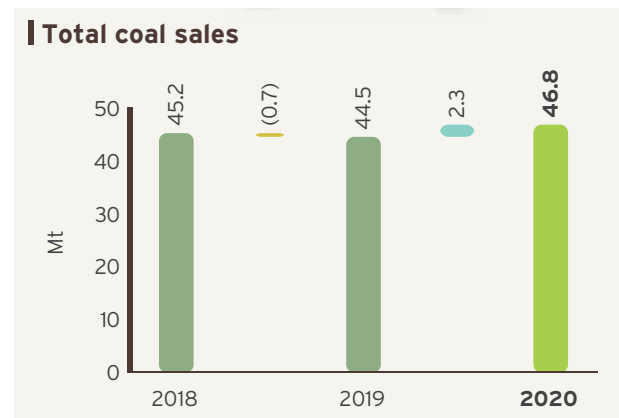
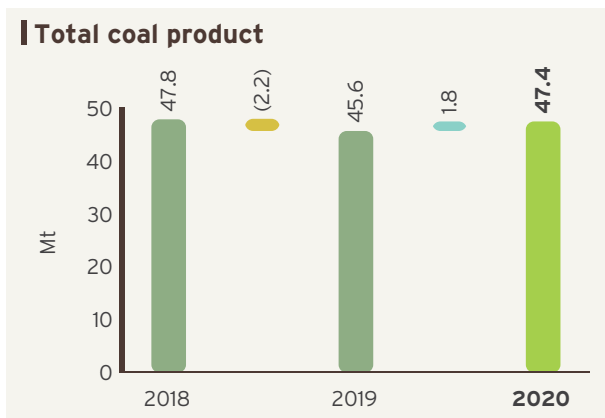
The average Argus/McCloskey Coal Price Index (API4) price for coal exported from Richards Bay was weaker in 2020 at US\$65/t vs US\$72/t in 2019. The international seaborne market was largely

oversupplied in 2020, due to a drop in demand arising from COVID-19 impacts, from an oversupply of cheap liquid natural gas (LNG) into Europe, China's adherence to import quotas and China's clampdown on Australian imports.

Cost per tonne

Cost per tonne was mainly affected by increased distribution cost resulting from higher export volumes, as well as electricity, general and labour inflation increases and higher cost linked to higher production volumes. This was partially offset by lower support costs and the downward adjustment of rehabilitation provisions.

Having implemented the integrated operations centres across all our BUs, and enabled by our value chain visualisation capabilities, we have enhanced our in-time decision making and we are now beginning to gain and quantify the benefits of our digital transformation journey, which we embarked upon a few years back.



ENERGY

Cennergi

The effective date of consolidation of Cennergi into the Exxaro group is 1 April 2020, reporting core EBITDA of R648 million for the nine-month period ended 31 December 2020. Free cash flow generated by Cennergi for the nine-month period was R152 million.

Total generation output at 553GWh for the nine-month period is marginally below planned numbers due to lower wind conditions. Equipment performance and Eskom grid availability remain according to plan. Electricity generated for the 12 months amounted to 727GWh, is 4% lower than 2019, which was an exceptionally good year for generation, especially in July 2019 where the Amakhala windfarm generated more than 150% of its intended target.

FERROUS

SIOC

- Core equity-accounted income of R6.123 billion (2019: R4.423 billion) primarily driven by higher iron ore prices combined with cost-saving initiatives implemented
- Dividend of R5.369 billion to Exxaro in 2020 (2019: R4.051 billion)

TITANIUM DIOXIDE (TiO₂)

- Core equity-accounted income of R226 million from Tronox SA was in line with the previous year (2019: R236 million)
- Subsequent to year end, Exxaro divested from its investments in Tronox

DIVESTMENT OF NON-CORE ASSETS AND INVESTMENTS

Black Mountain

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain following the suspension of the sale process in December 2020. At 31 December 2020, the investment no longer met the criteria to be classified as a non-current asset held-for-sale with the retrospective reinstatement of the equity method from 1 November 2019.

ECC and Leeuwan

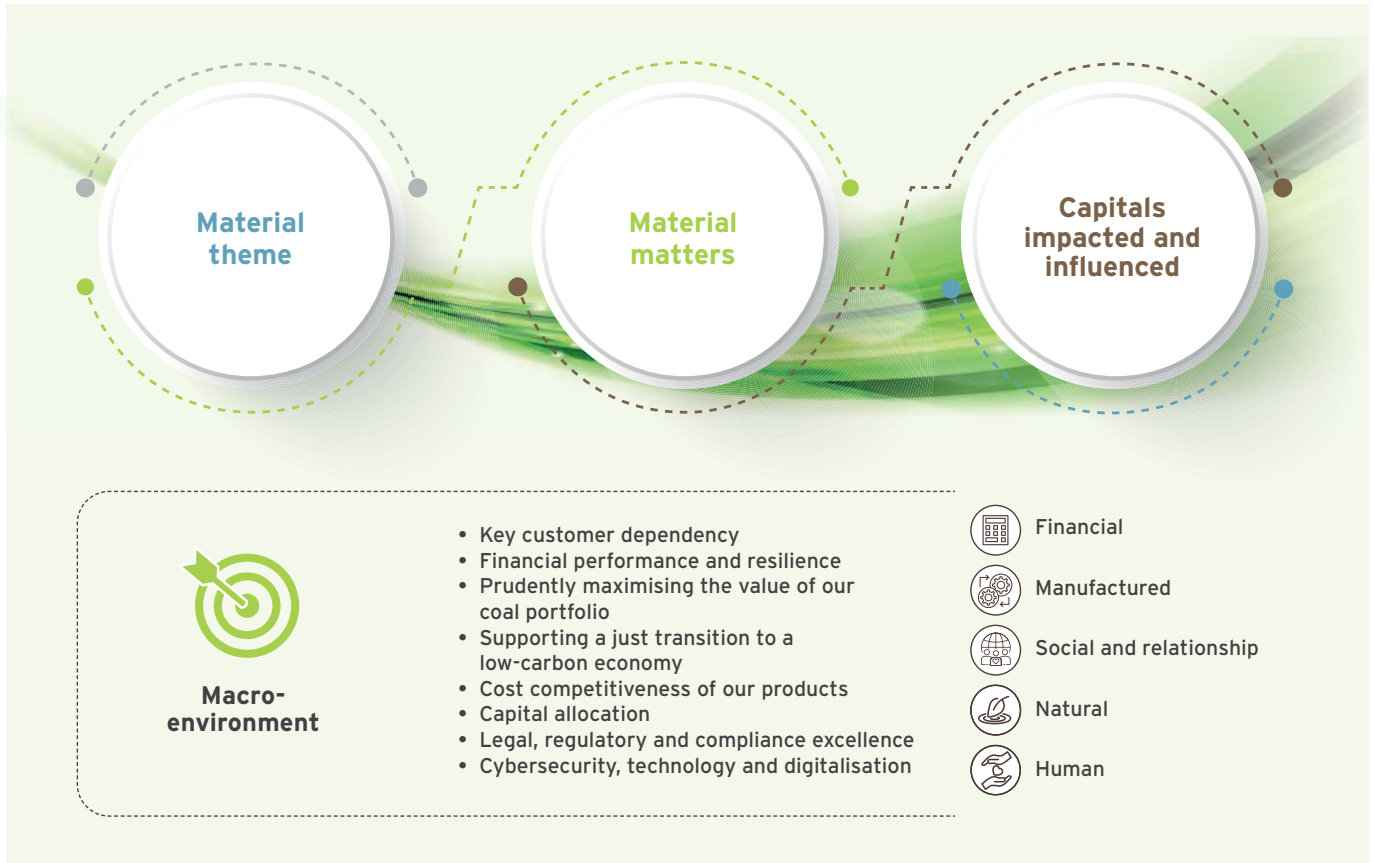
As mentioned previously, we undertook a strategic decision to dispose of our total equity interest in ECC and Leeuwan, having identified these assets as non-core to the future objectives of Exxaro. The resultant sales process is well underway and good progress has been made notwithstanding the COVID-19 environment. Subsequent to 31 December 2020, Exxaro signed a sale and purchase agreement with Overlooked Colliery Proprietary Limited, who will acquire ECC. The sale will only be effective once all conditions precedent have been met. The disposal process for Leeuwan continues.

Rail siding at Delmas near the Leeuwan mine



MACRO-ENVIRONMENT

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



Exxaro employees observing COVID-19 protocols



OUR BROADER OPERATING CONTEXT: TRENDS INFLUENCING OUR BUSINESS

Trend	Cause	Effect	Our response
<p>Slowdown in global economic growth</p>	<ul style="list-style-type: none"> • The COVID-19 pandemic with associated national lockdown and restrictions • Deep global economic recession – world’s real GDP growth rate contracted by 3.6% (2019: 2.6%) • Global power demand collapsed before it recovered • Strong global steel production driven by China • Iron ore market remained very tight and ended 2020 with strong prices • Collapsed brent crude oil demand resulted in significant fall in prices • Saudi Arabian and Russian price war in March 2020. Prices recovered second half of 2020 	<ul style="list-style-type: none"> • Demand for sized product in the domestic market recovered as 2020 progressed • More domestic supply was available due to weaker exports • The seaborne thermal coal market remained in an oversupply as API4 price declined by 11% after trading at US\$72 per tonne on average in 2019 • China’s renewed ban on Australian coal imports disrupted the coal seaborne trade • Recovery of demand from India, Japan and South Korea during the second half of 2020 • Tightening LNG market with increased global LNG prices • Chinese buying activity from South Africa <p> For more information, refer to coal production and sales volumes on page 96.</p>	<ul style="list-style-type: none"> • We remained committed to monetising our remaining stake in Tronox Holdings plc over time and in the best possible manner considering prevailing market conditions. Subsequent to 31 December 2020, Exxaro divested from its investments in Tronox. • Our interests in Black Mountain and the Chifeng Kumba Hongye Corporation’s refinery remain non-core • Formal process in advanced stages of divestment from ECC and Leeuwan operations • Reassessment of the Moranbah South coking coal project by Exxaro and Anglo American <p> For more information, refer to coal production and sales volumes on page 96.</p>
<p>Evolving societal and regulatory environment</p>	<ul style="list-style-type: none"> • Globally, mining companies are facing increasing demands from diverse stakeholder groups, and maintaining a social licence to operate remains a top risk • Furthermore, across all stakeholder groups, there is, rightly so, increasing intolerance of poor business and sustainability practices • Shareholder activists are also placing increasing pressure on companies, particularly coal miners, to give voice to their long-term ambitions 	<ul style="list-style-type: none"> • A breakdown in trust can bring a mine to its knees faster than any other risk. Therefore, focusing on mutually beneficial relationships with communities is a top priority for all mines • Furthermore, in the context of greater water stress and extreme weather events due to global warming, coal producers are facing more intense pressure to reassess their portfolios and demonstrate how they are contributing to the transition to a low-carbon economy <p> For more information, refer to energy transition on page 100.</p>	<ul style="list-style-type: none"> • Our interests in Black Mountain and the Chifeng Kumba Hongye Corporation’s refinery remain non-core while we work on divestment plans for Black Mountain • The transfer of the Arnot operation was concluded. The outstanding condition was the cession of the current CSA between Eskom and Arnot OpCo, Proprietary Limited. Competition Commission and section 11 approvals were obtained • Exxaro and Anglo Coal (Grosvenor) Proprietary Limited are reassessing the potential development plan for the Moranbah South coking coal project <p> For more information, refer to coal production and sales volumes on page 96.</p>

MACRO-ENVIRONMENT continued

Trend

Energy transition

Cause

- We have observed intensified global action on climate change and a move to restrict the use of fossil fuel for energy generation
- The findings of the Intergovernmental Panel on Climate Change (IPCC), in its special report on the impacts of global warming of 1.5°C, paint a grim picture of the consequences of the current trajectory in greenhouse gas emissions and changing climate patterns

Effect

- Under the current trajectory, we expect the transitional and physical risks of climate change on our business will be medium to high over the next 20 to 30 years
- 📄 For more information, refer to risks and opportunities on page 66.

Our response

- Our response has been to ensure a sustainable Exxaro in a carbon-constrained environment
- On 4 June 2019, the board passed a unanimous resolution to reassess the group's climate change risks and opportunities in line with the recommendations of the FSB's TCFD
- An internal multifunctional task team is developing a strategy using the TCFD recommendations. Progress and results will be presented to the market when the review process is complete
- 📄 For more information, refer to page 118.

Big data and mining

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

- Companies are exploring new data-informed methods of mining, assisted by technology, which requires an understanding of the potential future workforce and new skill sets
- 📄 For more information, refer to innovation and information management on page 106.

- 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

Wind turbines at Tsitsikamma



MARKET OVERVIEW

During 2020, the COVID-19 pandemic and associated measures inflicted the worst global economic downturn since the 1930s. Aggressive fiscal and monetary stimulus by governments and central banks, respectively, were injected into the global economy to soften the downturn and, in turn, support economic recovery.



GDP growth rates

- COVID-19 pandemic
- Global economic recession
- South Africa's Economic Reconstruction and Recovery Plan

The COVID-19 pandemic and imposed lockdowns resulted in collapsing currencies and stock prices, and disruptions to supply chains, global demand, international trade flows and travel, significantly affecting the global economy. Notwithstanding the unusually strong rebound in GDP activity during the third quarter of 2020, a much deeper global recession in 2020 compared to 2008/9 was recorded.

World real GDP growth in 2020 contracted by 3.6% compared to an expansion of 2.6% in 2019. Going into 2021, global economic growth recovery is anticipated to continue. However, the worldwide resurgence of COVID-19 infections, together with associated restrictions, the availability and timeous roll out of the vaccine will weigh on the extent of such economic recovery.

Real GDP growth rate (%)

	2021 forecast	2020	2019
World	5.2	(3.5)	2.6
US	5.7	(3.5)	2.2
Eurozone	3.9	(6.7)	1.3
China	7.8	2.3	6.0
India	9.8	(8.2)	4.1
South Africa	3.3	(7.0)	0.2

Source: IHS Markit, Apr 2021

IMPLICATIONS FOR EXXARO

Global energy demand and transition

STRATEGIC RESPONSE

Ensure a sustainable Exxaro in a carbon-constrained environment

The impact of COVID-19 on South Africa's fragile public finances has been devastating. As a result, the much anticipated Economic Reconstruction and Recovery Plan was released by the President of South Africa on 15 October 2020. If fully implemented, the plan is expected to lay a solid foundation for a higher economic growth path longer term.

IMPLICATIONS FOR EXXARO

South Africa's energy mix and demand

STRATEGIC RESPONSE

Eskom as a strategic customer

Inflation

- Persistently low inflation
- Extremely accommodative monetary policy

During 2020, in response to the COVID-19 pandemic and a deep global recession, central banks turned to aggressive monetary easing to support economies. These interest rate cuts were facilitated by subdued inflation and inflation expectations. While initial shortages of some healthcare goods and panic buying by consumers increased some prices, the overall price pressures in the global economy were overpoweringly on the downside, mainly due to the significant fall in the Brent crude oil price, characterised by collapsed demand together with the Saudi Arabian and Russian price war.

South Africa's CPI was 3.3%, within the Reserve Bank policy of between 3% and 6%. It is expected to edge up in 2021, barring any major shocks to the rand, fuel and administered prices.

IMPLICATIONS FOR EXXARO

Cost and revenue escalations

STRATEGIC RESPONSE

Inflation-linked escalations

Currency markets

- US dollar
- Negative real rates and stimulus packages (developed markets)
- COVID-19 vaccine development, approval and roll-out

The negative US/EU interest rate differential weighed on the US dollar during 2020 and favoured US dollar weakness with the latest Federal Reserve policy announcements indicating this trend is expected to continue into 2021.

In South Africa, the rand depreciated to an all-time low (1H20), before it significantly retracted (2H20). The reversion to a riskier

MACRO-ENVIRONMENT continued

financial market environment during the second half of 2020 due to easing global COVID-19 lockdown restrictions, vaccine development, approval and roll-out strategies, together with the uncertainty of the US elections, supported the rand. However, rand volatility is expected to continue into 2021.

