

Exxaro Resources Limited

Integrated report
for the year ended
31 December 2023

exxaro

POWERING POSSIBILITY



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Navigating this report

We use icons to show:

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

 Read more in this report

Material themes that guide our integrated reporting

 Adapting to a changing context

 Responsible environmental stewardship

 Building sustainable communities

 Helping our people thrive

 Executing our strategy

 Driving business resilience

 Principled governance

The capitals we use and affect

 Natural

 Human

 Social and relationship

 Manufactured

 Intellectual

 Financial

Reporting suite

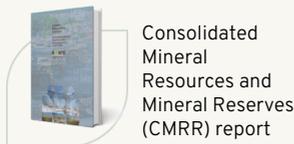
We are committed to transparent reporting and publish an annual reporting suite detailing our performance:



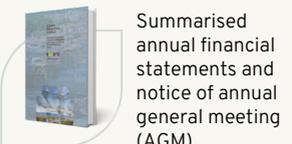
Environmental, social and governance (ESG) report



Group and company annual financial statements



Consolidated Mineral Resources and Mineral Reserves (CMRR) report



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

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

Connect with us

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

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www.exxaro.com

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Building momentum and resilience for sustainable growth and impact

Welcome to our 2023 integrated report, which explains how we are building momentum and increasing our resilience in a turbulent macro-economic climate in line with our ambition to achieve sustainable growth and impact.

Dr Nombasa Tsengwa
Chief executive officer (CEO)



The previous year laid bare the intricate tapestry of challenges that define our times – from geopolitical upheaval to the tenuous responses of global markets to surging inflation and shifting energy paradigms.

As the clarion call for a sustainable future grows louder, we recognise our dual imperative: to bolster energy security by ensuring a reliable coal supply and to navigate our strategic transition towards cleaner energy. This commitment is crucial, not just for maintaining the reliability of our nation's energy supply but as a cornerstone for supporting South Africa's economic growth and prosperity.

We aim to grow from the exceptional business we have developed over the past 18 years, continuously building momentum and resilience for sustainable growth and impact. Our rich history is the foundation for our progress, moving from a past focused solely on mining to embracing the energy landscape of the future with an approach that emphasises energy security, endorses resources for a cleaner world and supports a just transition to a carbon-neutral future by 2050.

To support this forward-looking approach, we meticulously evaluated our Sustainable Growth and Impact strategy during the year regarding its progress, timing and scenario planning. This included endorsing a unified ESG framework, developing an ESG policy and enhancing our strategic approach to sustainability. The creation of a strategic performance management dashboard further amplifies the visibility of strategy execution.

Our energy initiatives and the strategic selection of minerals for diversification reflect our proactive approach to the global energy transition and our contribution to a carbon-neutral future. The lessons learned over the past two years in evaluating potential opportunities in critical minerals and energy have refined our approach, ensuring expansion efforts are well considered and aligned with our core sustainability and value creation principles. These experiences have reinforced our commitment to resilience – withstanding market pressures and preparing to capitalise on opportunities with agility and foresight.

We have also made significant progress in our Climate Change Response strategy by creating a comprehensive decarbonisation roadmap with an ambitious goal of achieving carbon neutrality. This roadmap, in its mature phase, outlines the actions that will guide the group towards a sustainable transition, anticipating more stringent environmental regulations. Our Lephalale solar project (LSP) is a tangible representation of our commitments and is poised to deliver a 27% reduction in scope 2 emissions on completion. This project complements our core coal business and reflects our comprehensive approach to energy provision.

Looking ahead

We stand ready to apply our learnings in a way that propels us forward. We are poised to engage with the future of energy with the same dedication and focus that has seen us through the past years. This is the essence of our story – a tale of resilience, learning and a steadfast commitment to making a sustainable impact. It is a narrative we carry into the future as we continue to shape an enduring legacy in powering possibility.

About this report

Exxaro's integrated report for the year ended 31 December 2023 is a value creation story for our stakeholders, particularly our shareholders and other providers of financial capital.

Scope and boundary

The report contains material information about our strategic decisions and operational performance for the period 1 January 2023 to 31 December 2023 (the 2023 financial year). It covers the financial and non-financial information of our wholly owned and joint arrangements in South Africa, Europe and Australia.

The reporting boundary incorporates material information about the Cennergi group of companies (Cennergi). We consolidated material information about Cennergi Proprietary Limited's safety incidents into the group's results.

We include limited information on operations where we:

- Do not have management control but hold an important equity interest, namely Black Mountain Proprietary Limited (Black Mountain), Richards Bay Coal Terminal Proprietary Limited (RBCT) and Sishen Iron Ore Company Proprietary Limited (SIOC), or
- Have joint control, namely Mafube Coal Proprietary Limited joint venture and Moranbah South project (joint operation)

Reporting boundary

(risks, opportunities and outcomes)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Strategy (page 47) • Business model (page 20) • Operational performance (page 90) • Material matters (page 24) • Risks and opportunities (page 28) • Governance (page 55) | <ul style="list-style-type: none"> • Stakeholders (page 39) • Government and regulators • Employees and labour unions • Communities • Investors • Suppliers • Customers • Civil society • Others |
|--|---|

Financial reporting entity
(control and significant influence)

exxaro

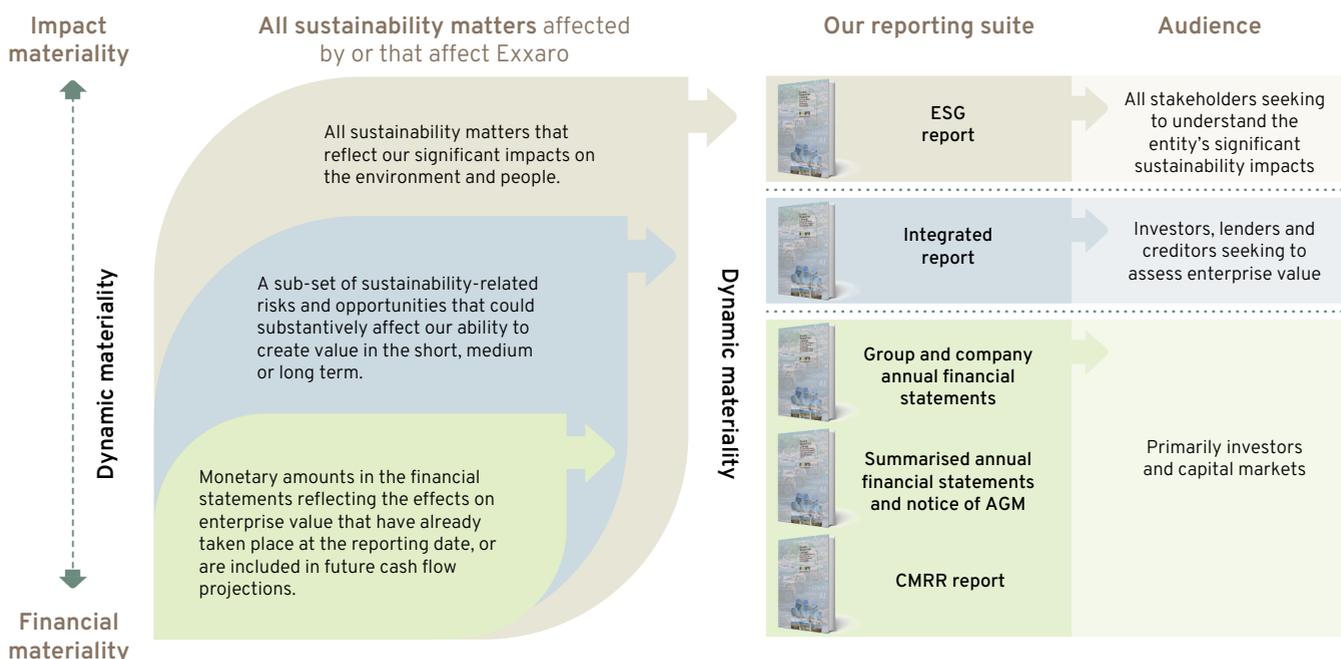
- Subsidiaries
- Joint arrangements
- Investments

Materiality

We distinguish the information to include in our reporting suite through a double materiality determination process, which identifies the matters that impact our ability to create enterprise value (financial materiality) and our impact on the environment, communities and society (impact materiality).

- We group these material matters (page 24) into themes that link to the resources we use and affect.

Only matters that could substantively affect our ability to create value in the short (one to five years), medium (six to 10 years) or long term (>11 years) are reported on in our integrated report. We understand, however, that sustainability issues can shift between impact and financial materiality. We therefore conduct an annual materiality determination process to assess this movement.