IMPLICATIONS FOR EXXARO

Forex volatility

STRATEGIC RESPONSE

Rand-based pricing for certain products

Business sentiment

• Cautious optimism

The reality of South Africa's economic reconstruction and recovery challenges, together with much-needed economic reforms, was again highlighted in the latest announced economic plan, built on the common ground established by the social partners, namely government, business, labour and community organisations. Optimism prevailed that focus would now shift to urgently implement the critical economic reforms to enable a sustainable economic growth path for the country. However, the successful procurement and roll-out of the COVID-19 vaccines during the first half of 2021 is imperative.

IMPLICATIONS FOR EXXARO

Investor sentiment

STRATEGIC RESPONSE

Stakeholder engagement

Commodity markets

• Mixed performance • COVID-19 path and impact on demand, supply and price

Exxaro's specific commodity markets recorded mixed performances in 2020. Key drivers in commodity markets during the year were the COVID-19 path worldwide, global recessionary economic environment, collapsing commodity demand, supply disruptions, China's coal import restrictions and continued energy transition themes.

Commodity prices (US\$/per tonne)

Commodity	2021 forecast	2020	2019
Thermal coal (AP14)	80	65.20	71.56
Thermal coal (RB3)	62	48.88	55.76
Hard coking coal (prime)	136	143.08	175.08
Iron ore fines	131	109.03	93.63
Lump premium	20	15.6	17.2
TiO ₂ pigment	2 787	2 459	2 480
Chloride slag	765	835	777
Zircon	1 450	1 370	1 510

Sources: Various market reports and Exxaro analysis (CRU, Wood Mackenzie, JP Morgan, TZMI), Apr 2021

IMPLICATIONS FOR EXXARO

Performance of commodity markets

STRATEGIC RESPONSE

Portfolio management

Coal

- Recovery of domestic offtake
- Resurgence of global power demand
- Tightening of LNG market
- Chinese import restrictions on Australian coal
- Chinese buying activity from South Africa
- Decline in global seaborne thermal trade

The easing of associated COVID-19 restrictions, especially during the second half of 2020, resulted in an increase in offtake by most of our domestic customers. Although encouraging demand for sized products was evident overall, excess product accumulated due to lower demand during the first half of 2020 weighing on domestic demand.

Globally, the API4 price returned to some stability during the third quarter of 2020 before gaining significant increasing momentum during the fourth quarter of 2020 on the back of demand recovery from India, Japan and South Korea; a tightening LNG market with increased global LNG prices; and Chinese buying activity from South Africa. Further to the impact of COVID-19, China's renewed ban on Australian coal imports in September 2020 disrupted the thermal coal market. However, going into 2021, risks to the anticipated coal demand remain the impact and reintroduction of second and any further rounds of COVID-19 restrictions.

Coal demand and pricing for sized product in the domestic market remained stable throughout 2020 as weak export demand resulted in an oversupply in the domestic market. Uncertainty surrounding the implementation and duration of renewed import restrictions by China on Australian coal also supported South African seaborne market prices towards the end of 2020 and into 2021.

Global seaborne thermal coal trade levels for 2020 declined by about 80Mt compared to 2019. The average export sale API4 price dropped by 11% in 2020, having traded at US\$72 per tonne on average in 2019.

Turning to hard coking coal, although demand from India and China remained supportive, China's ban on Australian coal imports weighed heavily on the overall market and price performance.

IMPLICATIONS FOR EXXARO

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

STRATEGIC RESPONSE

Market-to-resource optimisation

Supply-side disruptions (thermal coal)

• High-level engagements

TFR railed 70.1Mt to RBCT from January 2020 to the end of December 2020. The third quarter proved to be a challenge for TFR and Exxaro lost 0.7Mt of export coal not being railed.

Though the export rail performance from Grootegeluk improved from 4.8 trains per week in 2019 to 6.32 trains per week in 2020, the tonnage of 1.96Mt railed for Grootegeluk was well below the target. High-level engagements are ongoing to increase the number of trains to 10 per week consistently as per the Waterberg ramp-up plan. The total export tonnage of 11.958Mt railed in 2020 is a new record for Exxaro.

IMPLICATIONS FOR EXXARO

Performance of export potential

STRATEGIC RESPONSE

Transnet engagement

Iron ore

- Supply disruptions
- Strong Chinese steel demand

Constrained supply due to COVID-19-related disruptions, especially during the first half of 2020, kept the global iron ore market balance constrained.

Overall, Chinese economic data remained highly supportive of strong steel demand – accelerating credit growth, ongoing improvements in fixed investment and purchasing managers’ index, along with strength in property and machinery activity. As a result, Chinese steel production remained elevated throughout the period under review and, despite improved global iron ore supply, the market concluded 2020 constrained with strong prices.

As a direct result of disappointing iron ore global supply during 2020, inventory levels at both ports and mills did not adequately increase. Increasing concerns in China about iron ore availability, especially considering the high steel production levels recorded, supported the robust iron ore prices into 2021.

IMPLICATIONS FOR EXXARO

Performance of the SIOC investment

STRATEGIC RESPONSE

Exposure to higher-value iron ore lump product

Mineral sands and TiO₂

- Subdued feedstocks and pigment markets

The TiO₂ pigment market fundamentals softened during the year under review with high supply, most notably from China, and weakened global demand. The willingness to spend by a weakened consumer base, and behavioural changes to end-markets for which TiO₂ is most exposed to, have negatively influenced overall demand levels during 2020.

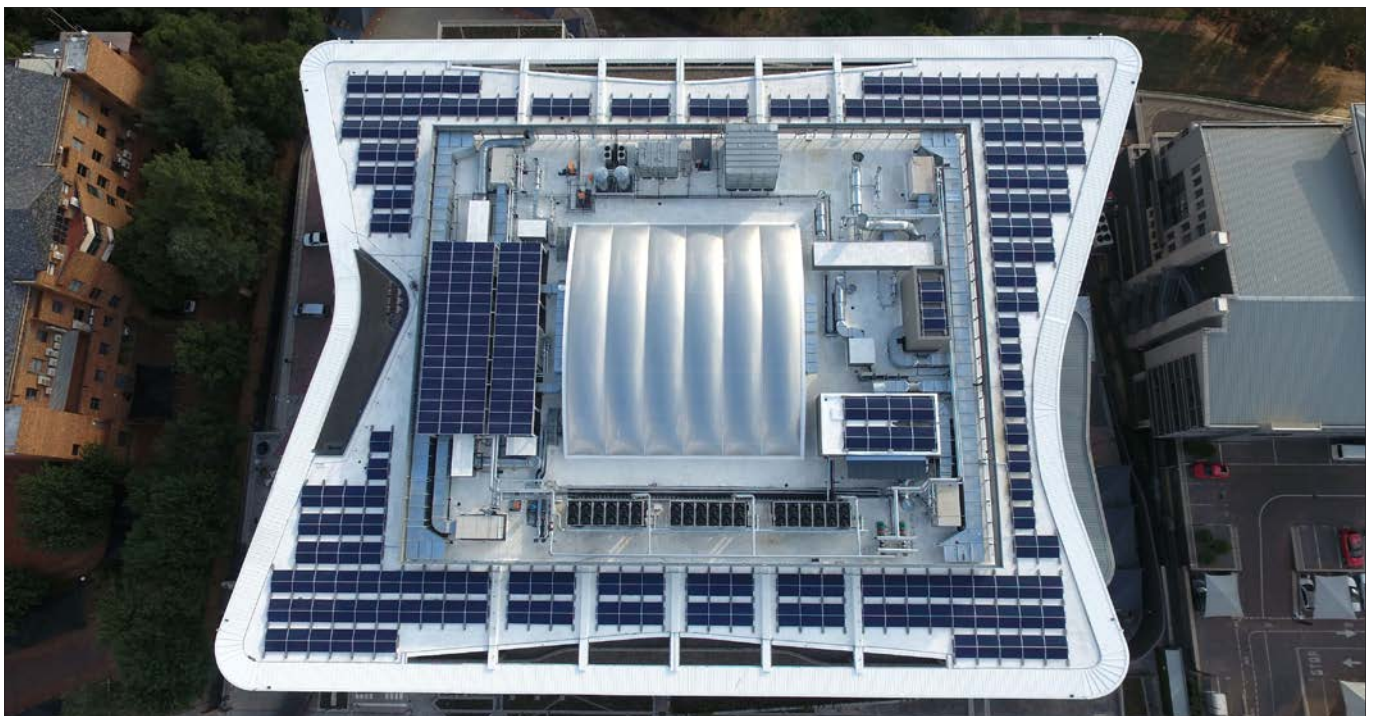
Our commitment in action



Sunday Times Top 100

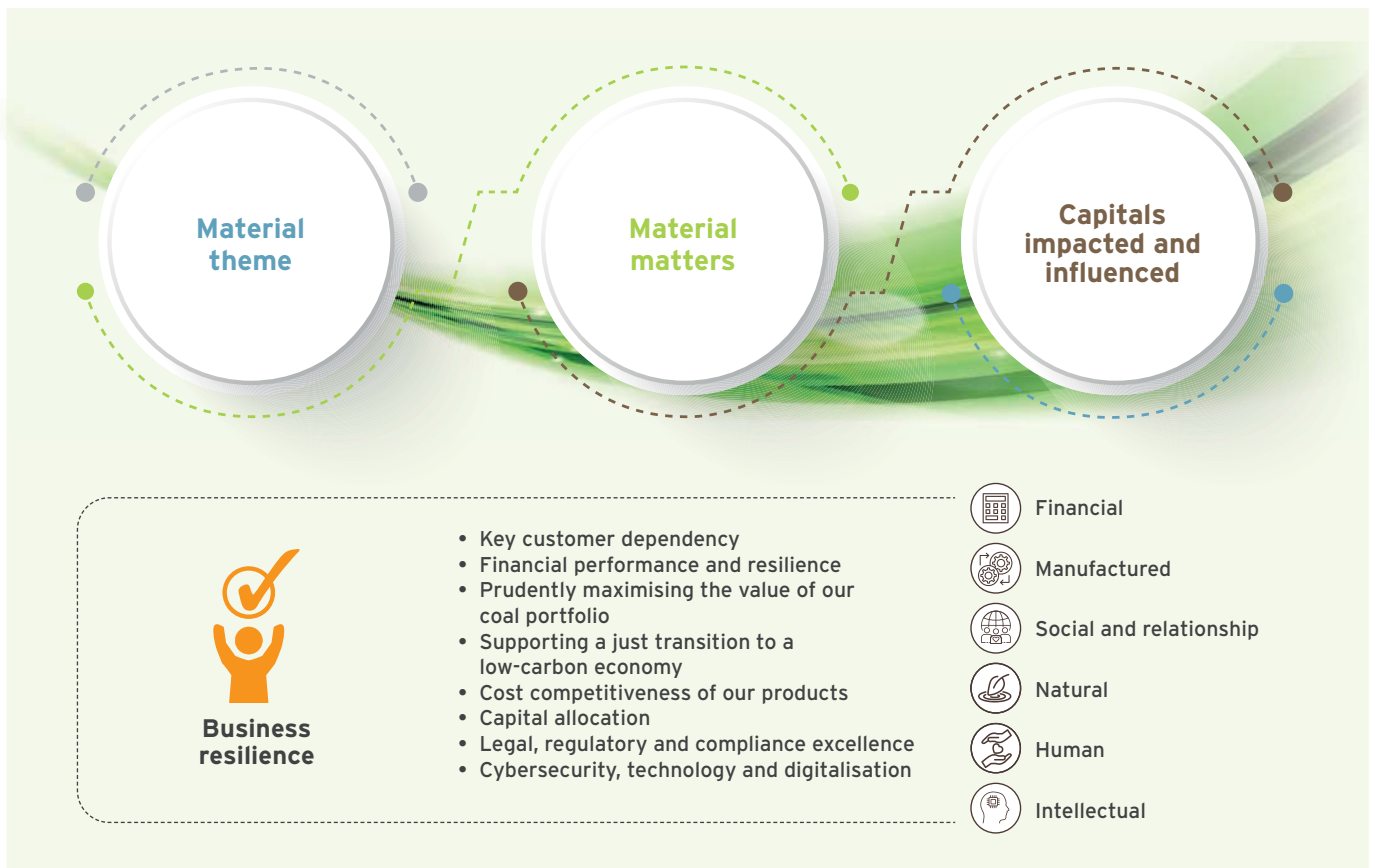
Exxaro ranked 13th in the Sunday Times Top 100 Companies in South Africa - 23 places higher than in 2019. To qualify for the 2020 list, all JSE-listed companies had to hold at least R5bn market capitalisation between 1 sept 2015 and 31 Aug 2020. Winners then ranked according to the highest returns to shareholders over 5 years, based on a theoretical investment of R10 000.

Exxaro's green corporate office, the conneXXion



BUSINESS RESILIENCE

Efficient management of our project portfolio and capital allocation enables us to withstand changes in the global economy and our markets.



CAPITAL PROJECT EXECUTION

Exxaro continues to focus on the portfolio of growth and sustaining capital projects. The portfolio is impacted by current financial challenges faced by contractors as well as COVID-19-related restrictions affecting construction timelines.

Waterberg (Limpopo)

The COVID-19 lockdown delayed the GG6 expansion project schedule by six months and affected contractor performance. This resulted in the initially approved timeline shifting by 12 months. In addition, when Group Five was placed under business rescue, we had to appoint a replacement contractor. The current estimated capital overrun of approximately 10% for the GG6 project is still as per guidance to stakeholders.

On 30 September 2020, Grootegeluk's rapid load-out station project, aligned with the TFR north-west corridor expansion project, was handed over to the Grootegeluk complex. Project close was completed within budget by the end of 2020. The delay in the project completion did not affect the TFR ramp-up schedule.

Mpumalanga

Our Belfast Implementation Project achieved first coal during the third quarter of 2019. Plant acceptance testing was complete during first quarter of 2020. The project was closed at the end of the second half of 2020, within budget.

A programme of infrastructure projects to support Matla to achieve a 10Mtpa production objective, once fully ramped up, is in implementation. Exxaro continues to engage Eskom to obtain release of the required funding to execute the full scope of the programme.

Project	Classification (growth/sustaining)	Product	Focus and performance	Capex	Outlook
Location: Waterberg (Limpopo)					
GG6 expansion	Growth	1.7Mtpa of semi-soft coking coal	Expansion of the existing Grootegeluk 2 plant to enable the production of semi-soft coking coal	R5.2bn	First production through small coal plant is expected during 1Q2021. Construction concludes during 4Q2021 with project close by 1H2022
Grootegeluk rapid load-out station	Sustaining	Load capacity of 12Mtpa	Grootegeluk's rapid load-out station and rail yard upgrade project is aligned with TFR's north-west corridor expansion project	R1.3bn	The station was handed over to operations at the end of 3Q2020. The project closed in December 2020
Location: Mpumalanga					
Belfast implementation project	Growth	2.7Mtpa of thermal coal	Development of a new greenfield open-pit coal mine, including a coal handling and preparation plant, with infrastructure and services to support, a 12-year LoM	R3.3bn	First coal was achieved in 3Q2019 and plant acceptance testing was completed in 1Q2020. The project closed in December 2020
Leeuwan life expansion	Growth	2.7Mtpa of thermal coal	Development of the OI reserve to extend the LoM of the Leeuwan mining complex by seven years. Households and graves to be relocated to the local township	R0.6bn	First production was achieved in 3Q2018. Relocation of Rietkuil families is underway. Project close is expected at the end of 1Q2021
Dorstfontein West 4 seam	Growth	0.8Mtpa of thermal coal	The project enables operations to produce coal from mid-seam reserves. It included a plant upgrade and development of conveyor systems	R0.3bn	First production was achieved in 3Q2019. Acceptance testing and ramp-up was completed in 3Q2020. The project closed in October 2020
Matla LoM Programme	Sustaining	10Mtpa of thermal coal	Infrastructure development to support LoM production	R3.4bn	Construction work and fabrication of equipment on the programme commenced during 3Q2020. Completion of the program deliverables is expected to conclude 2H2024

Our commitment in action

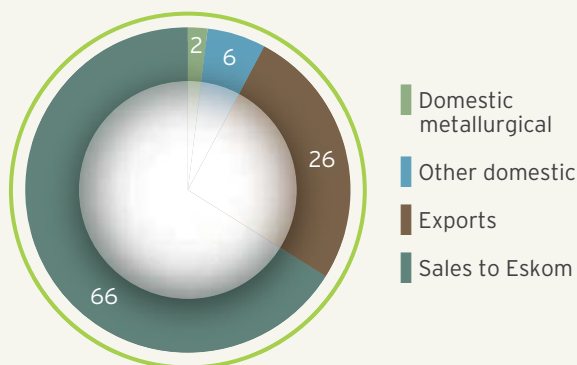


Vigeo Eiris best 100 emerging markets ESG ranking

Exxaro has featured in the latest Vigeo Eiris ranking of the best emerging market performers. The ranking comprises the 100 best performing companies listed in emerging markets, in terms of their approach and ongoing dedication to social responsibility

BUSINESS RESILIENCE continued

Coal sales by product tonnes (%)



Coal capex

Rm	FY20 actual	FY20 previous guidance	FY19 actual	% change previous guidance
Sustaining	2 110	1 980	2 245	7
Waterberg	1 683	1 485	1 753	13
Mpumalanga	411	473	475	(13)
Other	16	22	17	(27)
Expansion	950	1 111	3 572	(14)
Waterberg	643	716	1 198	(10)
Mpumalanga	306	395	2 301	(22)
Other			73	
Total	3 060	3 091	5 817	(1)

Salient features of our coal capex in 2020 include:

- Capital expenditure decreased by 47% from 2019 to R3 060 million
- R2 110 million (2019: R2 245 million) applied to sustaining and environmental capital (stay-in-business capital)
- R950 million (2019: R3 572 million) invested in new capacity (expansion capital)

Eskom

In terms of three long-term CSAs with the Matimba, Medupi and Matla power stations, Eskom is a key customer. We are also negotiating potential CSAs with Eskom for coal supply from our Leeuwan and ECC operations. When Eskom declared force majeure on the Matimba and Medupi CSAs in 2020, we defended our position. Eskom continued to offtake its contracted volume at both power stations. In some months, this was above the required volume. On 6 August 2020, Eskom lifted the force majeure on the CSAs.

We continue to renegotiate the Matla cost-plus agreement due to expire in mid-2023.

AMSA stopped production when the COVID-19 lockdown began and shut down its blast furnaces. When lockdown eased, operations resumed and production accelerated to resolve the backlog of almost three months. The second blast furnace at Vanderbijlpark restarted between December 2020 and January 2021.

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

CENNERGI

Due to the inherent variability of wind, it is important that the wind farm owner takes all reasonable measures to understand the past, current and future wind trends, and thus to build a long-term business case that is pragmatic and realistic. Cennergi has and continues to perform wind energy assessments and operational energy yield assessments to understand any changes in the performance of our assets, or potentially in the wind regime itself. By doing this, Cennergi can proactively manage its assets and make business decisions tailored to maximise benefit in the short, medium and/or long-term.

INNOVATION AND INFORMATION MANAGEMENT

To meet greater demand for digital solutions, our Innovation and Information Management (I&IM) team adapted processes to enable quicker deployment of solutions. We adopted agile delivery methodologies that shorten the systems development lifecycle while ensuring delivery of high-quality software products. We have also developed a benefit realisation framework with defined KPIs that assess technology projects and investments.

Our digital transformation strategy includes the deployment of artificial intelligence in the following areas:

- Core capabilities – successful implementation of value-adding initiatives for mineral resource management and planning, plant, engineering, environmental management, marketing and production management
- Supporting enterprise capabilities supported health and safety, supply chain, human resources and business enablement through an unprecedented pandemic
- Supporting IM capabilities – ensuring data governance in application development and maintenance, solution architecture as well as deployment and release management environment

Exxaro responded quickly, and largely without disruption, when the COVID-19 lockdown was declared in March 2020 as a result of the migration of core infrastructure and applications to the cloud in 2019. Our investment in cloud infrastructure and tools enabled employees to collaborate seamlessly with internal and external stakeholders to ensure business continuity.

Our internet of things programmes and platform-based solutions enable delivery of improvements in predictive modelling, front-end loader integrations with weighbridges, high-precision loading, collision avoidance and advanced process controllers.

Comprehensive data collection and analytics-enabled visualisation of mining value chains at BUs. In 2021, our analytics team, in partnership with Digital@Exxaro, will focus on maturing data sciences capabilities to enable self-service analytics including:

- Democratising big data with self-service analytics for data science tasks
- Empowering business users with access to insights
- Core model development to streamline data exploration, verification, visualisation and reporting so the core data science team can concentrate on critical and complex tasks
- Working together to improve productivity and create value for Exxaro as a whole

CYBERSECURITY

In support of the business digital strategy, we are introducing new innovative technologies which potentially introduce new risks and threats into the environment as it becomes more automated. At the core of our cybersecurity strategy is the protection of Exxaro's information and other digital assets, through the implementation of the cybersecurity programme which focuses on improving these three major capabilities: information security, cloud security and business resilience.

Through this programme, we have reduced the risk of identity theft by implementing a number of initiatives such as multi-factor authentication. To improve our data loss prevention and

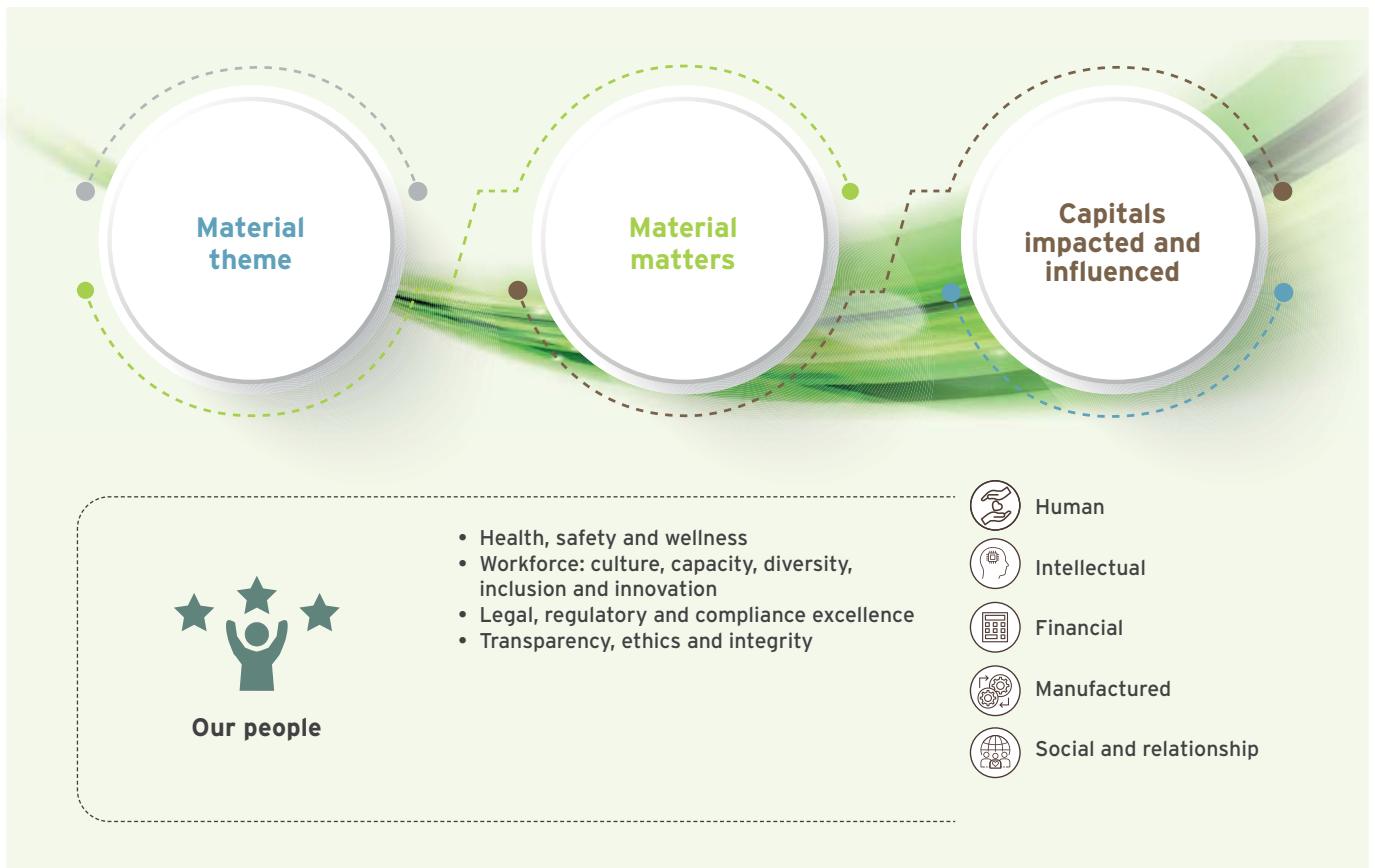
data protection capabilities, we started the process of classifying company data in 2020, this will continue into 2021.

Cybersecurity awareness campaigns remain paramount to the continuous education of our people on cybersecurity threats. These campaigns will continue into 2021 to further reduce the probability of attacks.

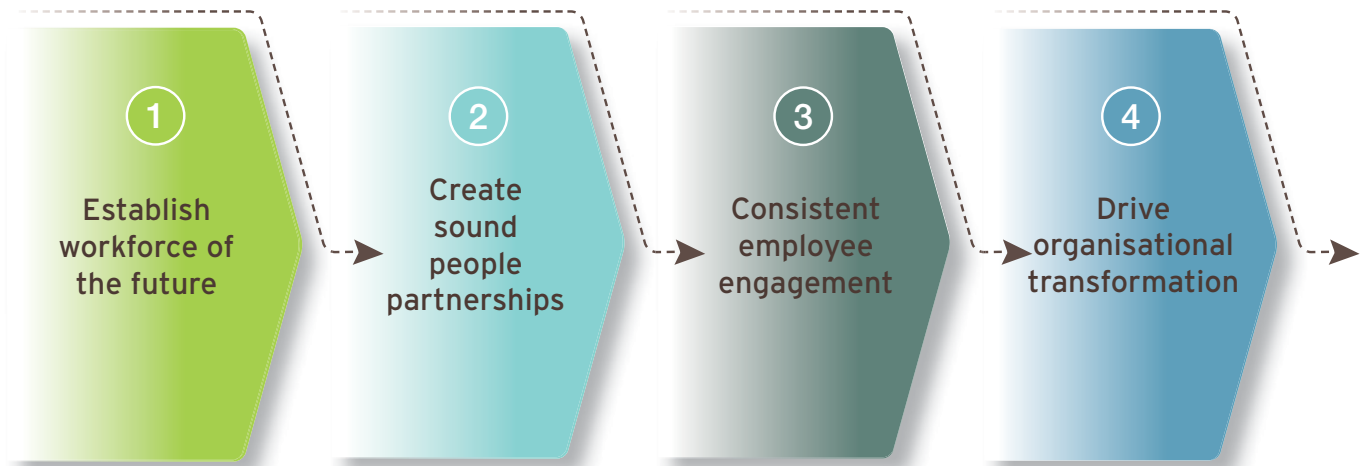
We are also re-evaluating the criticality of existing systems to understand the impact on business better in order to enable periodic service simulations and to verify the adequacy of existing service continuity capabilities.



OUR PEOPLE



Our people strategy, based on four strategic priorities, is the foundation of our approach to employee engagement:



The pillars are underpinned by a commitment to sustain our culture, values and behaviours to enable our core purpose: to power better lives in Africa and beyond.

As our Sustainable Growth and Impact strategy evolves, it is supported by embedding our organisational culture - the behaviour we expect from all employees. We drive adequate communication and change management relating to strategic issues through our connect2NEXT platform, supporting positive employee engagement.

Exxaro believes that people are at the centre of our success. We harness value from our workforce's diversity of thinking.

Our diversity and inclusion strategy supports our employee value proposition (EVP) through the co-creation of an innovative and agile work environment. Value-adding people solutions afford a fulfilling work experience with growth and development. The evolution of our EVP and our culture is further enhanced by a baseline culture survey.

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. We are mindful of the safety and wellbeing of our employees and host communities. We strive to achieve zero harm through collective responsibility, commitment and risk awareness.

Our phased approach to meeting employee needs uses lessons learnt in each phase to accelerate the next.

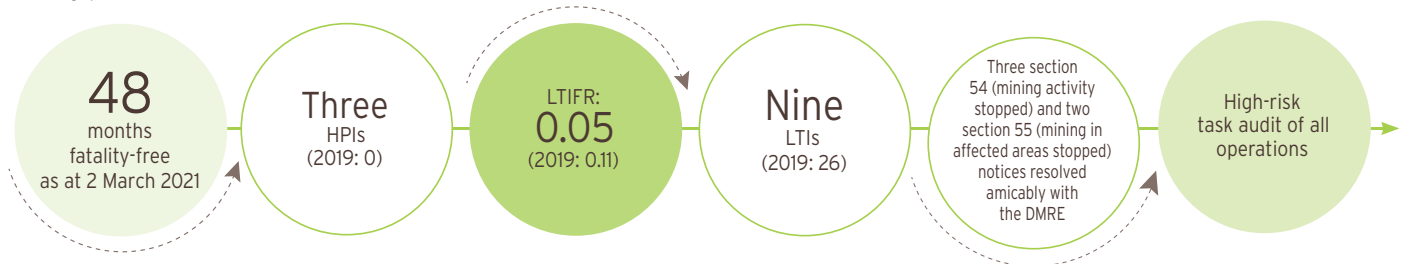
For more information on how we maintain legal, regulatory and compliance excellence as well as instil transparency, ethics and integrity, refer to our governance summary on page 31 and our full ESG report.

Snapshot of our workforce

22 466 people (2019: 23 365)	30% full-time employees 70% contractors
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Health, safety and wellness
Safety

Safety performance



We review our safety target every year, based on prior performance, and apply stringent management protocols, programmes and systems. Our BU management team investigates every occurrence of a safety incident and in terms of LTI and a skilled committee, headed by an independent chairperson, investigates fatalities and high-potential incidents (HPIs). Exxaro reports investigation findings to the executive committee and the sustainability, risk and compliance committee, and escalates these to our board.

The leading causes of incidents and sources of safety risk remain trackless mobile machinery, fall of ground, energy and machine isolation, lifting and material handling, as well as poor risk awareness and discipline. We provide on-the-job training to ensure well-trained people are in suitable positions. Each BU tracks adherence to standards and legislation through a safety improvement plan of self-assessments and corporate audits.

We revised our group safety strategy in 2017 and leadership identified five specific focus areas namely, leadership, communication, consequence management, training, and risk

management. Additional interventions to address safety risks in 2020 included:

- Global Minerals Industry Risk Management course for top and senior management informed our safety improvement plans
- Visible felt leadership improved management's presence and communication in the workplace
- Safety communication (safety indabas at BUs, the group Safety Leadership Day and the Sustainability Summit)
- Managing high-risk and non-routine tasks as well as working over weekends and holidays
- Innovation and technology application for safety in work conduct

Our new safety campaign, Khetha Ukuphepha ("choose to be safe") was also launched to communicate that zero harm is possible, to achieve safety targets, and to reach the three-year and beyond fatality-free milestone. The campaign was introduced in the BU safety indabas and the executive committee's group-wide Safety Leadership Day.

There were no fatalities or LTIs at either of Cennergi's two windfarms.

Health and wellness

Our health and wellness strategy is supported by three pillars that ensure an integrated approach to occupational and lifestyle diseases throughout our BUs.

DIAGNOSE	MANAGE	PREVENT
<p>Improve medical surveillance by extending clinical tests (heart disease and risk-based cancer screening) and ensuring our employees receive once-off DNA analysis assessments. Diagnosis was recently extended to include COVID-19 screenings</p>	<p>Improve healthcare management by ensuring all employees with health risks (occupational, and non-occupational) are included in a disease management programme</p>	<p>Improve preventive programmes with mandatory comprehensive wellness awareness campaigns and healthy lifestyle coaching (integrated with a certificate of fitness)</p>


Our executive committee and board approved the strategy in November 2019 and it aims to:

- Shift our healthcare approach from curative and employer-driven to preventive and employee-driven efforts
- Align our health and wellness portfolios for a holistic and integrated management programme

OUR PEOPLE continued

Our 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 need seamless integration of health and wellness management with clearly defined employer and employee responsibilities for our strategy to deliver a comprehensive health solution.

Diagnostic programmes are advanced with integrated health and wellness solutions. Wellness management is moving beyond services currently offered (general and psychosocial counselling) to healthy lifestyle coaching with physical and mental health management in a single certificate of fitness awarded after routine tests.