Integrated thinking

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

Our approach to integrated thinking is translated into this report's value creation message, content and structure. This is supported by the information outlined in our ESG report, detailing our performance against our ESG commitments.

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



Frameworks and guidelines

Our reporting suite is guided by and applies the following:

	IR	ESG	AFS	CMRR
Materiality determination process	x	x		
Integrated Reporting Framework	x	x	x	
Companies Act of South Africa, 2008 (Act 71 of 2008), as amended (Companies Act)	x	x	x	x
International Financial Reporting Standards (IFRS®) Accounting Standards*	x	x	x	
JSE Limited (JSE) Listings Requirements and Debt Listings Requirements	x	x	x	x
Department of Trade, Industry and Competition (dtic) Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice	x	x		x
The effective parts of the Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)	x	x		
King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)**	x	x	x	
South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition	x	x	x	x
Global Reporting Initiative standards (elements of the ESG report are cross-referenced for a broader perspective)	x	x		
United Nations Global Compact (UNGC)	x	x		
Sustainability Accounting Standards Board	x	x		
Task Force on Climate-Related Financial Disclosures (TCFD) recommendations***	x	x		

* As issued by the International Accounting Standards Board.

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*** This now falls under the custodianship of the IFRS Foundation.

Assurance



KPMG provided independent reasonable assurance over key sustainability information in the ESG report. The assurance report is available on page 190 of the ESG report.

Board responsibility

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

Mvuleni Geoffrey Qhena
Independent chairperson

Dr Nombasa Tsengwa
CEO

Riaan Koppeschaar
Finance director

Geraldine Fraser-Moleketi
Lead independent non-executive director

Karin Ireton
Independent non-executive director

Ben Magara
Independent non-executive director

Billy Mawasha
Independent non-executive director

Nondumiso Medupe
Independent non-executive director

Dr Phumlá Mnganga
Independent non-executive director

Nosipho Molohe
Independent non-executive director

Chanda Nxumalo
Independent non-executive director

Peet Snyders
Independent non-executive director

Isaac Malevu
Non-executive director

Likhapha Mbatha
Non-executive director

Zwelibanzi Mntambo
Non-executive director

Mandlesilo Msimang
Non-executive director

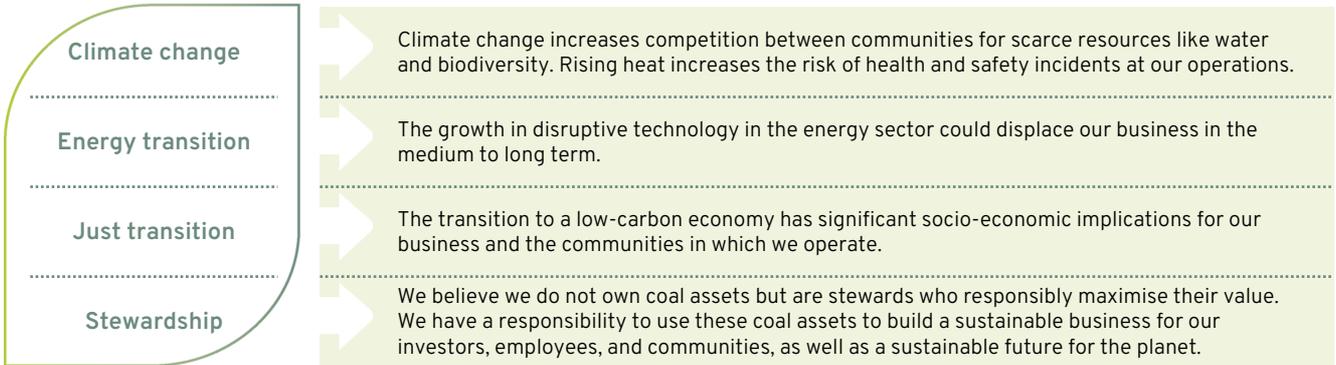
10 April 2024

Delivering sustainable value creation

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

Long-term forces shaping our way forward...

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



...unfolding within our context



We are navigating the tension between a rapid energy transition and a just, equitable shift that benefits all stakeholders through our responsive strategy...



... that positions Exxaro for sustainable growth and impact.

Delivering value through purpose...

Our purpose is the reason we exist. It guides our long-term decision making and daily actions. To achieve our purpose, we must deliver on three core areas of value. These are the linchpins of our relevance and sustainability as a business. Value for Exxaro is therefore inextricably tied to our ability to achieve these aims:



For each stakeholder group, we also aim to create and preserve relevant value:

-  [Engaging our stakeholders](#) (page 39)
-  [Building resilience through governance](#) (page 55)
-  [Our performance](#) (page 82)

Government and regulators – driving sustainable development

We create value for the governments and regulators in the regions where we operate through transparent operations that contribute to economic growth and energy access, and collaborate on projects echoing national and regional energy strategies and sustainability objectives.

Employees – powering possibility

We empower our employees with opportunities for career growth, equitable compensation, and a safe work environment. We are also committed to delivering resources to power a clean world, resonating with our people’s aspirations for a sustainable future.

Communities – nurturing resilience and socio-economic growth

By integrating community needs into our operational strategy, we aim to foster sustainable growth and a resilient socio-economic structure that supports community prosperity and our business’s sustainability. Our initiatives are tailored to support a just transition to a sustainable future, creating employment and reskilling opportunities for communities living in and around our operations.

Customers – energising progress

We deliver value through our early value strategy and our market to resource strategy to meet our customers’ needs while contributing towards energy security in South Africa and beyond. We also seek to supply minerals and energy that enable the energy transition, nurturing trust-based, innovative partnerships that support our collective vision for sustainable development.

Investors – investing in tomorrow

We are bolstering the energy sector while strategically decarbonising to augment our coal business’s competitive edge and longevity. Our diversification into key minerals and energy underpins a sustainable development vision. This strategic direction strengthens trust and delivers long-term value to investors through responsible growth and investment in the future.

Suppliers – strengthening supply chain sustainability

In our approach to supplier engagement, we focus on local procurement, which supports community businesses and aligns with our sustainability goals by reducing logistical impacts. This not only strengthens local economies but also fosters deeper community ties. Concurrently, we are dedicated to enhancing our supply chain’s robustness and reliability, which we achieve by investing in our suppliers’ capabilities and advocating for best practices. Additionally, our suppliers are integral to our decarbonisation journey. We educate them on climate change, carbon pricing, and adaptation strategies, deepening their understanding and encouraging active participation in climate resilience and mitigation efforts.