 For more information on our approach, as well as how we performed with regard to occupational and non-occupational disease management, refer to people in the ESG report.


COVID-19 response

In line with our health and wellness strategy, Exxaro's strategic response to COVID-19 is based on three pillars:

- Avoid infection
- Reduce infection
- Manage risks as they arise

Our health and wellness strategy seeks to provide a solution that diagnoses, manages and prevents COVID-19 cases.

Exxaro's response to COVID-19 during 2020 included amplified awareness campaigns, business process amendments, establishing COVID-19 technical teams, individual and workplace hygiene measures, driving compliance and behaviour change, two testing stations, mass screening and a 24-hour call centre, among others.

 For more information, refer to page 14.

Managing our talent

Exxaro's talent management strategy guides our sourcing and development of leaders, specialists and professionals. Our strategic workforce pipeline, talent planning and learning and development processes maintain our status as "employer of choice". These processes also contribute to our EVP, and diversity and inclusion strategy.

Our talent management initiatives build leadership, management and technical competencies, and broaden knowledge. We facilitate leadership training, formal studies, mentoring, coaching, internships, learnerships, skills development, adult education and training and short courses. The strategy has evolved over the past three years to focus on several initiatives that enhance learner experiences as well as reskill and upskill employees. Initiatives include smart workforce programmes, capability development, a new learning platform, diversity and inclusion programmes, new digital platforms and fourth industrial revolution training.

To meet our skills requirements, we invest in current and potential employees as well as members of communities in our labour sending areas (99% in South Africa). Our bursary, graduate, learnership and skills development initiatives empower local communities to compete for positions. Learning programmes optimise individual potential for growth and meaningful contribution.

We examine key areas across the value chain to ensure the right skills are available at the right time. More than half of our talent pipeline spend is dedicated to artisan and miner learnership development.

Developing our human resources

Human resource development initiatives reduce core skills shortages in the South African mining industry. Our learning programmes accelerate technical and functional skills development as well as leadership competence, especially for black people, women and people living with disabilities. At the same time, we comply with skills targets and goals set by regulators. In some instances, we exceed the requirements of the Mining Charter and the dtic B-BBEE codes.

We invest a portion of annual salaries and wages in developing our people. In 2020, we spent R227 million or 5.04% (2019: R298 million or 6.52%) of our payroll on training and development including:

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

To mitigate the impact of COVID-19 on our internship, learnership and skills development programmes, some training offerings were made available using digital platforms. More than 17 000 compliance training interventions were completed in our online cloud-based learning management system. The creative content improved learner retention and saved time.


Strategic workforce planning

Our strategic workforce planning initiatives support our business in identifying and developing capabilities required to deliver our Sustainable Growth and Impact strategy.

We translate capabilities into learning journeys to reskill and upskill our workforce. The process supports digital transformation as our operations adopt new technology and equipment. Our minerals growth strategy informs the transition of roles for effective delivery of our business strategy.

Updated competency profiles, assessment tools and learning interventions will support future roles. We train young people in our talent pipeline to expose them to our working environment with our new business strategy in mind. Our smart workforce training programmes ensure digital skills are fit for the advancing digital economy.

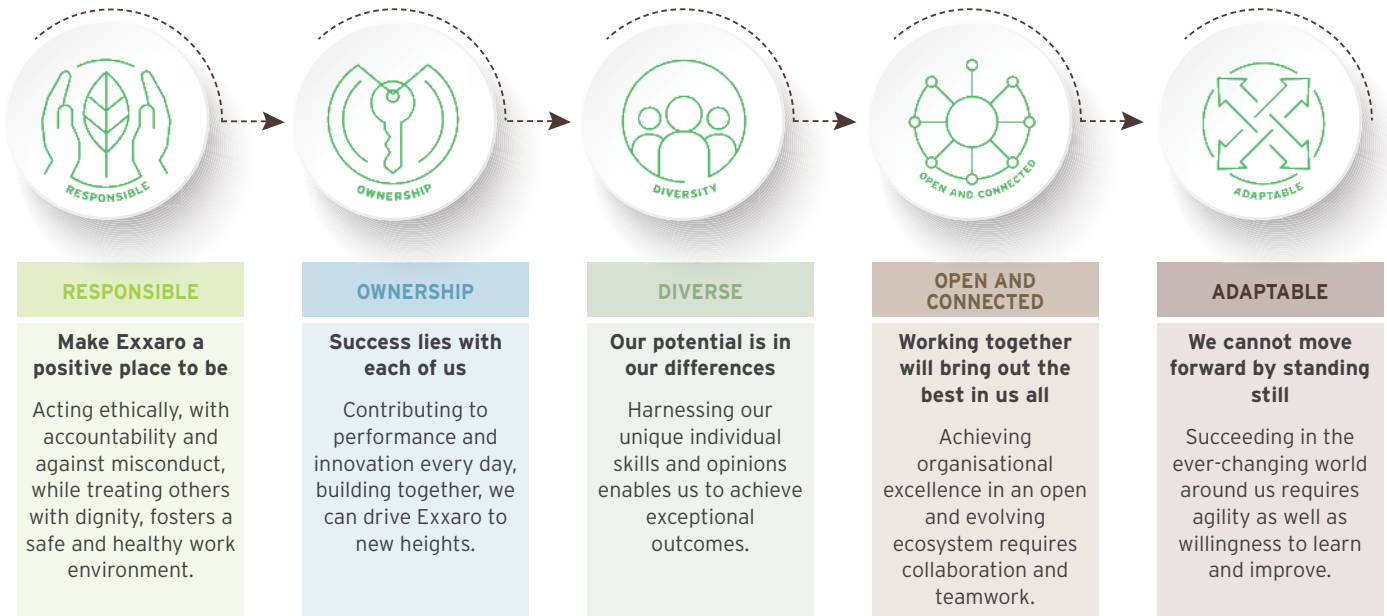
Our strategy aims to build a multi-core and supportive organisation. Our talent management team partnered with service providers to develop capability framework proof-of-concept training programmes (including strategic development, market orientation and business acumen). Our plans include additional internal capability development programmes to be rolled out in 2021.

 For more information, refer to our ESG report.

Employee engagement and culture

Our adaptable culture reflects willingness to learn and improve as we strive to achieve our Sustainable Growth and Impact 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.

Our connect2NEXT process continued to empower the organisation (including BUs) on the management and communication of the changes, through communities of practice, and alignment with the strategy and culture evolution. This also involved the review of the major shifts required.



Diversity and inclusion

Our diversity and inclusion strategy is a key strategic enabler and aims to create value from our people's diverse talent and mindsets. Diversity and inclusion is key component in ensuring that Exxaro achieves its Sustainable Growth and Impact strategic objectives by enabling an inclusive culture that empowers its people, irrespective of gender, race and background, to successfully contribute to delivering on our vision to "power better lives in Africa and beyond".

The implementation of the diversity and inclusion strategy is managed through the diversity and inclusion framework which adopts a phased approach aimed at increasing alignment and promoting a diverse and inclusive culture that delivers business and stakeholder value. The key objectives of the diversity and inclusion framework are:

- Promoting an aspirational vision for the Exxaro brand on both national and international platforms through strategic partnerships in terms of the promotion of diversity and inclusion to stakeholders
- Promoting a diverse and inclusive workforce through our actions, practices, leadership and culture by enhancing our employees' experience by creating a compelling EVP to become the "employer of choice"
- Achieving our regulatory compliance targets by 2022 and 50% of women on management levels by 2025
- Being a catalyst in accelerating our focus to enhance Exxaro's business purpose and stakeholder value creation

Diversity and inclusion implementation framework

In 2020, we defined diversity and inclusion for Exxaro with the following focus areas:

- Women empowerment and gender equality
- Strategic partnerships
- Leadership and culture
- Persons with disabilities
- Governance and policies
- Compliance

Work streams were identified for each of the above areas, where we considered defined principles, and current and future outcomes. Leadership commitment and drive for diversity and inclusion in Exxaro supported early successes in 2020, which included:

- Formulating a diversity and inclusion policy
- Adopting a gender equality charter
- Forging strategic partnerships of particular significance that align with UN Women and its women empowerment principles
- Conducting anti-GBV campaigns across the organisation

Employment equity

Employment equity policies and skills development enable us to meet our transformation objectives to support and drive the national imperative towards a non-racial and transformed society. Appropriate affirmative action measures and human resource development programmes support our transformation processes as well as cultural engagements. Exxaro achieved its employment equity targets over the past five years. Our targets for 2019 to 2022 align with the Mining Charter III promulgated in September 2018. Though we have shown positive progress in achieving our annual targets, key challenges exist with the representation of women at senior management level and persons with disabilities across the organisation. Our aspiration is to measure our organisational transformation profile against the national economically active population statistics.

OUR PEOPLE continued

Women in mining

We empower female employees, who make up 24% (2019: 22%) of our workforce. We grow this talent pipeline through our professionals in training (PIT) programme, which enrolled 38% (2019: 43%) female candidates in 2020.

In 2020, 39% (2019: 33%) of bursaries were awarded to full-time female students in engineering and mining disciplines at universities in South Africa.

Our learnership and internship feeder schemes in 2020 comprised 40% (2019: 35%) women. 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

The mining industry has significantly increased efforts to create a conducive environment for women since 2004. We celebrate their growing influence and respect their aspirations.

Exxaro prides itself in active women in mining structures across all our operations. These structures collaborate with transformation structures to highlight and resolve issues affecting women in the workplace.

Exxaro also signed up to the UN Women Empowerment Principles, which offer guidance on how we can further empower women in our workplace and communities. Furthermore, Exxaro was recognised in the Bloomberg GEI. This announcement is testament to the gender-related practices, policies and purpose-led programmes to advance the role of women in Exxaro.

Our commitment in action



Top Employer

South African winner



GradStar Students' Choice Awards of 2020

Second most sought-after mining company to work for in the Mining and Metals category by thousands of tertiary students



Bloomberg 2021 Gender Equity Index (GEI) participation

The Bloomberg GEI tracks the performance of public companies committed to disclosing their efforts to supporting gender equality through policy development, representation, and transparency

Water sampling at Belfast mine



HUMAN RIGHTS

Since its formation in 2006, Exxaro has aimed to power better lives for all. Through our values and culture, we recognise that our success lies in the strength of our relationships, embracing our unique differences and treating each other with respect.

Exxaro has long upheld the rights of its employees with regard to, among other things, workplace safety.

- We comply with labour legislation in South Africa and International Labour Organization guidelines. As a UNGC signatory, we encourage freedom of association and collective bargaining, and we do not tolerate or condone child labour and forced or compulsory labour. Our compliance with legislation and international conventions was audited by our internal auditors and confirmed in the prior period.
- Exxaro's induction programmes educate employees about human rights. Our policies and structures that prevent discrimination, harassment and racism protect employees' human rights. We train our security personnel in human rights aspects relevant to each operation. Exxaro also conducts refresher courses that include human rights issues.
- 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.
- We also observe our employees' right to freedom of association. Six unions are recognised as a collective bargaining agent for our employees. Of our 6 739 employees, 5 119 are unionised (75.96% of the workforce).
- 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.
- Our induction training informs newly appointed employees of our position against discrimination. We are all equal at Exxaro and we must respect everyone, regardless of differences.

Exxaro respects the rights of its community (see resettlement project case studies below). To date however, Exxaro has not formally and publicly articulated a commitment to human rights. We understand that we must go beyond unspoken intent, to intentionally communicate our commitment to human rights to support our efforts to build trusting relationships with stakeholders, manage risks, enhance our citizenship and reputation.

Exxaro has initiated a process to develop a framework for the organisation that will give guidance on human rights issues. We are

guided by the industry framework proposed by the Minerals Council of South Africa (MCSA), itself drawn mainly from the United Nation's Guiding Principles on Human Rights. However, in consideration of potential impacts during mining operations, the MCSA has identified eight human rights priority areas for the South African industry. These are:

- Environmental management and conservation, including climate change
- Health and safety
- Governance and ethics
- Security and human rights
- Transformation
- Human rights at the workplace
- Land-use and resettlements (see case studies for this principle in action)
- Development of grievance mechanisms

The next steps for Exxaro will be to conduct a human rights due diligence exercise to identify potential issues, develop and issue a leadership commitment statement, resolve policy gaps identified in the due diligence phase and implement a grievance mechanism for all stakeholders to supplement our existing Ethics hotline. All relevant information will be publicly disclosed.

The Ethics Hotline aims to enhance an honest work ethic and simultaneously provide employees and other third parties with a mechanism to bring any unethical business practices to the attention of management. It's an essential line of defence, providing a flow of information that promotes business sustainability by helping to identify and rectify problems before they become larger, more costly or damage hard-earned reputation. The hotline operates 24 hours a day 365 days a year. Our independent forensic department receives a regular analysis of the calls and objective investigations are launched. All investigations are then tabled at the Management Ethics Committee on a regular basis.

CASE STUDIES

The following case studies demonstrate Exxaro's ongoing commitment to the human rights of community members needing to be relocated due to the development of mining projects.

CASE STUDY: HUMAN RIGHTS IN PRACTICE RIETKUIL COMMUNITY RESETTLEMENT (LEEUPAN MINE)

Following the resettlement action plan (RAP) methodology tested at Belfast, Exxaro engaged promptly with the Rietkuil community when the expansion of the Leeuwan mine near Delmas in Mpumalanga was approved by the DMRE in 2017. Resettlement terms were agreed to by community members in 2018 and on 4 December 2020, 29 new homes were handed over for occupation with a further 20 to be completed in 2021.

The residents had a choice with regards to their relocation, with most choosing to move into the nearby Botleng township in Delmas. The initial number of houses to be constructed by Exxaro was 20 but in order to accommodate different family structures, households were sub-divided into smaller family units and an additional 29 houses were constructed. In line with Exxaro's commitment to local procurement, we outsourced the building of the 49 homes to 5 local contractors and 49 subcontractors. A total of 495 job opportunities were created for the duration of the RAP project. A total of 42 households had resettled in Botleng by the end of Q1 2021. Seven households are seeking additional assistance outside of the project scope and have sought advice from external counsel. Negotiations continue. A livelihood restoration programme is still in planning it includes the provision of pre-paid electricity and municipal services vouchers over five years and once-off training and skills development for each member of the household.

The total cost of the project to date is R57 million.





CASE STUDY: HUMAN RIGHTS IN PRACTICE

PHUMULANI AGRI-VILLAGE COMMUNITY RESETTLEMENT (BELFAST MINE)

THE IMPLEMENTATION OF EXXARO'S BELFAST PROJECT BETWEEN 2017 AND 2019 IN THE EMAKHAZENI MUNICIPALITY IN MPUMALANGA PROVINCE NECESSITATED THE RELOCATION OF 32 NON-LANDOWNING HOUSEHOLDS, WHICH COMPRISED MAINLY OF FARMWORKERS EMPLOYED OR PREVIOUSLY EMPLOYED ON SURROUNDING COMMERCIAL FARMING OPERATIONS.

The process kicked off in 2014 when Exxaro appointed consultants to develop a resettlement action plan to guide the organisation on the steps to be undertaken during the relocation of the affected households and restoration of livelihoods.

Methodology

Activities undertaken during development of the RAP included:

- Establishment of a resettlement working group (RWG), which constituted the primary forum for involving the resettlement community in decisions that would affect them;
- Consultation with other relevant stakeholders;
- A census, socio-economic and asset survey of the effected community;
- Additional data collection (including a survey of communal assets belonging to the resettlement community);
- Identification of a suitable resettlement site;
- Development and sign-off of resettlement agreements; and
- Identification of viable livelihood restoration options.

Resettlement-related project impacts

- Number of households affected: 32
- Number of individuals needing to be relocated: 185
- Number of residential structures: 95
- Number of other structures (livestock pens, storage sheds etc): 36
- Crops: 13 households had vegetables gardens, two cultivated maize and three others grew fruit trees.
- Livestock: Animals needing to be accommodated included 358 poultry, 102 head of cattle, 32 pigs, and six sheep.

Consultation and participation

The process kickstarted with extensive consultations with the affected parties and engagements continued until completion of the project. The most significant milestones in the process were the development and adoption of a formal terms of reference to guide the proceedings of the RWG; the announcement of a moratorium on

the establishment of new households in the resettlement community; and the sign-off of individual resettlement agreements by each of the affected households.

Agreement framework

The agreement framework defined who would be eligible for compensation, what type of compensation would be provided for which affected or displaced assets, and how this compensation would be effected (eg whether it would be in cash or through replacement of the assets). The agreement framework was based on the Relocation Policy of Exxaro which is based on the IFC's PS5 guidelines on Land Acquisition and Involuntary Resettlement, as well as relevant South African legislation.

The agreement framework was formally accepted by the RWG, and formed the basis of individual agreements with each household.

Resettlement site

Seven potential resettlement sites were identified, of which two were selected by the community – the first for homes and the second for potential agricultural projects. A total of 34 plots of land, each 2 500m² in extent, were established with 500m² reserved for a residence and other buildings and the remainder for various agricultural activities including poultry and small livestock, fruit trees and vegetable gardens. Services supplied to the site included roads, stormwater drainage, potable water, sanitation, fencing and electricity.

Livelihood restoration

Through its Relocation Policy, Exxaro has committed itself to the principle that no households should be worse off after resettlement than what they were before. The inclusion of a livelihood restoration programme in all Exxaro resettlement processes is a means of giving effect to this commitment. A number of potential livelihood restoration projects were identified for the Belfast resettlement project.

Grievance redress and dispute resolution


The RAP included a resettlement-related grievance procedure aimed at resolving issues around resettlement, compensation and livelihood restoration

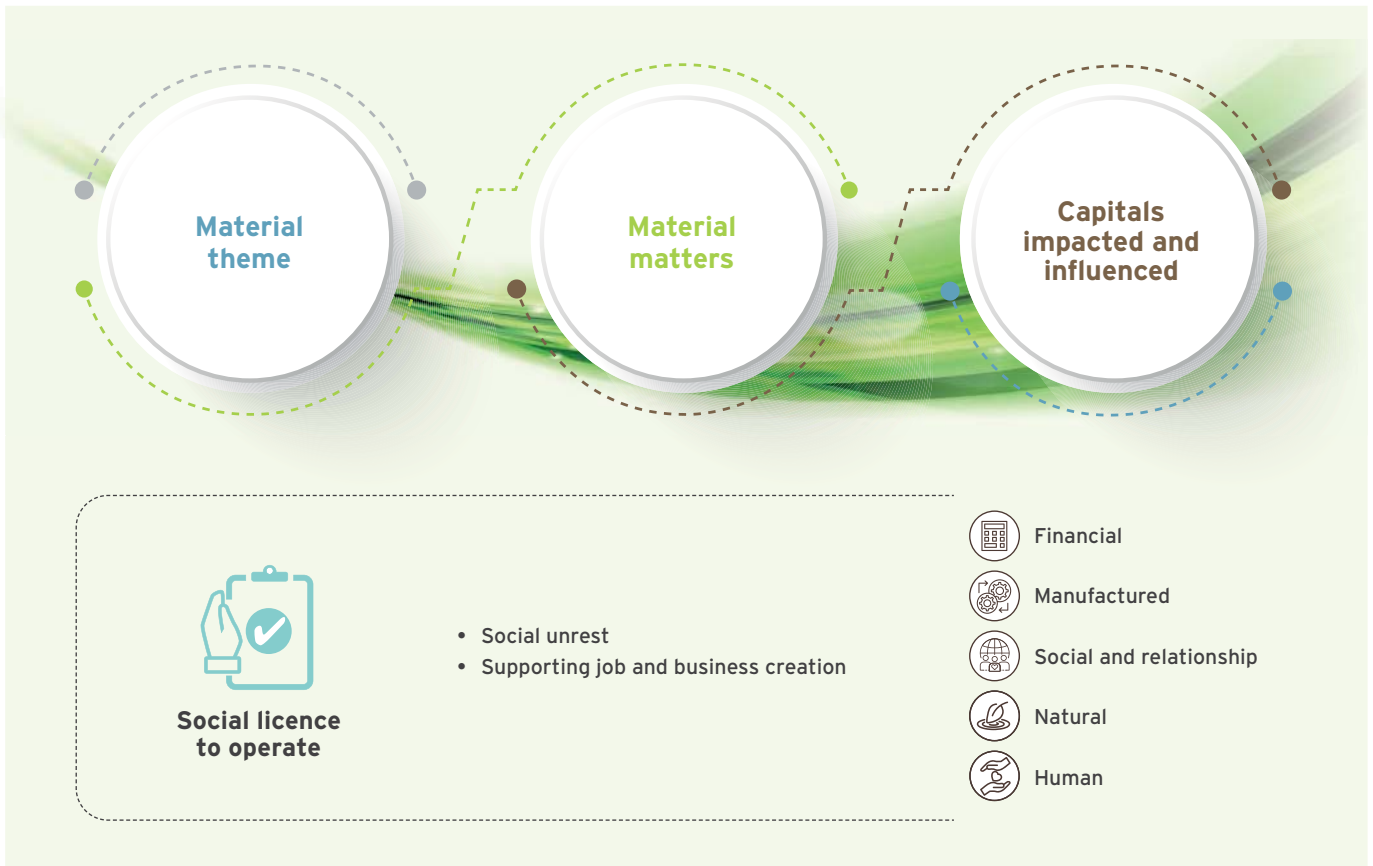
Outcome

Of the 32 households identified for relocation, 31 were moved successfully in 2019 at the cost of R35 million. Following the death of the head of one of the households in 2019, his heirs have declined to move. The situation has required legal intervention and negotiations continue.


SOCIAL LICENCE TO OPERATE – ENABLING OUR LEGITIMACY

We have moved beyond compliance towards outcomes that maximise the social value we create. We support the just transition to a low-carbon future by delivering interventions with meaningful impact.

 Our 2020 materiality determination process (page 6) identified certain material matters relevant to our social licence to operate.



“Impact at scale” drives our approach to community development. We introduced this approach in 2020 and will reinforce it into the future.

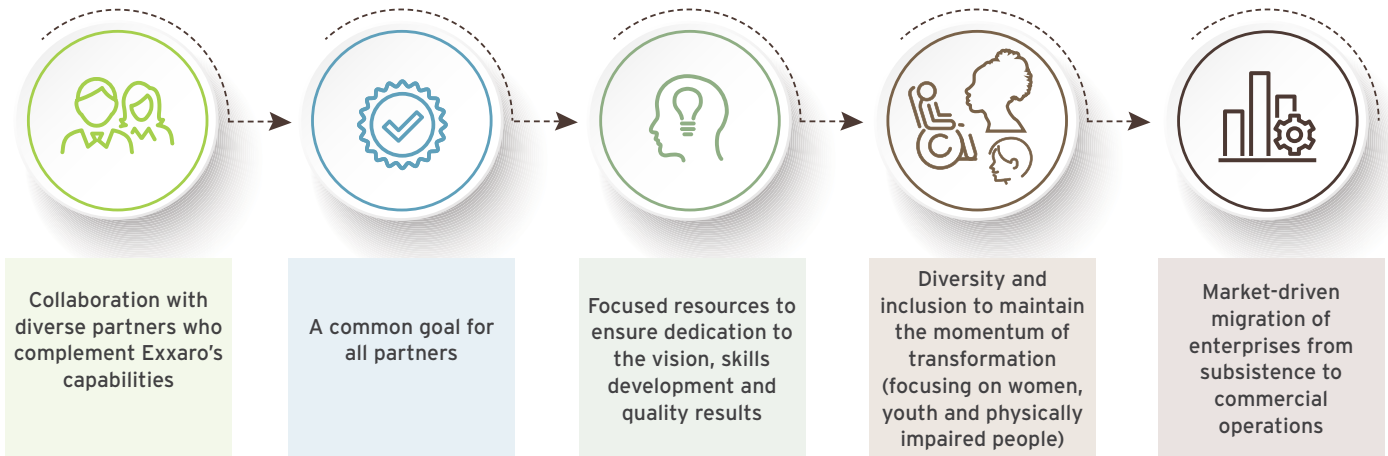
 Our community development initiatives are successful but not far-reaching as they are constrained by localised impact and lack of local government capacity. The socio-economic and environmental challenges are exacerbated by rising unemployment (aggravated by COVID-19) and poverty. Exxaro and government cannot resolve these challenges on their own.

Our impact at scale approach recognises the opportunity to reference legislative requirements such as the Broad-based Mining Charter III and the Department of Trade, Industry and Competition codes of good practice as the foundation for our work with government. We also see opportunity to lead better and bigger development initiatives that will arrest and reverse the scourge on our communities.

These initiatives are implemented through various vehicles:

- Government’s district development model
- The collaborative Impact Catalyst platform
- Our municipal capacity building programme in partnership with the National Business Initiative’s technical assistance, mentorship and development (TAMDEV) programme
- Exxaro’s Matla Setshabeng community benefit scheme
- SLPs

Our impact at scale approach includes:



Please refer to our ESG report for more information.

COMMUNITY DEVELOPMENT

The year 2020 gave Exxaro an opportunity to move aggressively towards an outcomes-based approach with the objective of maximising the social value created by our interventions. The outcomes approach places community beneficiaries' interests first and at the core of the interventions we implement.

Our outcomes are shared between Exxaro and communities, leveraging the capabilities of different partners and stakeholder perspectives. Our future outlook is determined by Exxaro's ability to deliver impact at scale in communities. This strengthens the company on its transition to a lower-carbon world, and reinforces our purpose to power better lives in Africa and beyond.

Collaborative response to the COVID-19 pandemic

The COVID-19 pandemic demanded collaborative approaches to ensure the safety and livelihoods of employees and communities in the face of the devastating economic impact. The course of the pandemic could aggravate the conditions of vulnerable communities that are already impacted by climate change effects.

Although the delivery of our SLPs was disrupted by the national lockdown during the first wave of COVID-19 infections, significant expenditure in response to the COVID-19 amounted to R51.7 million, including R20 million donated to the Solidarity Fund, to support the country's healthcare system, humanitarian efforts and campaign for behaviour change. Through our partnerships, we identified urgent areas of collaboration such as improving water and sanitation infrastructure, and procuring PPE for local and provincial healthcare facilities, police stations and schools while supporting indigent families with food parcels.

The challenges presented by the COVID-19 required consolidation of our efforts in previous years. Impact at scale was an underlying driver of our approach to community development in 2020. This gave rise to collaboration with diverse partners such as the Minerals Council South Africa, government departments, non-governmental organisations, contractors, the National Business Initiative and the municipal infrastructure agency (MISA). We leveraged each one's strengths and capabilities for impact beyond the scale of individual participants and locations.

Further, to ensure that the enterprises supported by our ESD programme survive the operational challenges brought about by COVID-19, 15 beneficiaries were granted loan repayment holidays (ranging from two to six months), totalling R18.1 million to

continue employing 690 people. In addition, three companies with 272 employees received funding of R4.3 million. In total, 962 jobs were saved and the enterprises continue to operate successfully.

Exxaro also invested R7 million in establishing two COVID-19 testing laboratories in Lephalale (Limpopo), and Kriel (Mpumalanga). The facilities support local public health departments.

With the outbreak of the COVID-19 pandemic, COVID-19 was highly stigmatised in our communities, which affected our employees, creating barriers to integration after recovery. This inspired our educational awareness and anti-stigma campaigns within the company and host communities in the Limpopo and Mpumalanga priorities.

Our investment in free community WiFi for Siyathuthuka township in Belfast, Mpumalanga, ensured a seamless information flow. This project will extend to other host communities.

For more information on our performance against our SLP as well as our ESD initiatives, please refer to our ESG report.

Cennergi donation of PPE to Adelaide hospital

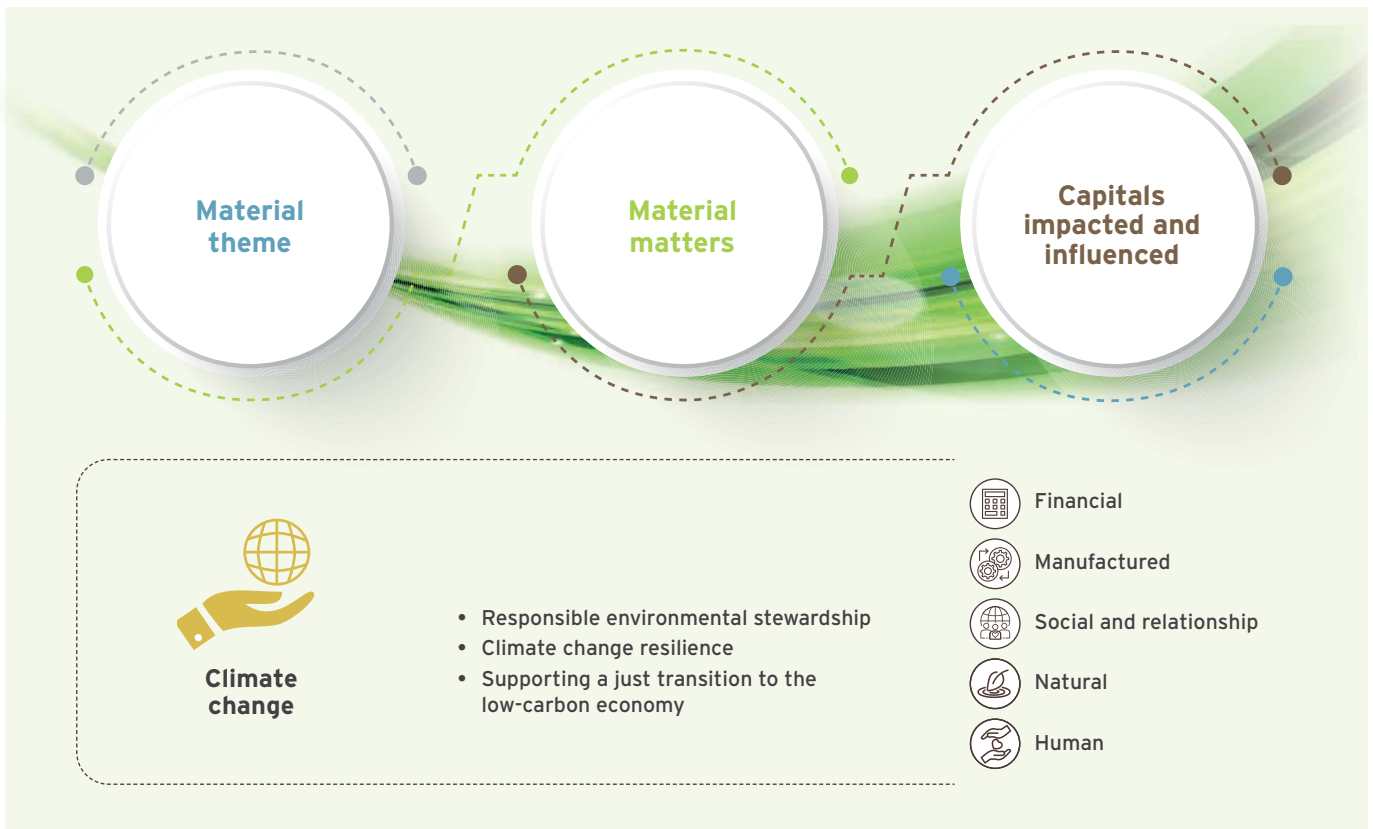


OUR ENVIRONMENT: STEWARDSHIP AND COMPLIANCE

We recognise that climate change is one of the biggest threats facing humanity today. As a responsible corporate citizen, we are determined to transition our business and make our portfolio resilient in the 1.5°C world. We aim to be carbon-neutral by 2050 and partner with our suppliers and customers to reduce emissions associated with the use of our products.

Our transition to a low-carbon and resilient portfolio is intentional and anchored on the just transition principle which seeks to balance our business financial performance, South Africa's economic development needs, ecosystem protection and societal adaptive capacity in the face of the changing climate. Our business has been in transition as early as 2010 with the establishment of Cennergi, a 50/50 joint venture with Tata Power. Today, Cennergi is wholly owned by Exxaro and operates two windfarms in the Eastern Cape that feeds 239 megawatts of renewable energy into the national grid. In 2019 the board of directors approved the adoption of the TCFD recommendations as a strategic framework for guiding our Climate Change Response strategy. We have published our Climate Change Response Strategy and assessment on how aligned we are with the TCFD recommendation (for more information see our CCRS report available online [📄](#)).