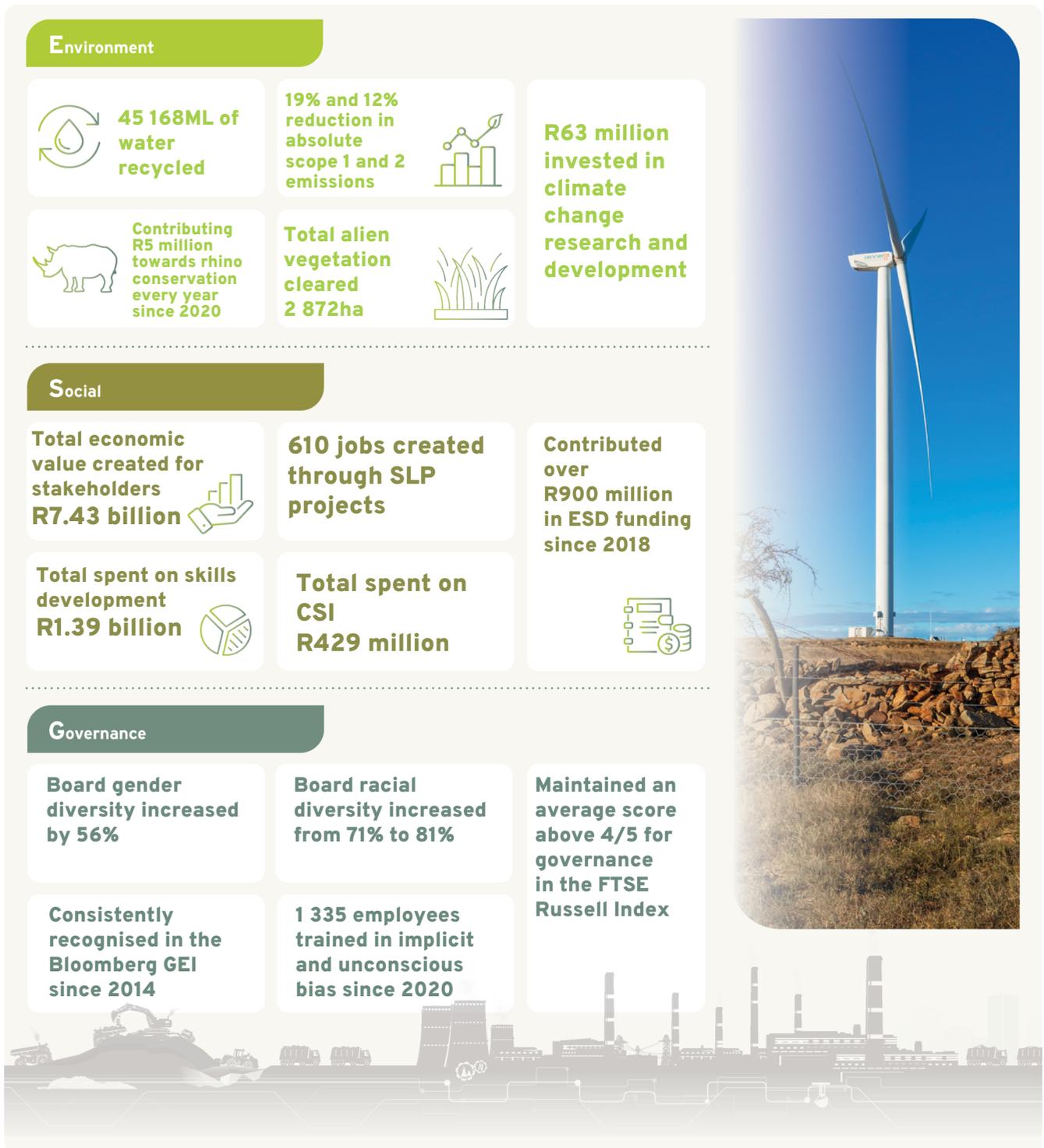
Environment – sustaining environment

We minimise our environmental impact through responsible mining practices, investment in renewable energy initiatives, and a deep commitment to biodiversity and the natural world.

Snapshot of our long-term value creation

For the past five years, Exxaro has demonstrated our commitment to creating and preserving value for our stakeholders. By practising environmental and social stewardship, supported by good governance structures, we ensure the sustainability of our business and create value over time.

Since 2019...



01

Our business

Exxaro is positioning itself to navigate a rapidly evolving landscape, with environmental sustainability and social equity as key drivers. Led by our purpose, we will not only adapt but thrive, transforming our operations to provide resources that contribute to a cleaner, more equitable world.

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Chairperson's statement

In the face of myriad challenges, our strategic initiatives and the collective resilience of our people and operations enabled us to not only withstand but also navigate volatility with confidence and purpose, recording the second highest ever EBITDA of R13.4 billion, thus laying a solid foundation for continued growth and impact.

Mvuleni Geoffrey Qhena
Chairperson



For Exxaro, the volatile macro-economic climate impacted commodity markets and trade, making strategic flexibility essential. The group navigated these global upheavals while contending with South Africa's internal challenges, including the ongoing constraints of inadequate infrastructure and logistics supply.

Building on legacy, embracing the future

As Exxaro moves forward, we find ourselves at a pivotal juncture, urged by the global mandate for environmental stewardship and climate action. Exxaro has made strides in our climate strategy, developing a comprehensive decarbonisation roadmap with the ambitious endpoint of carbon neutrality by 2050. In its mature phase, this roadmap outlines actions to guide the group's sustainable transition in anticipation of more stringent environmental regulations, reaffirming Exxaro's leadership in sustainable practices.

The board rigorously evaluated Exxaro's Sustainable Growth and Impact strategy's progress, timing, and scenario planning against our strategic scorecard framework. This included endorsing a unified ESG framework and enhancing our strategic approach to sustainability. We also evolved our strategic performance management dashboard, improving the visibility of strategy execution and enriching governance discussions within Exxaro's tiered governance structure.

Adapting to an evolving landscape, our annual board governance roadshow delved into the potential impact of global sanctions and financial threats, including grey listing and interest rate fluctuations. The discussions led to a thorough analysis of these risks and their implications for Exxaro, which remains under active board and committee review.

Exxaro's resilient operations are rooted in innovation and strong technical expertise, reinforcing safe production, robust financial performance and an effective approach to our strategic capital allocation. To support this, the board has been leveraging our Digital@Exxaro strategy, deep mining and energy expertise, strong balance sheet, stable earnings, high-quality products and a strong record of delivering sustainable impact.

Fostering robust governance and leadership continuity

The board continues to demonstrate its commitment to governance excellence as the bedrock for sustained value creation. Leadership quality is paramount for strategic success, necessitating the right blend of skills, diversity and oversight at the board level. Our board consistently focuses on achieving the right size, balance, independence and diversity to effectively fulfil its governance mandate.

Demonstrating our dedication to these principles, Andiswa Ndoni transitioned from group company secretary to the chief strategic resilience and governance officer. Her expertise will continue to benefit the group in this pivotal role. Michelle Nana will succeed her as group company secretary from 1 May 2024. With a background spanning over 30 years in company secretarial roles across various geographies, and as a law graduate and esteemed member of relevant professional bodies, Michelle is well positioned to uphold the governance standards that underpin our operations.

We are also pleased to announce Nosipho Molope's appointment as an independent non-executive director and a member of the audit committee effective from 3 January 2024. Nosipho, a distinguished chartered accountant, brings extensive experience from her service on numerous boards, enhancing our governance with her proficiency in audit, risk and ethical oversight.

While we embrace these new appointments, we also bid farewell to Likhapha Mbatha who retires by rotation at the 2024 AGM. Likhapha retires as a member of the social, ethics and remuneration committee and has made a lasting impact on Exxaro. The board extends its gratitude for her exceptional service.

These changes reflect Exxaro's ongoing commitment to strategic board renewal and succession planning, ensuring the group remains at the forefront of governance excellence and prepared to navigate future challenges with resilience and integrity.

Chairperson's statement continued

Engaging to deliver lasting positive outcomes

The board firmly believes in the power of stakeholder engagement to forge lasting, positive outcomes. True to the ethos of King IV, our stakeholder-inclusive approach underpins our governance philosophy.

We recognise that understanding and balancing our stakeholders' diverse needs, interests and expectations against the organisation's long-term interests is pivotal for sustained success.

Engagements with crucial stakeholders like Transnet and Eskom underscore our proactive approach in finding solutions to assist in managing the material risks and operational challenges we are facing. The board's logistics committee, now institutionalised as a permanent fixture of our governance, is pivotal in managing all logistics risks faced by the company. It will continue to focus on long-term international market access and immediate logistic solutions.

Community engagements remain critical. By building relationships grounded in understanding community needs, Exxaro fosters collaboration and pre-emptively addresses community concerns. The group also emphasises shared value creation through local employment, procurement, and supplier and community development initiatives, seeking to deliver value beyond specific operational lifespans. This is illustrated through our community investments, which totalled R1.9 billion this year, a 17% increase since 2022.

In November 2023, class action litigation was launched against South African coal mining companies, including ourselves, relating to mineworkers who contracted coal mine dust lung disease, as well as dependants of those mineworkers who died and whose deaths were likely attributable to coal mine dust disease. We are taking this action very seriously, since the health and safety obligations of our employees are paramount. We are investigating all the facts pertaining to the class action and will respond appropriately. The group proactively researches and reinforces health and safety measures, including cutting-edge occupational hygiene and medical surveillance programmes, to prevent occupational health diseases.

Feedback from our governance roadshow has been affirming. Investors have recognised our engagement efforts and suggested further improvements in our climate lobbying disclosures. We value this feedback as it enhances our reporting processes and ensures alignment with stakeholder expectations.

The board remains convinced that effective stakeholder engagement is a cornerstone of robust governance. It fosters relationships founded on respect and trust, leading to better informed and more effective decision making.

Looking ahead

We are acutely aware of the ongoing global fluctuations and persistent local challenges that loom large.

We continue to monitor socio-economic and political events, such as the upcoming 2024 elections, both in South Africa and the other countries we operate in.

Our response is one of vigilance and proactive stakeholder engagement, working collaboratively to foster a climate of stability and growth. Likewise, the safety of Exxaro's people is a top priority, and our leadership, company culture, and performance contracts reflect this.

Looking to the future, Exxaro's determination is unyielding – not only to adapt to an ever-evolving landscape but also to be the architect of change.

Our commitment to diversification remains. Although we have not concluded a mineral transaction as yet, the board is satisfied with management's efforts in this regard and is comfortable that a value creating asset will be added to the company's portfolio. Our intention is to ensure that we are strategically concentrating on critical areas such as minerals and energy to leverage the expanding opportunities within the green economy. Our comprehensive approach ensures that all efforts are harmonised with our goal of building a diversified enterprise primed for resilience and growth within a transforming energy sector.

In closing, I want to thank my fellow board members, the executive team under the leadership of Dr Nombasa Tsengwa, and all Exxaro employees for their dedication and hard work.

We thank all our stakeholders for your continued trust and support. As we move forward, we do so with a clear vision and a strong sense of purpose, ready to embrace the opportunities and tackle the challenges that lie ahead.



Mvuleni Geoffrey Qhena
Chairperson

10 April 2024

Who we are

Exxaro is a South African diversified resources company with existing coal mining operations and growth prospects in energy transition minerals, energy business and private rail infrastructure.

We are building Exxaro into a sustainable and impactful business that catalyses economic growth, principled governance, environmental stewardship and positive change.



Sustainable Growth and Impact strategy

The Sustainable Growth and Impact strategy is an integrated, multi-stakeholder approach to positioning the business for a resilient and sustainable future.



Business overview

Assets
R92.9 billion
 at 31 December 2023

(2022: R85.1 billion)

Five coal mines*

Two windfarms and a solar project under construction

Coal product
42.5Mt
 (including buy-ins)

(2022: 43.1Mt)

Market capitalisation
R71.4 billion

(2022: R75.9 billion)

Constituent of the JSE Top 40 Index

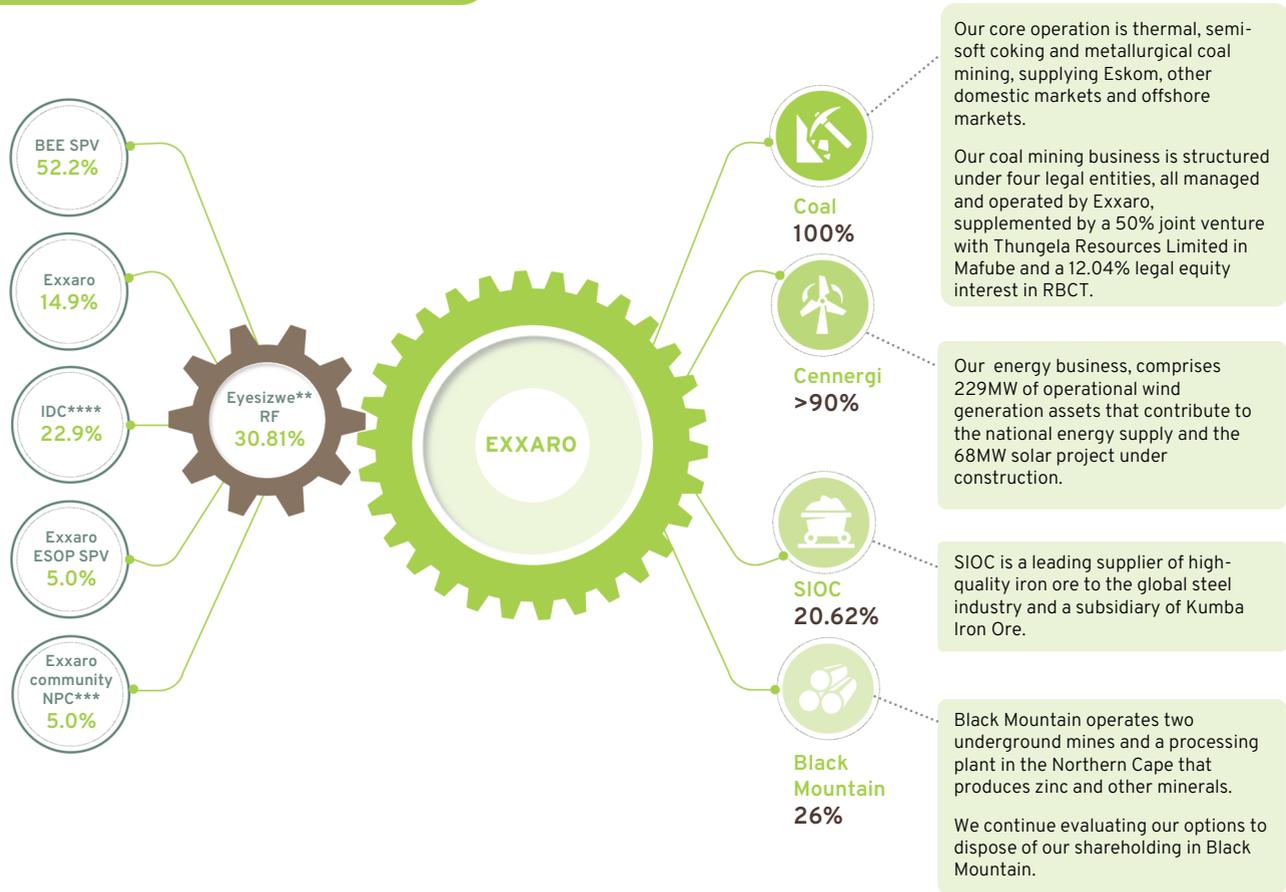
Renewable energy
727GWh

(2022: 671GWh)

Responsible business
30.81% black empowered

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

Ownership structure



* Including one joint venture, Mafube.

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

*** Exxaro Aga Setshaba NPC (formerly Matla Setshabeng NPC).

**** Industrial Development Corporation of South Africa.



For detailed information on our group structure, refer to the 2023 [annual financial statements](#).

Who we are continued

Our assets

Our diversified asset portfolio comprises interests primarily in thermal coal (where we are among the top three South African coal producers), a growing energy solutions business and equity-accounted investments in ferrous (iron ore) and zinc, among other base metals.

Expanding our business portfolio to include manganese, bauxite, copper, energy and broader energy transition minerals enables our contribution to a more sustainable future and shareholder value enhancement. Our business interests in Europe comprise a marketing and logistics office in Switzerland. A joint operation with Anglo Coal Grosvenor Proprietary Limited, the Moranbah South project, is conducted in Australia.

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

Minerals business

Our minerals business comprises coal operations and our equity investments in iron ore and zinc. We have deep roots in mining with a track record of operational excellence and delivering value. Our coal asset base is a key differentiator and critical part of how we create value for our stakeholders.

Only mineral assets with Measured and Indicated Resources are listed in this report. Inferred Resources are reported in the supplementary [CMRR report](#)

Snapshot

- Largest high-quality Coal Reserves remaining in the country, providing a platform for early value returns
- One of the largest suppliers of coal to Eskom and ArcelorMittal South Africa Limited
- 42.5Mt of thermal and metallurgical coal product (2022: 43.1Mt), down 1.4% in 2023 – the majority of power station coal is supplied to Eskom
- Grootegeluk is one of the largest integrated mining and beneficiation operations globally, running the largest coal beneficiation complex, and the only producing mine in the coal-rich Waterberg, adjacent to Eskom's Matimba and Medupi power stations
- As at 31 December 2023, we invested R2.4 billion in sustaining our coal business (2022: R1.6 billion)



Energy business

In line with our goals to decarbonise and diversify, Exxaro's energy business comprises interests in energy through our wholly owned subsidiary, Cennergi. This business supports Exxaro's ambition of generating 1.6GW of power by 2030 and includes supporting our current coal and future minerals operations through self-generation and providing energy to external customers in mining and select markets.



Cennergi is a southern African-based independent power producer that focuses on developing, constructing and operating energy assets. Cennergi has two operational wind assets (the Tsitsikamma community and Amakhala Emoyeni windfarms).

Once operational, the LSP will supply solar energy to Grootegeluk, reducing the operation's carbon footprint and electricity costs. A pipeline of opportunities continues to be developed by the energy business for Exxaro and external offtake.