TRANSITIONING OUR PORTFOLIO TO A LOW-CARBON WORLD



To us climate change is not just a business risk issue, it also provides opportunities to sustainably diversify and transform our portfolio to low-carbon technologies. We understand that the use of coal in the South African economy will continue in the foreseeable future. As a major supplier of coal to Eskom has long understood the need to balance the country's socio-economic development, which relies on coal-generated power to support the transition towards a low-carbon economy in response to the negative impacts of climate change. This transition, which will change life as we know it today, is impacting energy and capital markets, business models, value chains and the overall context for conducting business. The transition to a low-carbon world is growing external risk for those who do not adapt at speed and presents considerable opportunities

for those who are agile in their response. We are committed to responsibly balancing these competing needs and delivering on our purpose both now and into the future.

The transition to a low-carbon economy aligned to the Paris Agreement objectives of 1.5°C to 2°C world will be challenging, but not impossible. As we shift our business from an extractive to a regenerative portfolio there are inherent risks to the livelihoods of many, particularly in communities that are adjacent to our coal operations. The just transition framework will mitigate these risks by providing a range of social interventions and the opportunities presented by the expanded renewable energy programme will secure jobs and the livelihoods of broader society when economies are shifting to sustainable production.

OUR STRATEGIC RESPONSE TO CLIMATE CHANGE

Coal will remain a valuable source of energy in the foreseeable future. Our early value coal strategy has adapted and responded to support our overarching Sustainable Growth and Impact strategy by optimising our coal reserves, minimising stranded high-value reserves and moving operations lower in the cost curve, such that we land coal competitively across all markets. The performance of our coal business this past financial year has demonstrated the benefits of this early value strategy, while continuing to meet the requirements of our long-term supply contracts and delivering value for our stakeholders.

Our new Sustainable Growth and Impact strategy integrates business sustainability, growth and impact because we understand that these elements of our business and operating environment are deeply connected. We cannot grow sustainably without deliberately creating a positive impact on the environment and communities we serve.

Going forward, our business portfolio will shift to more climate resilient businesses, with a focus on renewable energy and a continued review of minerals contributing to a low-carbon world. This shift will establish the base for our new multi-core business. This multi-core business will be built on the platform of skills and technology that is driving our coal business. Our Climate Change Response strategy supports our overarching Sustainable Growth and Impact strategy specifically through two of the five objectives:

- Transition at speed and scale
- Be carbon-neutral by 2050

We aim to support these objectives by creating partnerships driving climate action and raising employee awareness on climate change mitigation and adaptation

The diversification of our portfolio into renewable energy by acquiring 100% of Cennergi, will support our carbon-neutrality strategy. We will continue to invest in the development of low-carbon energy sources to enable access to clean, affordable and reliable sources of energy.

ENVIRONMENTAL AUTHORISATION COMPLIANCE

We measure compliance to environmental authorisations on two levels: approved, and compliance to conditions.

Our analysis shows that our approved environmental authorisations are within acceptable levels (100%).

We implemented a new integrated monitoring and compliance system to help us improve the score achieved in 2018. A compliance score of 96% in environmental authorisation conditions was achieved throughout our operations. As part of this process, detailed checklists per site are being drafted to drive improved compliance to conditions.

LICENCE TO OPERATE

Delays and appeals against integrated water use licences granted by the Department of Water and Sanitation have become a risk for new projects and part of their critical paths. To mitigate the long lead times in securing the necessary permits and licences, we engage early with the respective regulators, and proactively with every interested and affected stakeholder group.

Total carbon dioxide, equivalent CO₂e emissions in 2020 were 70 255 kilotonnes (kt) compared to 72 029kt in 2019. The decrease of 2.5% reflects the impact of our energy intensity reduction projects. Our short-term carbon intensity target is -5% on the prior-year level across the group, which is ambitious as some projects take time before their impact is evident, particularly from a carbon intensity perspective. We performed below the target with a carbon intensity of 4.9t CO₂e emission per total tonnes mined compared to 5.4kt in 2019. The decline is due to energy efficiency projects and a decrease in rehabilitation activities in our operations.

Diesel and electricity remain the biggest components of our GHG footprint. We are currently addressing energy security, economic productivity and environmental impacts in our drive to become carbon-neutral and thrive in a low-carbon economy.

Exxaro performed well on both the CDP climate change and water disclosures in 2020, indicating leadership and the group's commitment to climate change mitigation and adaptation, as well as addressing and managing water risks.

South Africa is a water-scarce country and we recognise that water-reduction initiatives are crucial to sustainable operations, particularly under prevailing drought conditions. Our group water strategy was approved in 2017. It is informed by our risk assessments and identifies five strategic focus areas of excellence:

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

Group water intensity deteriorated by 39% due to the ramp up of our Belfast operation and changes to in-pit conditions at Grootegeeluk that influence our recycling efforts.

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

Our two wind facilities have Operational Environmental Management programmes (OEMPs) in place and maintain the ESMS in accordance with the requirements of the ISO 14001:2015, ISO 45001:2018, the Equator Principles, the IFC Performance Standards, the World Bank EHS Guidelines and the IFC ESMS Implementation Handbook. In addition, the two facilities have water use licences and other operational licences. Based on the Social Action prepared by Lenders, and the OEMPr, the following environmental monitoring programmes have been identified to be relevant for the operational phase of the two wind farms and are being implemented at both sites:

- Bird and Bat fatality monitoring
- Alien Plant control Management
- Hazardous Waste Management
- Water quality Management

Our commitment in action



Transition Pathway Initiative (TPI) score

4/4 – an excellent indicator of Exxaro's management of our GHG emissions and risks and opportunities related to a low-carbon transition



Matla Mine 1 life-of-mine project



OUR MINERAL RESOURCES AND MINERAL RESERVES REPORT

POWERING SOCIETIES

MATLA RELOCATION PROJECT: MAXIMISING OUR LOCAL COMMUNITY PROCUREMENT

At Exxaro, we are committed to ensuring we leverage every opportunity to work with our local communities to create mutual benefit. The Matla mine 1 relocation project is one such example, with the project creating direct and indirect procurement opportunities worth R300 million for local black entrepreneurs who were invited to participate in tender and quotation processes.

The relocation project involves the construction of a new decline shaft and various ventilation shafts and the introduction of five suites of underground continuous mining equipment. Mine owner, Eskom, is funding the R3.3 billion project while Exxaro is responsible for project management and mining. The operation will supply coal to Eskom's Matla power station near Kriel in Mpumalanga. First production of 4Mtpa of coal is expected in the second half of 2023. Total production from Matla will be 10Mtpa during its mine life to 2042.

"Exxaro continuously investigates ways to maximise local procurement as well as skills and general socio-economic development," says Johan Meyer, Exxaro's executive head: projects and technology. "Many of our specialised contractors also procure goods and services from local communities."

Adapted from an article written by Marleny Arnoldi for Mining Weekly on 21 August 2020

OUR MINERAL RESOURCES AND RESERVES

We focused on sustaining, developing and growing the mineral asset base through the employment of responsible and innovative technical management. The value extracted from the mineral assets is continuously challenged through mine planning, considering the evolving knowledge of the mineral asset geological complexities and its opportunities.




EXXARO EXECUTED A PROCESS OVER ALL ITS OPERATIONS IN 2019 TO EXTRACT HIGHER VALUE EARLIER DURING THE LIFE OF OPERATIONS.

To contribute our efforts towards our greater Sustainable Growth and Impact strategy, we have prioritised responsible mining through our early coal value strategy. The focus was to ensure that the exploitation strategies maximised value without compromising on the longer-term viability of the assets. At the beginning of 2020, the strategies were finalised and approved for the various BUs in Exxaro. To ensure accurate execution and control, the plans were embedded in Exxaro's business processes through incorporation in the LoM plans, the business plans and budgets. The strategies have been included in the LoM plans for Grootegeluk and Belfast during the reporting year. The strategy for Grootegeluk entailed a pit-shell redesign to exclude high stripping and low-quality areas, and to target high-value areas in the LoM plan. For Belfast, the strategy entailed a revision of the pit sequence, targeting the high-value areas earlier in the LoM plan.



DORSTFONTEIN EAST, A TRADITIONAL OPENCAST COAL MINE, IS DEVELOPING AN UNDERGROUND OPERATION TO EXPLOIT THE SIGNIFICANT UNDERGROUND COAL RESOURCES. DORSTFONTEIN EAST MINE HAS BEEN OPERATING, AS AN OPENCAST MINE, SINCE 2011, EXPLOITING MAINLY COAL SEAMS S4 (S4U AND S4L) AND S2 (S2U AND S2L) OF THE WITBANK COALFIELD.

In the ensuing period, evaluation work identified underground Coal Reserves of both S4L and S2L. Seam 4L, with an average seam thickness of 3.8 metres (m), will produce an estimated Coal Reserve of 19.6 million tonnes (Mt) ROM delivering approximately 12 years of LoM. Seam 2L, affected by dolerite activity, will only produce 7.2Mt of ROM, unlocking an additional eight years of mine life. Both S4L and S2L can be exploited profitably using the board and pillar extraction method. To expedite the underground exploitation, we investigated access via an adit from an existing highwall of one of the existing open pits. The study started in early 2019 with preparatory work and was initiated in early 2020, establishing two benches and removing material immediately in front of the highwall. Highwall design is such that only the portal face is supported to ensure highwall stability, and safety of personnel and machinery. First coal of S4L was accessed on 19 November 2020 and mining of S2L is scheduled to start around 2029. This initiative reflects both the innovative and exceptional technical abilities of our people.

 The information presented here is a summarised extract from the CMRR report that encapsulates reporting governance, competence, tenure, risk, liabilities, exploration and assurance as well as comprehensive descriptions of applicable projects, operations and exploration activities in compliance with the JSE Listings Requirements (section 12). The reported Coal Resources and Coal Reserves in this report are therefore summarised versions. The CMRR report is available on Exxaro's website.

OUR STRATEGY

The Coal Resource and Coal Reserve strategy focuses on sustaining, developing and growing the 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 competent persons are the custodians of the mineral assets and therefore accountable for ensuring its integrity and applying pioneering technology in combination with trusted knowledge to optimise its exploitation thereof.

Our projects, operations and expansion initiatives are built on trusted and assured Coal Resources and Coal Reserves, creating a platform for the LoM from which annual business plans are derived. The Mineral 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.

Exxaro reviews macro-economic and other factors that may affect the Reserves on an annual basis. In 2019, we initiated an early value process, aligned with the Exxaro strategy, to contribute our effort towards our greater sustainable growth. The strategy entailed reviewing current practice and then compiling optimised exploitation plans, focusing on extracting higher value earlier in the life of operations. The optimised plans seek to unlock earlier value, importantly, without compromising the worth of the underlying Coal Resource. The optimum product mix for the operations was subsequently reviewed, calculating the margin based on the yield curve, mining cost and revenue per block to produce an optimum pit shell followed by consideration of the mining sequence. The maximum value sequence was approximated from high to low margin, allowing for mining practicalities and costs. The process ensured that all profitable blocks would be mined while the current value of future cash flows is maximised. It also ensured maximum value for our stakeholders by yielding early value without compromising future sustainability.

In early 2020, the new strategy was approved. Our 2020 and five-year exploration plans at the various operations were subsequently aligned with the new strategy. This was done to support the changes in mine layouts, ensuring that the Coal Resources and geotechnical parameters, which underpin the mining areas brought forward in the mine schedules, are of an acceptable level of confidence. A good example of this is at Grootegeluk where large-diameter resource drilling in the latter part of the LoM was changed to core and open-hole drilling in the much earlier introduced open-pit turnaround box-cut position. The newly introduced operational mine plans were subsequently embedded in

Exxaro's business processes through incorporation into the LoM, business and budget plans. This process was completed during the reporting year for the Grootegeluk and Belfast operations.

In 2020, we continued with our strategic drive towards the use of innovation and technology in the execution of our exploration activities as well as Resource and Reserve estimation processes. In 2019, we indicated that a number of initiatives were implemented, including the centrally managed acQuire database and the EQuIS groundwater database system. We reaped the benefits during 2020, increasing the ease and speed of core logging and sampling, and improving our data validation and accessibility of our geological and hydrogeological information to the rest of the business. Implementation of the EQuIS groundwater database and installation of telemetry systems for real-time data acquisition at Grootegeluk and Belfast ensure fast and effective decision making regarding water management as well as empowering us to take proactive steps in compliance with our water use licence requirements.

For the development of LoM plans, the mining department is transitioning from Runge's Xpac to the new Runge Xpac software solutions, namely opencast coal solution (OCCS) and underground coal solution (UGCS), for development of mine layouts and mine schedules. These tools shorten development time and reduce the need to convert information from one software package to another. This enables the department to develop more scenarios than possible in the past, improving the selection process when finalising the LoM plans. In 2019, OCCS software was implemented at Belfast and implementation was subsequently rolled out in 2020 at Grootegeluk. The change will empower us with more integrated and time-effective work flow, creating value-adding mine plans for faster and accurate decision making.

The execution of our exploration plans were significantly impacted by the outbreak of the COVID-19 pandemic. The outbreak coincided with the dry season, typically the period when we conduct drilling, surface geophysics and other field exploration activities at our operations. Drilling programmes were, as would be expected, postponed at the first lockdown and we only started with limited exploration activities later in the year when access to the sites was allowed under very strict health regulations. The operational exploration teams have however reacted very well to the challenge, completing around 60% of our planned drill holes after revising the plans in May/June and prioritising activities to support the most pertinent objectives of the original 2020 exploration plans.

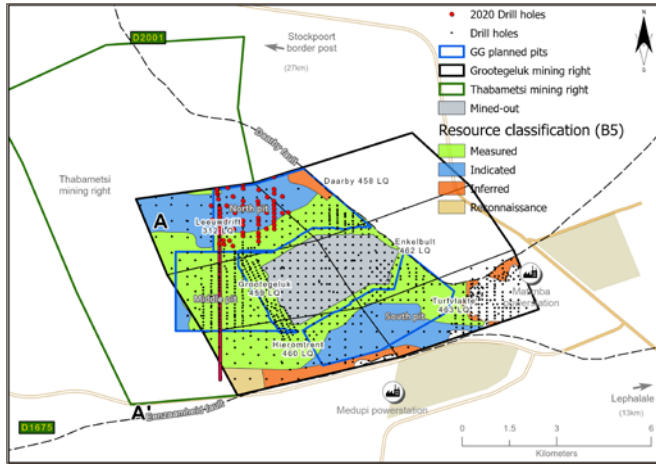
At Grootegeluk we updated the resource model with available drilling results. Our improved structural interpretation of the position and orientation of the interpreted fault positions in the northern pit will require additional drilling to ensure we outline the position of the faults more accurately. Most of the faulting could be

Leeuwpans operation

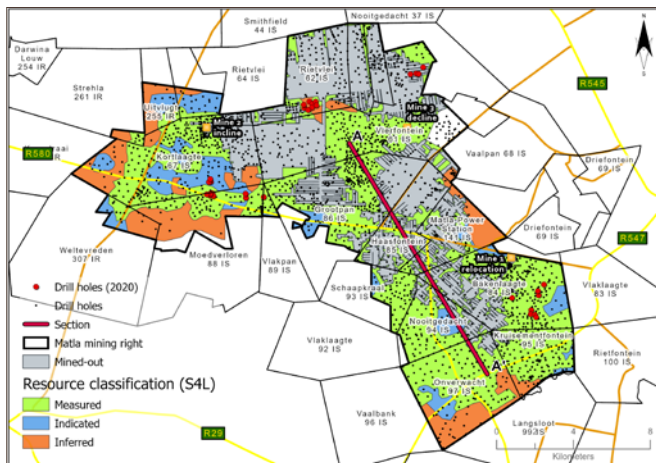


OUR MINERAL RESOURCES AND RESERVES continued

managed through selective mining in the past. However, we have observed, in the past number of years, that the position and orientation of geological faulting increasingly impacts on the management of our geological bench horizons, disrupting our strict ROM quality control to the various coal processing plants. We plan to drill 54 holes in 2021, targeting resource, overburden, geological faulting, geotechnical and hydrogeological aspects of the coal deposit primarily within the northern pit.