Snapshot

- Cennergi's operating wind assets generated 727GWh of electricity (2022: 671GWh) – an 8% increase due to improved wind conditions, despite the 15GWh generation loss at one of the wind facilities due to an Eskom distribution line fault that occurred earlier in the year
- The LSP at Grootegeluk reached financial close on 29 June 2023 under a 25-year power purchase agreement with Exxaro Coal Proprietary Limited. Construction commenced in 2023 and commercial operation is expected in early 2025. Refer to the case study on page 43 ([ESG report](#)) for details
- Cennergi's operating wind asset project financing of R4 348 million (2022: R4 554 million) will mature and be fully settled by the end of 2031. Cennergi's solar asset project financing will mature and be fully settled by the end of 2042



Limpopo

	1 Grootegeluk complex	2 Thabametsi	3 Belfast
Location	West of Lephalale	West of Lephalale	South of Belfast
Market	Domestic and export	Domestic	Export (alternative domestic)
Product	Thermal and metallurgical coal	Thermal coal	Thermal coal
Coal Resources (inclusive)	<ul style="list-style-type: none"> • Measured: 2 978Mt • Indicated: 967Mt 	<ul style="list-style-type: none"> • Measured: 270Mt • Indicated: 749Mt 	<ul style="list-style-type: none"> • Measured: 98.4Mt • Indicated: 8.0Mt
Coal Reserves	<ul style="list-style-type: none"> • Proved: 1 971Mt • Probable: 550Mt 	<ul style="list-style-type: none"> • Probable: 130Mt 	<ul style="list-style-type: none"> • Proved: 33.2Mt • Probable: 1.4Mt
Mining method	Open-cut	Open-cut	Open-cut
Run of mine (RoM)	56.05Mt	0Mt	3.16Mt
Life of mine (LoM)	18+ years*	23 years	10 years

Mpumalanga

	4 Leeuwan	5 Matla	6 Mafube joint venture (50%)
Location	South-east of Delmas	West of Kriel	East of Middelburg
Market	Domestic and export	Domestic (Eskom)	Domestic and export
Product	Thermal coal	Thermal coal	Thermal coal
Coal Resources (inclusive)	<ul style="list-style-type: none"> • Measured: 63.4Mt 	<ul style="list-style-type: none"> • Measured: 634Mt • Indicated: 92Mt 	<ul style="list-style-type: none"> • Measured: 141.0Mt • Indicated: 2.2Mt
Coal Reserves	<ul style="list-style-type: none"> • Proved: 30.5Mt • Probable: 3.3Mt 	<ul style="list-style-type: none"> • Proved: 126Mt • Probable: 31Mt 	<ul style="list-style-type: none"> • Proved: 82.6Mt • Probable: 32.0Mt
Mining method	Open-cut	Underground	Open-cut
RoM	4.82Mt	6.01Mt	4.79Mt
LoM	6 years	1+ years*	20 years

* Adequate Reserves well beyond expiry of mining right.



Australia

7 Moranbah South project (50%)

Phase: Undertaking prefeasibility study to inform decision for development prospects.
Location: Queensland, Australia
Market: Export
Product: Coking coal
Coal Resources:

- Measured: 484.6Mt
- Indicated: 226.0Mt

Eastern Cape

	8 Tsitsikamma community	9 Amakhala Emoyeni	10 LSP
Location	Near Tsitsikamma	Near Bedford and Cookhouse	Lephalale
Product	Wind energy	Wind energy	Solar energy
Capacity	95MW	134MW	68MW
Equipment	31 x 3.1MW turbines	56 x 2.4MW turbines	
Performance	Adjusted P50 in the long term	Adjusted P50 in the long term	
Customer	Eskom	Eskom	
Commercial operation	2016	2016	2025
Power purchase agreement	20 years	20 years	25 years
Shareholding	Cennergi (75%), RE Times (16%) and the Tsitsikamma Development Trust (9%)	Cennergi (95%), Cookhouse Community Trust (2.5%) and the Bedford Community Trust (2.5%)	Cennergi (100%)

Our operating context

Exxaro's operating context is determined by the external drivers that influence our ability to create value. We review and assess global and local macro-economic factors and commodity market trends, as they highlight opportunities, inform our material matters and influence our strategic direction and performance.

Our macro-economic context	
Global and domestic economic conditions	1
ESG	2
Geopolitics	3
Foreign currency market	4
Inflation and interest rates	5
Cyber threats, digital and innovation	6

Our markets	
Commodity markets	7
Coal markets	7.1
Coal logistics	7.2
Iron ore market	7.3

Our macro-economic context: trends influencing our business

1 Global and domestic economic conditions

In early 2023, global economic performance exceeded expectations, mainly led by the post-pandemic recovery. Despite the continued challenges of elevated inflation, sharply higher global interest rates, some turbulence in the banking sector and geopolitical conflicts, the global economy has managed to avert a recession.

World real gross domestic product (GDP) growth increased from an annual rate of 1.8% quarter on quarter in the fourth quarter of 2022 to 2.4% in the first quarter of 2023. Aside from an appreciation to 2.9% in the second quarter, the moderate economic growth pace recorded in the first three quarters continued for the rest of 2023. Strong momentum in the US, with increased economic activity in Japan, India and Brazil provided the necessary support to the world economy. After a 3.1% increase in 2022, world real GDP moderated to expand by 2.7% in 2023.

Global GDP: 2.7% (2022: 3.1%)

Real GDP growth rate (%)

	2024 forecast	2023	2022
World	2.6	2.7	3.1
US	2.4	2.5	1.9
Eurozone	0.50	0.6	3.5
China	4.7	5.2	2.95
India	6.5	6.9	7.3
South Africa	1.1	0.6	1.9

Source: S&P Global, February 2024, Exxaro analysis March 2024.

Despite unprecedented rolling loadshedding, South Africa's real GDP grew by 0.9% year on year in the first six months of 2023. This modest upside reflected higher investment in machinery and other equipment and a better-than-anticipated response to loadshedding. However, GDP decreased by 0.2% in the third quarter of 2023, followed by an expansion of 0.1% in the fourth quarter. For the year as a whole, the economy expanded by 0.6%, down significantly from 1.9% in 2022. The ongoing constraints of inadequate electricity and logistics supply (and, the continuous trend of broader infrastructure failure) have limited the local economy's future productive potential.

Cause

- Post-COVID-19 economic recovery
- Elevated inflation rates
- Sharply higher global interest rates
- Intensified rolling loadshedding in South Africa

Implications for Exxaro

- Any changes in South Africa's energy mix to impact demand conditions
- Higher inflation on operations
- Higher interest rates

Outlook

- Slower global economic growth in 2024. Besides the structural challenges, the resilience of the South African economy is expected to persist

Our strategic response

- Cost management
- Customer engagement
- Supplier engagement: cost
- Logistics: ensure passage of coal to ports

2 ESG

ESG is a fundamental component of our Sustainable Growth and Impact strategy. This is a business and social imperative driven by our strategy and in line with global drivers, such as urgent climate action; increased risk of liability for greenwashing; resource depletion (natural and finite resources); greater focus on ESG due diligence; sustainable supply chains and social equity and inclusion; increasing ESG regulatory requirements; converging ESG reporting standards; significant shift towards digitalisation and leveraging artificial intelligence (AI) to reveal ESG insights; growing stakeholder ESG expectations; international focus on ESG reporting transparency and comparability; and pressures of economic inequality and unemployment.

Social impact is an outcome of our Sustainable Growth and Impact strategy and addresses material social and compliance matters from a business imperative perspective.

Cause

- ESG is a priority for all stakeholders
- An increasingly distressed socio-economic and political operating environment characterised by inequality, unemployment and poverty

Implications for Exxaro

- Embrace ESG commitments as a business imperative
- Integration of ESG into corporate strategies, decision making, and stakeholder reporting will require a coordinated effort, but will result in enhanced alignment, impact and efficiencies
- Social impact should result in a harmonious co-existence between Exxaro and local communities, creating a thriving environment

Outlook

- Expectations for enhanced ESG prioritisation and performance will continue to increase, driven by increased regulation and activism
- The 2023 United Nations Climate Change Conference or Conference of the Parties (COP28) outcomes on ESG are being considered, with prioritisation of key aspects such as transitioning away from fossil fuels, decarbonisation technologies, water security, carbon pricing, biodiversity management, nature-based solutions, ocean-based mitigation action and ensuring community resilience

Our strategic response

- Prioritise safety protocols, training and technology adoption
- Complete our draft decarbonisation roadmap to enable carbon neutrality by 2050, which reflects our short, medium and long-term targets
- Address capital allocation aspects associated with the implementation of the draft decarbonisation roadmap
- Invest in and expand a diversified minerals and energy business
- Ensuring low-carbon transition mineral operations are sourced responsibly and implementation of traceability systems and adhering to international standards
- Implement circular economy principles and investing in resource efficiency initiatives; adaptation measures in our operations and host communities to increase adaptive capacity and resilience; and nature-based solutions for carbon offsetting
- Produce a separate annual ESG report aligned with standards to meet stakeholder information needs
- Develop an ESG policy that will drive our approach to integrating and embedding ESG across the group
- Ensure compliance in ESG matters
- Accurate reporting of ESG efforts and adhering to global ESG reporting standards to bolster investor confidence
- Forming strategic partnerships to address South Africa and Exxaro's scope 3 emissions with stakeholders such as the memorandum of understanding with the Council for Geoscience on carbon capture, utilisation and storage

 [Engaging our stakeholders](#) (page 39)

 [Our environmental stewardship](#) (page 109)

 [Social impact](#) (page 106)

3 Geopolitics

Global geopolitical tensions in 2023 continued to impact supply-demand pricing dynamics for key Exxaro commodities. The implications of the Russia-Ukraine conflict and subsequent sanctions, the continuing US-China and China-Australia tensions, and the Israel-Hamas war were evident. The European Union's ban on coal imports from Russia and the easing of Chinese import restrictions on Australian coal significantly impacted supply-demand balance, trade flows and seaborne thermal coal pricing.