Grootegeluk Mine Outline

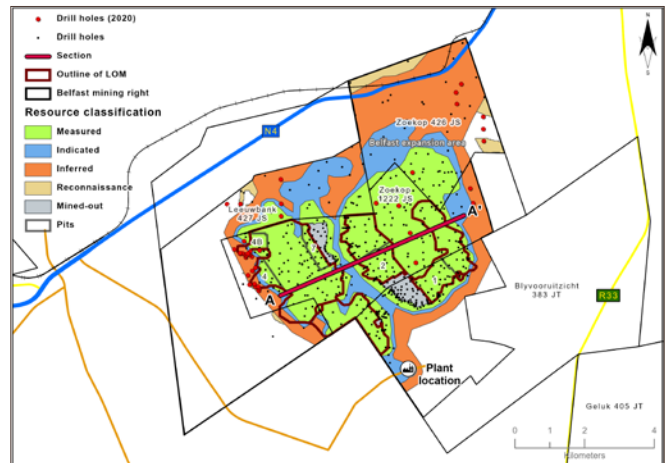


Matla Mine Outline

The approvals at Matla, an Eskom-tied underground mine, have been received to execute three expansion projects, namely Matla Mine 1 access shaft, Mine 2 incline and Mine 3 decline to access the large remaining S4 and S2 underground Coal Reserves. The decline at Matla 3 is in progress and Matla Mine 1 relocation was initiated with first coal expected in the fourth quarter of 2022. The strategic intent of the exploitation strategy at Matla is to supply Eskom in accordance with the CSA regarding volumes and quality at the lowest possible cost. Our exploration activities were interrupted by the lockdown and only approximately 30% of the planned holes could be completed. Drilling was primarily focused at Mine 3 low seam where derisking of geological challenges like faulting, presence of sills and dykes as well as basement highs disrupting seam thickness continuity, and occasionally impacts coal qualities were targeted. A major achievement in 2020 was the successful execution of surface-to-seam directional drilling at the Mine 2 north-west access project. The targeted S4 Resource in this area presents challenging geological structural conditions and a number of long directional traces drilled from surface assisted tremendously in outlining geological structures, refining mine access design and optimising mine panel layouts. This drilling methodology proved to be vital for future Matla mine development areas. The drilling

programmes for 2021 to 2023 will focus primarily on the new Mine 1, Mine 2 (decline) and Mine 3 (incline) project areas.

The ramp-up of production at Belfast mine is progressing well. The box-cut strategy was re-examined to ensure that the maximum value is unlocked for stakeholders. The opencast plan was reaffirmed as the best solution and actual operational performance data was captured as to update future LoM fact packs. Detail box-cut infill drilling at Belfast in 2019, at pits 1 and 7, underpinned the importance of adequate investigations during box-cut positioning and design. Exploration in 2020 mainly focused on infill drilling in and in front of these two pits as well as the newly introduced pits 4 and 4B on the western side of the Coal Reserve, which forms part of the updated mine plan. The objective, as in 2019, was to derisk the box-cut areas regarding seam thinning, weathering and overburden characteristics. A number of holes were also drilled in the northern Belfast expansion area where environmental approvals and access have been secured. Additional drilling in the expansion area will continue in 2021.



Belfast Mine Outline

A number of exploration activities were conducted at our Moranbah South joint venture project in Australia's Bowen Basin. A large three-dimensional (3D) seismic geophysical survey was completed during the reporting year, improving our understanding of the geological faulting within the project area. We also conducted a review of the 2012 3D seismic survey results, applying improved technology and innovative techniques to optimise the data sets. The integrated, optimised 2012 and new 2020 survey results will be used in updating the geological structural and resource models in 2021. In addition a number of large as well as thin-size cored holes were drilled, investigating a suite of coal qualities, metallurgical and coking characteristics. We will continue with exploration activities during 2021.

We continuously strive to enhance the level of estimation and reporting of Mineral Resources and Mineral Reserves, committed to our governance structures and associated assurance processes. In 2020, we conducted strict internal reviews during the update of the geological and structural models at our Grootegeluk, Matla, Dorstfontein and Forzando operations. Peer review findings on data validation were addressed before the compilation of geological models was initiated. Our geological models were scrutinised by a review team consisting of geoscience, geotechnical, structural and mining specialists before sign-off and handover to mining were concluded. Reserve fact packs of all our operations were reviewed during the reporting period, and updated mine plans for Grootegeluk and Belfast were peer reviewed. We also conducted a number of technical reviews of development projects with specific focus on the estimation that underpins the fundamentals of these projects. Reviews of the alternative mining solution and backfill phase 3 projects at Grootegeluk, the Belfast expansion project, Leeuwan's heavy mobile equipment strategy as well as the Mine 1

and north-west development projects at Matla were concluded. A number of technical findings as well significant value-unlocking opportunities were documented and subsequently included in the various project development processes. EY conducted an external estimation process audit at the Belfast operation. No critical findings were reported but a number of minor findings regarding housekeeping were highlighted. Correction measures were subsequently developed and implemented. Recommendations were also received to enhance the efficiency of our estimation and we welcome these valuable inputs to improve our current methodologies. Exxaro is currently transitioning towards the methodologies proposed in the updated SANS 10320:2020 edition 2. We will seek partnership with industry experts to ensure concepts are correctly understood within the context of our operations and implemented.

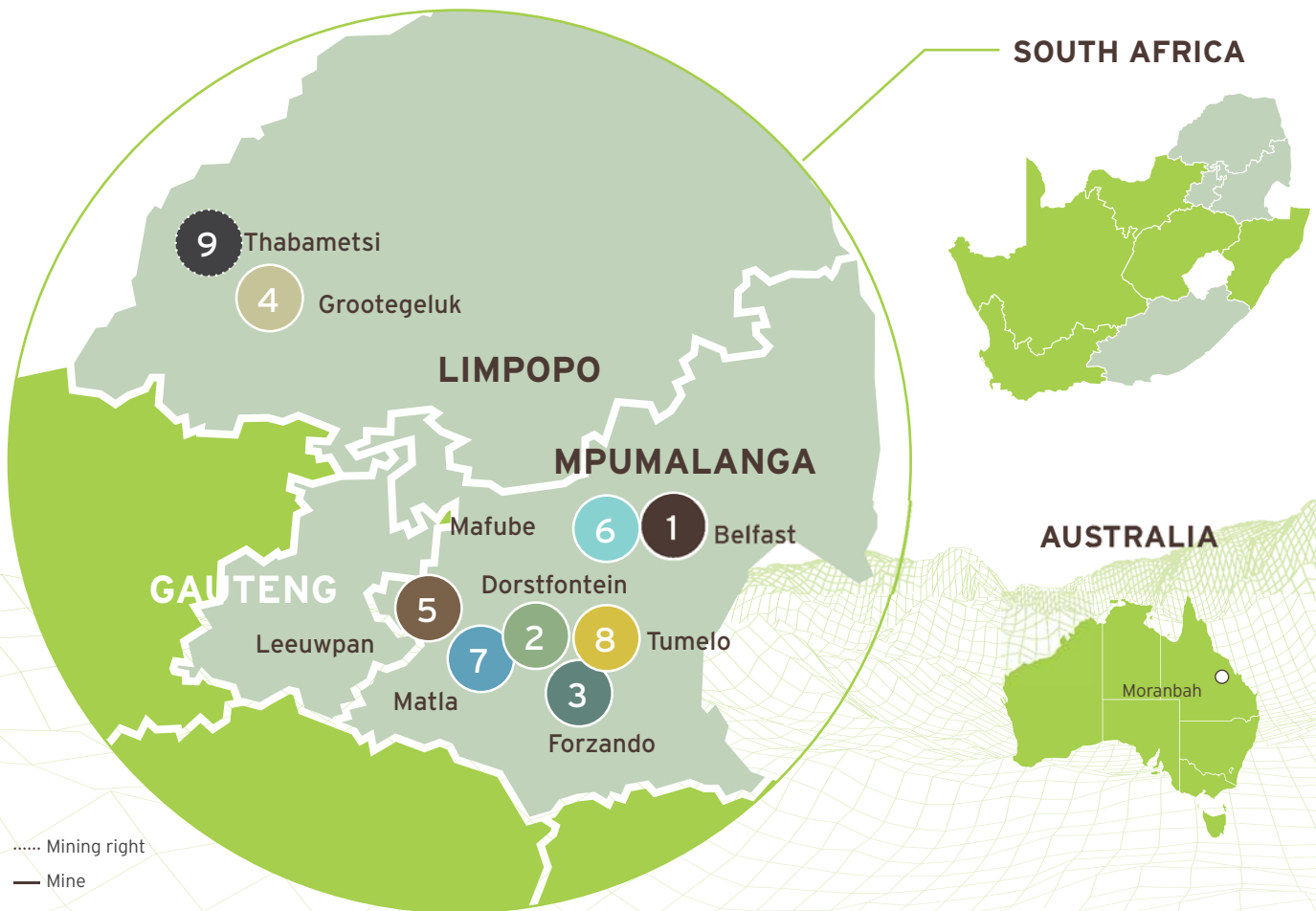
WORLD-CLASS ASSETS

Exxaro has a world-class Coal Resource portfolio, comprising fully owned operations and projects, and a number of jointly owned operations and projects in South Africa and Australia. The fully owned operations and projects in South Africa are located in the large and highly prospective Waterberg coalfield in Limpopo, and the more mature Highveld and Witbank coalfields in Mpumalanga.

Exxaro's total attributable Coal Resource and Coal Reserve figures have been stable over the past number of years, only showing a significant decrease in Coal Resources in 2019 as a result of the relinquishment of the large Waterberg North and South exploration projects. This stable trend can primarily be ascribed to the relatively large Grootegeluk complex. Estimated to contain 40% to 50% of South Africa's remaining Coal Resources, the Waterberg is viewed as the future of South African coal mining. Exxaro holds an estimated three billion tonnes of Measured and around approximately 2.1 billion tonnes of Indicated Coal Resources in the Waterberg, primarily at Grootegeluk and the adjacent Thabametsi mining right. The Grootegeluk complex provides thermal Coal Reserves to Eskom's Matimba and the new Medupi power stations, and produces semi-soft coking and metallurgical coal through eight beneficiation plants.

The Grootegeluk complex is continuously evolving, illustrated by several large value-unlocking projects. While these projects underline the resourcefulness of our people, they also demonstrate the successful implementation of innovative breakthrough technology. To an extent, the size of the Grootegeluk complex obscures changes in Coal Resource and Coal Reserve figures from events in the smaller Witbank and Highveld coalfields.

Locations of our coal operations and projects

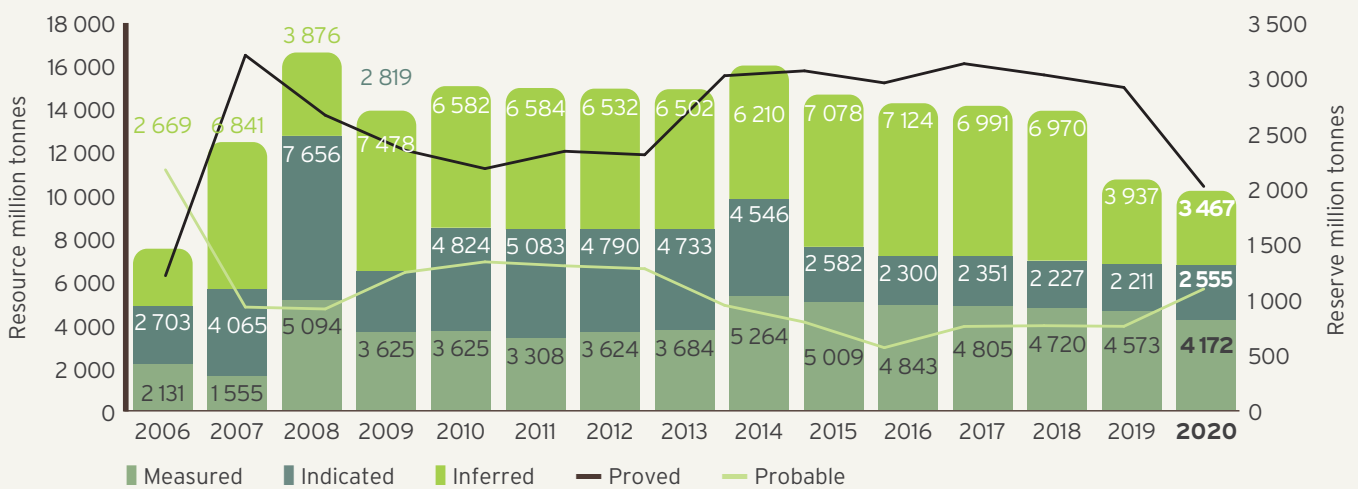


Refer to page 20 for more information about our coal asset base and page 22 for our renewable energy operations.

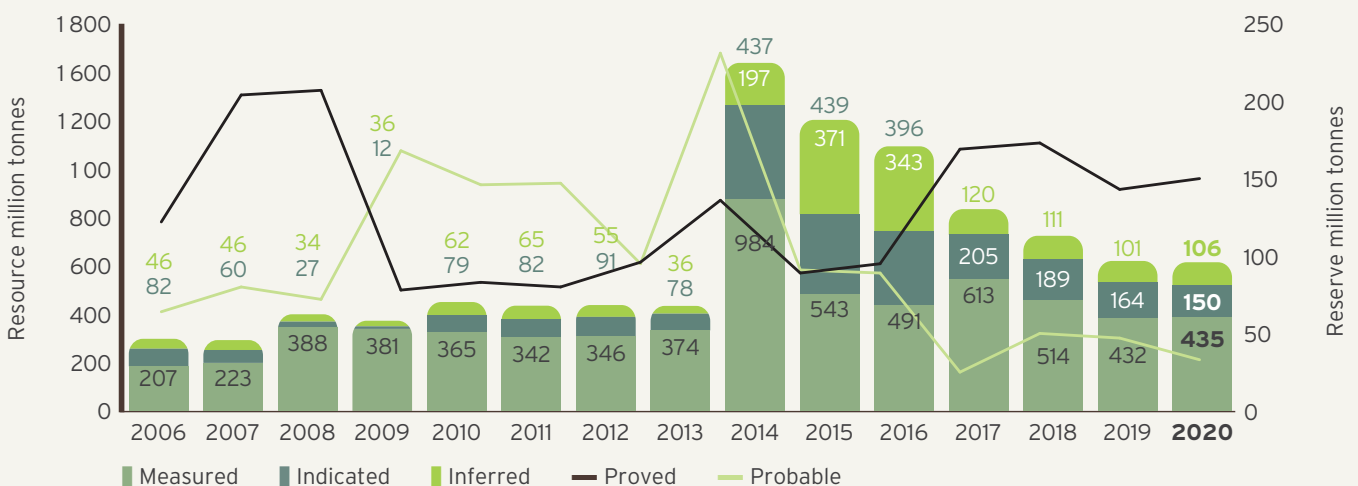
OUR MINERAL RESOURCES AND RESERVES continued

The significant change in Coal Reserves from 2019 to 2020 is primarily the result of the implementation of the new early value exploitation strategy at particularly our Grootegeluk operation, the largest operation. The Grootegeluk pit was adjusted to higher value areas with lower value coal towards the latter part of the LoM excluded. As Grootegeluk has a significant remaining life, reinclusion could be considered at a later stage.

Exxaro's attributable Coal Resources and Coal Reserves



Mpumalanga attributable: Witbank and Highveld coalfields (excluding Matla)



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 2020 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 Table 4 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.

For all operations other than normal mining, no material changes to total Coal Resources are reported. New exploration information used to update geological and structural models at the Grootegeluk, Matla, Dorstfontein and Forzando operations increased geological confidence within the Coal Resource classification categories. At Grootegeluk, improved understanding of the geology and geological structure within the future mining areas resulted in Inferred Resources being upgraded to Indicated Resources. In addition an amount of Measured Coal Resources within the northern pit area was reclassified as Indicated. Our improved structural interpretation of the position and orientation of the interpreted fault positions in the northern pit changed meaningfully enough to warrant this reclassification. When reviewing the supporting borehole information in this area, it was evident that the boreholes within each of the newly interpreted faulted blocks occur in single lines. This is not optimal to access the orientation and extent of seam development as well as the boundaries of the faulted Resource blocks. We do not consider this change material and focused drilling in 2021 and 2022 will be conducted to reconfirm the fault orientations. Within the middle pit, where mining is conducted, closely spaced open-hole drilling is implemented in front of the pit's progression to better delineate geological structures. These additional points of observation assist greatly in understanding the orientation of smaller scale faults and the impacts they have on coal exploitation. This drilling methodology will also be implemented in the northern pit to further increase the level of geological confidence.

Material movements within the Reserve categories at the Dorstfontein complex are primarily due to implementing a new underground mine layout at the Dorstfontein East mine. The underground Coal Reserves were accessed through an adit in the existing highwall of one of the open pits. Studies commenced in 2019 with structural groundwork starting in early 2020 and first coal from the new S4L underground workings extracted on 19 November 2020. The S4L underground Coal Reserves will provide an estimated 12 years to LoM. Mining of S2L underground is scheduled to start in 2029, adding eight years to LoM.

The Proved Coal Reserves at the Thabametsi mining right, an area adjacent to Grootegeluk, are reclassified as Probable as a result of the lapse of the IPP project development agreement.

Material changes in total Coal Reserves are reported at two of our operations. At ECC's Forzando mine, a decrease of approximately 60% (34.6Mt to 13.7Mt) ROM Coal Reserves is due to economic factors rendering Reserve blocks currently unprofitable. Implementing a high-value exploitation strategy at Grootegeluk resulted in an optimised mine layout prioritising high-value Reserve blocks for earlier mining and scheduling lower value Coal Reserves blocks to the latter part of the mine life. This change resulted in an approximately 17% (3 165Mt to 2 628Mt) decrease in the total Grootegeluk ROM Coal Reserve without compromising the total Coal Resource.

New shaft under construction at Matla Mine 1



OUR MINERAL RESOURCES AND RESERVES continued

UNLOCKING VALUE

In 2020, we continued to focus on unlocking value at our operations. We reviewed our operations' exploitation strategies through a lens of unlocking early value without compromising the Resource. We are however acutely aware that our success as a mining company is built on the integrity of our Coal Resources and the effectiveness with which we convert these Resources to Coal Reserves, and then the exploitation and extraction of the Reserves. Below is a snapshot our reporting year.

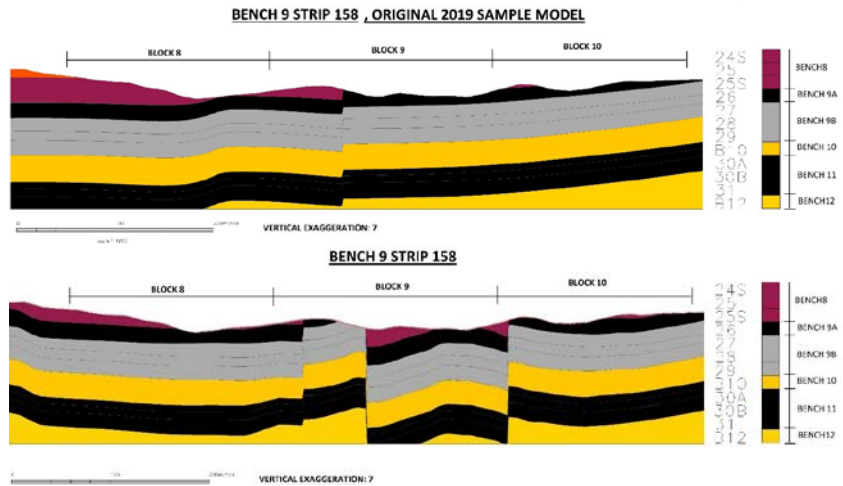
Considering mining, metallurgical, processing, infrastructural, economic, marketing, legal, ESG modifying factors			
INCREASING LEVEL OF GEOSCIENTIFIC KNOWLEDGE AND CONFIDENCE	COAL RESOURCES	UNLOCKING VALUE	COAL RESERVES
	<p>Continuously improving our level of geoscientific understanding, minimising risk and unlocking opportunities</p> <p>Executing integrated exploration plans at the Dorstfontein, Forzando, Matla, Belfast, Grootegeluk and Leeuwanpan mines</p> <p>Update of geological and structural models at the Matla, Grootegeluk, Dorstfontein and Forzando mines</p> <p>Consideration of geological risk and opportunity domain analysis (RODA) in conditional-based mine planning at Matla and implementation of risk domains at Leeuwanpan mine</p>	<p>Modifying factors and our ability to extract our Mineral Resources</p> <p>Increasing extraction through innovation and knowledge</p> <p>Implementation of updated exploitation plans at Grootegeluk and Belfast</p>	<p>Optimising our plans to create the best for market use</p> <p>Updated LoM plans for Matla, Belfast, Leeuwanpan, Dorstfontein, Forzando and Grootegeluk mines</p> <p>Initiation of Dorstfontein East underground expansion</p>
INNOVATION			
<p>Implementation of digital communication for functional meetings, training and workshops during lockdown</p> <p>Optimising our centrally managed geological and hydrogeological databases</p> <p>Initiating first-time surface-to-seam directional drilling to outline geological challenges for improving mine planning</p>	<p>Continuous radar scanning for slope stability monitoring</p> <p>Terrestrial lidar scanning of pit faces to enhance reconciliation and Resource use</p>	<p>Implementation of OCCS and UGCS for the development of mine layouts and mine schedules at the Belfast and Grootegeluk mines</p>	
GOVERNANCE			
<p>We align our reporting with the SAMREC Code and JSE Listings Requirements (section 12:13) amendments for minimum contents of annual reports and annually review our LoM mineral assets policies and estimation procedures to incorporate learnings and/or improvements. We update our internal competent persons reports annually to accommodate the SAMREC Code "if not, why not" principle. We are currently transitioning to align with the guidelines of the newly introduced SANS 10320:2020 edition 2. The planning and execution of our exploration and estimation activities have been impacted by COVID-19. We have however successfully adapted through prioritisation of activities, implementation of innovative technology and slight changes in role accountabilities.</p>			
ASSURANCE			
<p>We have conducted tier 1 concurrent Resource reviews at Grootegeluk, Matla, Dorstfontein and Forzando, resulting in updated geological models and LoM plans for these operations. On tier 2, technical reviews were conducted on Grootegeluk's alternative mining solution and backfill phase 3, the Belfast expansion, Leeuwanpan mine heavy mining equipment and Matla's Mine 1 and north-west access projects. We have conducted a tier 3 (third-party) review at Belfast mine. The external Matla 2019 audit findings were resolved and corrective measurements of findings received at Belfast in 2020 are in progress (🔄 see assurance section on page 80). The CMRR 2020 report was externally peer reviewed for reporting compliance.</p>			

CASE STUDY

IMPLEMENTATION OF THE GROOTEGELUK SHORT-TERM GEO MODEL

THE GROOTEGELUK MINE CONTAINS THE THICK INTERBEDDED COAL SEAM DEPOSIT, NAMELY THE OVERLYING VOLKSRUST FORMATION, AS WELL AS A MULTIPLE-SEAM COAL DEPOSIT WITHIN THE UNDERLYING VRYHEID FORMATION.

The Volksrust formation comprising of intercalated mudstone or carbonaceous shale and bright coal layers requires detail coal sample and mining horizon management to ensure correct ROM coal quality feed to the various coal processing plants. Grootegeluk implemented a short-term geological model to assist in optimising its day-to-day resource exploitation and short-term mine planning activities. Unlike the long-term geological model used for resource estimation and reporting, the short-term model is coal sample-based and updated weekly with new information obtained from geophysically logged blast holes as well as surveyed floor surfaces in the pit. Blast holes are closely spaced (approximately 7.5m), which allows for densely spaced geological points of observation resulting in greater estimation accuracy than the long-term model, which typically uses exploration cored boreholes approximately 350m apart. The integrated model is applied to account for day-to-day material losses and/or gains as a result of under or over mining of the benches. By ensuring that these mining deviations are accounted for in the tonnage and quality compositing of the mining blocks, block estimates are greatly improved in the short term. The short-term model has proved to be a valuable tool, assisting the operation in ensuring timely and accurate as-mined block estimates as well as identification of geological risks within the mining blocks.



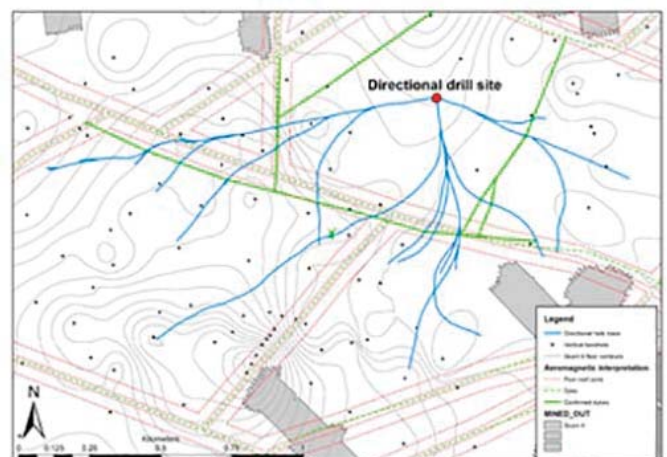
Comparison of interpretation before (above) and after (below) of the short-term model

CASE STUDY

SURFACE-TO-SEAM DIRECTIONAL DRILLING AT MATLA

MATLA HAS THREE MAJOR LOM DEVELOPMENT PROJECTS UNDERWAY. THE PROJECTS WILL ENSURE EXTENDED MINE LIFE BY CREATING ACCESS TO COAL RESOURCES CURRENTLY NOT AVAILABLE THROUGH EXISTING WORKINGS AND INFRASTRUCTURE.

One of the projects is the north-west access project, which entails the development of an incline from the existing S2 workings up to the S4 Resource area. The S4 area is structurally challenging with multiple sets of igneous intrusives, including cross-cutting sills and dykes identified through aeromagnetic surveys and mining intersections. It is vital that the mine is designed to mitigate risks, to ensure maximum coal extraction and to ensure a safe working environment. A surface-to-seam directional drilling programme was initiated during the reporting year, completing 13 500m of drilling, probing and derisking the mine layout for future mining development. Drilling results successfully outlined dyke intersections, thicknesses and displacements as well as outlining areas of poor ground conditions (burnt or fractured coal). The results were considered during the review of the mine plan, impacting on the access design as well as mine layouts. The crucial information captured that will not only be used for mine design but will cater for mine scheduling and future production planning. In addition, inclusion of dyke thickness and displacement will allow for more informed decisions during mine scheduling and planning for stonework section deployment. The drilling has proved to be a vital quantitative tool that allows for the identification of various unknown factors well ahead of mining.



Project area showing directional drill traces, target and confirmed structures

OUR MINERAL RESOURCES AND RESERVES continued

ENDORSEMENT

Exxaro's lead competent persons are appointed by the executive management team.

The Exxaro lead Coal Resource competent person is Henk Lingenfelder, a member of the Geological Society of South Africa and registered (400038/11) with the South African Council for Natural Scientific Professions. He has a BSc (Hons) in geology and 25 years of experience as a geologist in coal, iron ore and industrial minerals.

The person in Exxaro designated to take corporate responsibility for Coal Resources, Henk Lingenfelder, the undersigned, has reviewed and endorsed the reported estimates.



Henk Lingenfelder

*BSc geology (Hons)
Pr Sci Nat (400038/11)*

Group manager: geoscience

263 West Avenue, Die Hoewes
Centurion 0163

South African Council for Natural Scientific Professions

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Silverton 0127
Gauteng
South Africa

The Exxaro lead Coal Reserve competent person is Chris Ballot, a mining engineer registered (20060040) with the Engineering Council of South Africa. He has 24 years of experience in iron ore, mineral sands and coal in various technical and management roles. His qualifications include BEng (mining), GDE and MBA.

The person in Exxaro designated to take corporate responsibility for Coal Reserves, Chris Ballot, the undersigned, has reviewed and endorsed the reported estimates.



Chris Ballot

*BEng (mining)
ECSA 20060040*

Group manager: mining processes

263 West Avenue, Die Hoewes
Centurion 0163

Engineering Council of South Africa

Private Bag X691
Bruma 2026
Gauteng
South Africa

Both parties are in the full-time employment of Exxaro, Henk Lingenfelder as the group manager: geosciences and Chris Ballot as the group manager: mining processes. Both parties have consented to the inclusion of Resources and Reserves estimates in the integrated report 2020. Exxaro has written confirmation from the competent persons that the reporting is compliant with the SAMREC Code, the relevant portions of Table 1 and the JSE Listings Requirements (section 12), in the form and context in which it was intended per JSE LR 12.13(i)(6) and they consent to the publication of the report.

AET	Adult education and training
AGM	Annual general meeting
AMCU	Association of Mineworkers and Construction Union
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
Bloomberg GEI	Bloomberg Gender-Equality Index
BU	Business unit
CAF	Combined assurance forum
CAGR	Compound annual growth rate
Cennergi	Cennergi Proprietary Limited or Cennergi group of companies
CEO	Chief executive officer
Companies Act	Companies Act, 2008 (Act 71 of 2008), as amended
COAD	Chronic obstructive airway disease
COGTA	Department of Cooperative Governance and Traditional Affairs
CoP	Conference of the Parties
cps	Cents per share
CSA	Control self-assessment
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
DBP	Deferred bonus plan
DHS	Department of Human Settlements
DMRE	Department of Mineral Resources and Energy
dtic	Department of Trade, Industry and Competition
DoL	Department of Labour
Dorstfontein	Dorstfontein Coal Mines Proprietary Limited
DWS	Department of Water and Sanitation
EAP	Employee assistance programme
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss)
ECC	Exxaro Coal Central Proprietary Limited
ECD	Early childhood development

ECF	Exxaro Chairman's Fund
EERF	Exxaro's Environmental Rehabilitation Fund
EF	Exxaro Foundation
EME	Exempt micro-enterprises
EMPR	Environmental Management Programme
EPDI	Exxaro People Development Initiative
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
ESOP	Employee share option plan
EVP	Employee value proposition
Exxaro	Exxaro Resources Limited
Eyesizwe	Eyesizwe (RF) Proprietary Limited, special purpose private company which has a 30% shareholding in Exxaro
FD	Finance director
Ferroland	Ferroland Grondtrust Proprietary Limited
FUWA	Food and Allied Workers' Union
GBV	Gender-based violence
GHG	Greenhouse gas
GG	Grootegeluk
HDPE	high density polyethylene
HEPS	Headline earnings per share
HPI	High-potential incidents
ICT	Information and communications technology
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
<IR> Framework	International Integrated Reporting Framework
IT	Information technology
IWUL	Integrated water use licence
JSE	JSE Limited
KAM	Key account management
King IV	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator
LoM	Life of mine

GLOSSARY continued

LTI*	Long-term incentive
LTI*	Lost-time injury
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
Mining Charter III	Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018
Minerals Council	Minerals Council of South Africa
MISA	Municipal Infrastructure Support Agent
Mol	Memorandum of incorporation
MPRDA	Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002)
MSR	Minimum shareholding requirements
NBI	National Business Initiative
NCOE	Notional cost of employment
NGO	Non-governmental organisation
NDP	National Development Plan
NEMA	National Environmental Management Act, 1998 (Act 107 of 1998)
NIHL	Noise-induced hearing loss
NPC	Non-profit company
NPO	Non-profit organisation
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
OHIFR	Occupational health incident frequency rate
PIT	Professionals in training
PM	Particulate matter
PPE	Personal protective equipment
PwC	PricewaterhouseCoopers Incorporated
QSE	Qualifying small enterprise
RAP	Resettlement action plan
ROCE	Return on capital employed

RoM	Run of mine
RWG	Resettlement working group
SDGs	Sustainable Development Goals
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP	Social and labour plan
SME	Small to medium-sized enterprise
SMME	Small, medium and micro-enterprise
SPR	Special performance award
SPV	Special purpose vehicle
STI	Short-term incentive
Tata	Tata Power Company Limited
TCFD	Task Force on Climate-related Financial Disclosures
TPI	Transition Pathway Initiative
TRAC SA 2020	Transparency and Corporate Reporting: South Africa 2020
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
Tsitsikamma SPV	Tsitsikamma Community Wind Farm Proprietary Limited
TSR	Total shareholder return
Tumelo	Tumelo Coal Mines Proprietary Limited
UK	United Kingdom
UNGC	United Nations Global Compact
USA	United States of America
WUL	Water use licence

* The abbreviation is context-specific.

ADMINISTRATION

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COMPANY REGISTRATION NUMBER

2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY

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