Cause

- Impact of Russia-Ukraine conflict
- Easing of China import restrictions on Australian coal
- Israel-Hamas war

Implications for Exxaro

- Opportunities in the European and Japanese thermal coal markets
- Lower but volatile seaborne thermal coal prices

Outlook

- Geopolitical tension and strategic competition to inform framework for relationships between countries, multilateral forums, global challenges, flows of trade and investment

Our strategic response

- Market strategy adapts to changing global flows
- Market to resource optimisation
- Increased collaboration with stakeholders

4 Foreign currency market

US dollar strength was more resilient in 2023. The persistent underlying price pressures prolonged the tight and restrictive global financial conditions, added financial stresses to developing and emerging countries, and prompted concerns of a wider economic slowdown and recession. The US dollar's position as the dominant global reserve currency and the fact that US dollar assets are regarded as safe havens, benefited the currency in these global uncertain economic and financial conditions.

During 2023, the South African rand lost significant value against major global currencies. This is attributable to intensified loadshedding with the perceived risk of a potential grid collapse, the country's grey listing by the Financial Action Task Force, widening current account and fiscal deficits, US dollar strength, global recessionary risk and widespread geopolitical tensions. The USD/ZAR exchange rate is anticipated to be supported in 2024 by an expected improvement in both global economic sentiment and investor confidence.

Cause	Implications for Exxaro	Outlook	Our strategic response
<ul style="list-style-type: none"> Restrictive global financial conditions US dollar strength Recessionary risk sentiment 	<ul style="list-style-type: none"> Forex volatility, weaker exchange rate favourable to coal exports 	<ul style="list-style-type: none"> Positive global economic sentiment expected to support USD/ZAR exchange rate The use of emerging markets' currencies for bilateral trade will increase 	<ul style="list-style-type: none"> Rand-based pricing for input products Limited hedging Local sourcing

5 Inflation and interest rates

Throughout 2023, global inflation continued its downward path, driven by tightening, cooling demand, supply chain resilience, declining commodity prices and the reversal of many of the inflationary forces from the COVID-19 pandemic (lockdowns, supply disruptions, extraordinary fiscal and monetary stimuli, and shifts in the composition of consumer spending).

In 2023, South Africa's headline inflation averaged 6% and is expected to remain above the mid-point of the South African Reserve Bank's inflation target range of 3% to 6% during 2024. The repurchase rate increased by a cumulative 125 basis points during 2023, and together with the 325 basis points increase recorded during 2022, policy interest rates remained restrictive and affected both global investment sentiment and economic activity.

Cause	Implications for Exxaro	Outlook	Our strategic response
<ul style="list-style-type: none"> Persistent high inflation Interest rate increases Monetary policy trade-offs 	<ul style="list-style-type: none"> Cost escalations exacerbated by delayed inflationary impacts on input cost Revenue escalations Borrowing cost increases 	<ul style="list-style-type: none"> Lower inflation and interest rates to be realised during 2024, although regional divergences expected to remain 	<ul style="list-style-type: none"> Inflation-linked escalations Reduce debt levels Cost management

6 Cyber threats, digital and innovation

Our award-winning Digital@Exxaro strategy empowers Exxaro to leverage its skills, capabilities and digital infrastructure to add value to the business and shareholders.

We will continue to leverage digital transformation to achieve operational excellence and, in support of our strategic objectives, to differentiate ourselves and achieve sustainable growth and impact.

Exxaro is investigating opportunities brought about by the recent technological advancements, such as generative AI and exploring how such technologies can add value to our business to reduce cost, improve productivity and enable ESG outcomes. We amplify the efficacy of our ESG strategies by exploiting digital solutions, ensuring a comprehensive and forward-looking approach to ESG responsibilities. This synergy between low-carbon technologies and digital innovation demonstrates our commitment to sustainability and technological advancement in pursuit of robust ESG objectives.

Cause	Implications for Exxaro	Outlook	Our strategic response
<ul style="list-style-type: none"> Digital and technological innovation enables improved productivity, safety and environmental management in the mining industry 	<ul style="list-style-type: none"> The programme has enabled data-driven decision making and drives end-to-end integration and optimisation of our value chain to remain competitive 	<ul style="list-style-type: none"> Given the economic climate, it is imperative for mining organisations to innovate to sustain a continued competitive advantage. Recent advancements in technology, such as generative AI, bring new opportunities for Exxaro and we will be continuously evaluating these for applicability 	<ul style="list-style-type: none"> We renewed our focus on innovation across the organisation, including advancing our award-winning Digital@Exxaro strategy in areas of advanced analytics and AI in support of our Sustainable Growth and Impact strategy

 [Business resilience](#) (page 92)

Our markets

During 2023, global commodity markets were affected by the inconsistent recovery from COVID-19 restrictions in China together with supporting policy measures, global macro-economic headwinds, persistent inflationary and interest rate pressures and recessionary risks, ongoing geopolitical tensions, China's weak property market, and gas supply risks.

7 Commodity markets

Exxaro's commodity markets recorded mixed and volatile performances in 2023. The year started with global economic optimism, however, as it progressed, global investor sentiment changed and weighed negatively on global economic activity and commodity markets.

API4 coal export price averaged US\$121.00/t (2022: US\$270.87/t)

Commodity prices (US\$/t)	2024 forecast	2023	2022
Thermal coal (RB1)	95	121.00	270.87
Thermal coal (RB3)	76	100.72	205.43
Iron ore fines	106	119.54	120.03
Lump premium	10	9.64	13.92

Source: Various commodity market intelligence reports, January to December 2023.

Cause	Implications for Exxaro	Outlook	Our strategic response
<ul style="list-style-type: none"> Global macro-economic headwinds Ongoing geopolitical tension China's weak property market Gas supply risks 	<ul style="list-style-type: none"> Volatile and weaker commodity markets Lower received prices for coal exports 	<ul style="list-style-type: none"> Commodity markets are anticipated to rebalance during 2024 to reflect fundamental market dynamics 	<ul style="list-style-type: none"> Portfolio management Maximise coal exports

7.1 Coal markets

For most of 2023, seaborne thermal coal prices remained under pressure due to weak demand for high-calorific-value coal from Europe and north-east Asia. Both thermal coal and gas prices declined significantly as Europe and Japan, Korea and Taiwan (JKT) remained well stocked with both gas and thermal coal. Stronger renewables availability further reduced the role of gas and thermal coal in the European energy mix. Towards the end of 2023, natural gas supply risks, the Israel-Hamas war and the uncertainty of the northern hemisphere winter were the key drivers for the energy complex markets and pricing.

The switch from thermal coal to natural gas (coal-gas economics), including liquefied natural gas (LNG), particularly in Europe, where gas prices were at times more competitive, led to a downward trend in thermal coal prices, with the Argus/McCloskey Coal Price Index (API4) price index declining to US\$88.5 per tonne by July.

Changes in demand and trade flows were observed in the year. Lower coal prices resulted in a resurgence in Indian demand. China and India were the primary demand drivers due to their economic growth potential and buoyant power demand. Changes in global trade included the resumption of Australia's supply into China from a previous trade ban, a drastic reduction in Russian supplies to Europe and Japan, and Korea's gradual weaning off from Russian coal dependency.

Australia and Indonesia, after overcoming earlier weather-related production challenges, increased their thermal coal output. However, this coincided with a mild winter in Europe, which also contributed to a decline in seaborne coal prices globally.

Towards the end of the year, a resurgence in demand from China (driven by rising domestic prices) led to an increase in coal imports, as Europe and the JKT region experienced a drop in coal consumption and imports.

The South African domestic market demand remained stable throughout the year across multiple products. The decline in export pricing compressed margins and eroded profitability of alternative export channels. Operational challenges and equipment failures at Eskom's power stations impacted the offtake of power station coal in the Waterberg region.

Cause	Implications for Exxaro	Outlook	Our strategic response
<ul style="list-style-type: none"> European coal-gas economics Sufficient gas and coal stock levels in Europe and JKT Warmer than usual winter temperatures in northern hemisphere Changes in global trade flow because of geopolitical tensions such as the ongoing Russia-Ukraine conflict Global energy transition 	<ul style="list-style-type: none"> Lower API4 index price Market volatility 	<ul style="list-style-type: none"> The easing of global supply risks in both the thermal coal and natural gas (including LNG) markets is expected to filter through to market pricing 	<ul style="list-style-type: none"> Early value strategy Market to resource optimisation Exploring alternative markets Focusing on market adaptability Targeting high-demand markets

7.2 Coal logistics

Rail operations continued to face numerous challenges, including limited availability of locomotives, security incidents and vandalism. As a result, Transnet Freight Rail's (TFR) performance to RBCT dropped from 50.43Mt in 2022 to 47.92Mt in 2023. Exxaro's export evacuation via rail and RBCT slightly increased from 4.65Mt in 2022 to 4.68Mt for 2023. Exxaro was successful in developing alternative routes to market and continued to road truck coal and export via alternative export ports.

Cause

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

Implications for Exxaro

- Reduced export volumes and increased cost of alternative logistics channels

Outlook

- Our business operating performance continues to be impacted by the TFR challenges. We remain cautiously optimistic that the continuous collaborative approach between critical stakeholders will eventually result in the improvement of TFR's operational performance

Our strategic response

- TFR engagement
- Develop alternative routes to market

7.3 Iron ore market

Despite the property sector weakness in China, the seaborne iron ore market was supported by the resilience of China's steel output as the much-anticipated steel capacity cuts remained modest. In addition, the property market policy easing, announced in August, is expected to stimulate property demand and, in turn, stabilise the overall sentiment within the sector.

Continuous rising iron ore supply and exports remain the limiting factor for the iron ore prices. Major miners' supply is increasing, and while Chinese demand remains relatively flat, demand from the rest of the world is expected to recover in 2024. A stronger for longer pricing environment is expected to prevail, supported by higher marginal cost levels.

Cause

- Weak property sector in China necessitating government stimulus measures
- Resilience of China's steel output
- Supply and export increases from major miners

Implications for Exxaro

- Performance of SIOC investment

Outlook

- A balanced iron ore market expected for 2024
- Together with the easing of the property market policy and anticipated modest steel capacity cuts, a stronger for longer pricing environment is expected

Our strategic response

- Exposure to higher-value iron ore lump product

02

How we create value

Committed to powering better lives in Africa and beyond, we are transitioning into a resilient, diversified resources business while decarbonising our portfolio. Our goal is to forge a future where the needs of the present are met while preserving the potential of the future.

- 20 Our business model
- 24 Our material matters
- 28 Our risks and opportunities
- 39 Engaging our stakeholders



Our business model

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

Our inputs

The resources and relationships we rely on



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

The people who manage our business and perform our operational activities

The relationships that provide our social licence to operate



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

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

The financial assets that enable us to deliver on our strategy

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

Our activities

What we do

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



Our outputs



Coal
42.5Mt product volumes
(2022: 43.1Mt)

Renewable energy
727GWh wind energy
(2022: 671GWh)

Iron ore (SIOC)
R6.2 billion adjusted equity-accounted income
(2022: R4.9 billion)

Waste
3 186t hazardous waste
(2022: 1 624t)
953ktCO₂e emissions
(2022: 971ktCO₂e)

Through our business model, we aim to achieve these overarching value outcomes

We will secure energy, power a clean world, and ensure a just transition through our business model. We are committed to providing energy that fuels development, sustains our planet, and is fair to all involved.

Trade-offs to achieve strategic balance

The path to these outcomes involves careful navigation...

<p>Energy security</p>	<p>We are building a foundation for a reliable energy supply to support economic growth and stability, blending our heritage in coal with a bold venture into broader energy initiatives.</p>	<p>Balancing present energy demands with future needs Our mission is to provide the energy essential for today's economic growth while stewarding environmental resources for tomorrow. We acknowledge coal's immediate role in economic stability but are aware of its long-term environmental and social costs. We therefore strategically invest in transitioning our business, accepting the short-term financial requirements as a trade-off for future energy security. This transition promises regulatory alignment, and public goodwill, anchoring us firmly within the global shift towards sustainable practices and attracting forward-thinking investors.</p>
<p>Resources powering a clean world</p>	<p>Our operations are pivoting towards sustainability, with acquisitive growth prospects in minerals and further energy solutions. All ESG improvement opportunities form part of new capital project requirements.</p>	<p>Profitability versus environmental stewardship While our current operations, primarily powered by coal, underpin our financial strength, we are transitioning into a low-carbon business, considering the just transition and sustainability. This shift, reflective of our dedication to the environment, not only anticipates but actively embraces the long-term economic benefits of a low-carbon economy. It is a deliberate strategy to mitigate risk, enhance market competitiveness, and secure a legacy honouring our environmental responsibilities. Our journey towards sustainability is financially sound, aligning with investor interests in responsible energy practices while safeguarding our planet for future generations.</p>
<p>A just transition</p>	<p>Understanding the socio-economic fabric we operate in, we are dedicated to a transition that respects and uplifts our employees, communities, and stakeholders.</p>	<p>Efficiency, equity and the just transition In navigating today's challenging economic landscape, we pursue efficiency to achieve balanced long-term objectives. Our efficiency gains are thoughtfully traded against immediate impacts to bolster business resilience, thereby ensuring sustained reinvestment in our workforce and communities as we transition towards greener practices. Such shifts, though they may present near-term challenges, are essential for the intertwined growth of our economy, environment and social fabric.</p>

Our business model continued Managing our capitals to achieve our ambitions

Our inputs (as at 31 December 2023)



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

Natural capital

- **RoM:** 74.83Mtpa (2022: 74.48Mtpa)
- **Diesel consumption:** 83 629kL (2022: 83 268kL)
- **Electricity consumption:** 590 931MWh (2022: 590 078MWh)
- **Water consumption:** 7 430ML (2022: 10 419ML)
- **Land managed:** 68 782ha (active and inactive mines)
- **Land rehabilitated:** 2 132ha (2022: 2 000ha)

Human capital

- **Employees:** 6 797 (2022: 6 745)
- **Contractors:** 13 868 (2022: 12 497)
- **Investment in skills development and talent management:** R358 million (2022: R331 million)
- **Investment in employee remuneration:** R4.7 billion (2022: R4.3 billion)
- **Culture:** connect2NEXT

Social and relationship capital

- **Investment in social and labour plan (SLP) projects (including ESD Hubs):** R14.96 million (2022: R13.38 million)
- **Investment in enterprise and supplier development (ESD):** R111.3 million (2022: R291.2 million)
- **Corporate social investment (CSI) (including disaster relief funds):** R72.43 million (2022: R167.93 million)
- **Stakeholder relationship growth**

Manufactured capital

- **Five** mines (including one joint venture)
- **One** ferro-silicon manufacturing facility
- **One** coal project
- **Two** windfarms and one solar project in construction
- **Investment in property, plant and equipment:** R2.7 billion (2022: R1.7 billion)

Intellectual capital

- Continued investment in **digital transformation** resulting in efficiencies in our value chain
- **Entrenched operational excellence** protecting our business from volatile economic conditions
- **Leadership and management training:** 468 people attended (2022: 264)
- Significant investment in **updating and aligning our strategy** to our purpose and long-term goals
- Continued investment in **leading governance structures:** changes in board and engagement with investors

Financial capital

- **Adjusted equity-accounted income:** R7 billion (2022: R7.3 billion)
- **Adjusted EBITDA:** R13.4 billion (2022: R19.0 billion)
- **Cash dividend paid to external shareholders:** R5.5 billion (2022: R6.7 billion)
- **Cash dividend paid to BEE parties:** R1.8 billion (2022: R2.2 billion)
- **Revenue:** R38.7 billion (2022: R46.4 billion)
- **Balance sheet strength**

Our outcomes

Despite our committed efforts to environmental stewardship, the inherent nature of our mining operations inevitably leads to a decrease in natural capital. The extraction of natural resources, essential to our business activities, directly impacts the environment despite our best practices and mitigation strategies.

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

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

We recognise the effects of our mining activities on local communities, both during operational periods and after a mine's closure. We aim to mitigate this by ensuring a just transition of our operations that supports our communities' long-term sustainability.

Our investment in our portfolio of quality assets to meet changing market demands, particularly through an expanded investment in green energy, increases our manufactured capital. Minor delays in our mega-projects were offset by adherence to budget and the commencement of crucial constructions, signalling an effective management of our manufactured capital.

Our early value strategy seeks to mitigate the transition risk to our portfolio of assets.

We continue increasing our competencies across mining and energy. Our focus on business resilience, investments in innovation, digital transformation and technology increases intellectual capital.

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

Improved core system availability reflects increased intellectual capital.

Maintaining a robust balance sheet and a thriving coal business, our strategic focus on core strengths and a leadership dedicated to carbon resilience ensures a positive impact on financial capital, fostering financial value.

Long-term strategic investments underscore our commitment to bolstering strategy, enhancing efficiency, expanding operations, and optimising value, ensuring a resilient financial position despite year-on-year variations in financial metrics.

How we improve our outcomes

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

- ✓ **Carbon intensity:** 20% decrease (2022: 0.5% increase)
- ✓ **Water intensity:** 30% decrease (2022: 0.5% increase)
- ↔ **Environmental incidents:** No level 3 incidents (2022: zero level 3)
- ↔ **Valid mining rights:** 100% (2022: 100%)
- ✓ **Safety stoppage directives:** four section 54(a) stoppages (2022: seven)

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

- ✓ **Employee and contractor fatalities:** None (2022: one)
- ▲ **LTIFR:** 0.07 (2022: 0.05)
- ✓ **Occupational health incident frequency rate (OHIFR):** 0.15 (2022: 0.16)
- ▲ **Scarce skills retention:** 4.5% (2022: 4.4%)

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

- ✓ **Number of community members who benefited from our CSI:** 41 867 (2022: 1.7 million)
- ✓ **Jobs created for SLPs:** 29 (2022: 83)
- ✓ **Community incidents:** Four (2022: 13)
- ✓ **Top-quartile mining performer in ESG governance structure ESG analyst rating:** 3.9 (2022: 4.0)
- ▲ **BEE level:** 2 (2022: level 3)

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

- ▲ **Marginal timeline overruns in mega-projects**
- ↔ **Implementation cost for mega-projects on target**
- ▲ **Construction of the LSP started**
- ▲ **Implementation of three mine expansion projects, securing an estimated ~85% of Matla Coal Reserves**
- ▲ **Coal Resources at Matla provided additional pit room and the flexibility for mining teams to alleviate implementation delays**

- Leverage digital transformation to create impact
- Build on an already successful business as we mature, using our intellectual capital and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company
- Become a leading international renewable solutions provider by the end of the decade

- ✓ **Core system availability:** 98.66% (2022: 97.94%)

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

- ✓ **EBITDA margin:** 35% (2022: 41%)
- ✓ **Return on capital employed (ROCE):** 35% (2022: 45%)
- ✓ **Adjusted HEPS:** 4 681 cents per share (2022: 6 016 cents per share)
- ✓ **Market capitalisation:** R71.4 billion (2022: R75.9 billion)

Affected SDGs



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

- Risks and opportunities (page 28)
- Strategy and resource allocation (page 47)
- Performance (page 82)
- Stakeholders (page 39)

Our material matters

Materiality considerations serve as a crucial guide for our reporting practices. The matters we deem material are those that significantly influence our ability to create and sustain value, not only for our organisation but also for our stakeholders and the natural environment.

Determining materiality

We annually assess our material matters. Since 2021, we have followed a detailed double materiality determination process to enable us to identify our impact materiality (our impact on society, communities and the environment) and our financial materiality (matters that impact our ability to generate revenue and preserve shareholder value over time). The process we follow includes:



Our approach reflects the combined guidance of the Integrated Reporting Framework and Global Reporting Initiative, and results in matters that are prioritised and grouped into themes to inform our integrated and ESG report content. The detailed information provided in this report focuses on issues that have a greater impact on Exxaro's ability to create value over time. Matters that have a higher impact on society, communities and the environment are discussed in detail in our ESG report. The heat map below, along with the material theme discussions, depicts the relative disclosure levels across this report and our ESG report.

2023 material matters

The 2023 review identified 34 material matters, which were grouped into seven overarching themes. Recognising that materiality is dynamic in nature, the process is conducted annually, allowing us to regularly and timeously reflect on matters that may evolve from being material from an impact perspective to being financially material.

Materiality matrix



Adapting to a changing context		Building sustainable communities		Driving business resilience		Helping our people thrive	
A1	Country risk: Failing infrastructure, institutions, and service delivery in South Africa	C1	Social licence to operate (including community relations, collaboration and engagement)	B1	Financial performance and resilience	P1	Health, safety and wellness
A2	Supporting a just transition to a low-carbon economy [#]	A2	Supporting a just transition to a low-carbon economy [#]	B2	Capital allocation	P2	Labour relations
A3	Commodity price risk	C2	Ensuring human rights are respected and upheld [^]	B3	Supply chain and logistical impediments	P3	Workforce: culture, capability, diversity, inclusion, attraction and retention of key skills and innovation [^]
A4	Macro-environment	C3	Social acceptance and community unrest	B4	Cyber risk		
A5	Geopolitical context	C4	Job and business creation	B5	Innovation and digitalisation		
		C5	Value sharing				
		C6	Resettlement and land use				

Principled governance		Responsible environmental stewardship		Executing our strategy	
G1	Transparency, ethics and integrity	E1	Managing our pollution	S1	Diversify into critical minerals and energy
G2	Risk management	E2	Environmental incidents*	S2	Build a leading global energy solutions business
G3	Embedding ESG in response to increased regulation and for sustainability	E3	Carbon emissions reduction	S3	Coal portfolio optimisation
G4	Legal, regulatory and compliance excellence	E4	Water stewardship		
		E5	Waste management		
		E6	Impact of climate change [^]		
		E7	Closure planning and rehabilitation management		
		E8	Biodiversity management		

* New matter or theme.
[#] Dual matter (across two themes).
[^] Matter renamed, expanded or refined.

Our material themes

① **Adapting to a changing context**

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

Material matters

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

Related risks

- Unavailability of rail capacity
- Country risk (political)
- Customer concentration risk

Related capitals

Related SDGs

Strategic response

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

Our operating context (page 14) and **business resilience** (page 92)

● Detailed disclosure ● Summarised disclosure

Our material matters continued



Building sustainable communities

Our business activities impact our stakeholders, and they, in turn, respond to these impacts. Our social licence to operate depends on how we look after our communities and the natural world around us, and our adherence to legislation.

Material matters

- Social licence to operate (including community relations, collaboration and engagement)
- Ensuring human rights are respected and upheld
- Social acceptance and community unrest
- Job and business creation
- Value sharing
- Resettlement and land use
- Supporting a just transition to a low-carbon economy

IR ESG



Related risks

- Adverse threat to licence to operate
- Community unrest

Strategic response

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

Related capitals



Related SDGs



[Social impact](#) (page 106)

● Detailed disclosure ● Summarised disclosure



Driving business resilience

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

Material matters

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

IR ESG



Related risks

- Unavailability of rail capacity
- Cybersecurity attacks impacting business
- Country risk (geopolitical)
- Customer concentration risk

Strategic response

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

Related capitals



Related SDGs



[Building resilience through governance](#) (page 55), [finance director's overview](#) (page 83) and [business resilience](#) (page 92)

● Detailed disclosure ● Summarised disclosure



Helping our people thrive

Exxaro's employees are the enablers of our performance. To deliver on our strategic goals requires a safe working environment and a culture that supports adaptability and innovation, while leveraging the strength of diversity, equity and inclusion (DEI).

Material matters

- Health, safety and wellness
- Workforce: culture, capability, diversity, inclusion, attraction and retention of key skills and innovation
- Labour relations

IR ESG



Related risks

- Fatal risk incidents
- Inability to achieve growth objectives
- Labour unrest

Strategic response

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

Related capitals



Related SDGs



[Building momentum with people](#) (page 96)

● Detailed disclosure ● Summarised disclosure



Executing our strategy

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

Material matters

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

IR ESG



Related risks

- Unavailability of rail capacity
- Fatal risk incidents
- Country risk (geopolitical)
- Inability to achieve growth objectives
- Inadequate response to climate change

Strategic response

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

Related capitals



Related SDGs



[Our strategy](#) (page 47)

● Detailed disclosure ● Summarised disclosure



Principled governance

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

Material matters

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

IR ESG



Related risks

- Unavailability of rail capacity
- Cybersecurity attacks impacting business
- Customer concentration risk
- Country risk (geopolitical)
- Inadequate response to climate change

Strategic response

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

Related capitals



Related SDGs



[Building resilience through governance](#) (page 55)

● Detailed disclosure ● Summarised disclosure



Responsible environmental stewardship

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

Material matters

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

IR ESG



Related risks

- Country risk (geopolitical)
- Customer concentration risk
- Inadequate response to climate change

Strategic response

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

Related capitals



Related SDGs



[Our environmental stewardship](#) (page 109)

● Detailed disclosure ● Summarised disclosure

Our risks and opportunities

In a dynamic operating and economic environment characterised by change and uncertainty, risk management is a critical success factor for us to achieve strategic and business objectives to remain resilient and deliver sustainable shareholder value.

Risk management process



We follow a cascading approach by identifying risk events at the organisation’s strategic, tactical and operational layers.

In the past four years, the mining industry has faced logistics constraints, fluctuating coal prices, global inflation and increasing geopolitical tension, among other challenges. Over this time, the global economy has also been impacted by a series of shocks, including post-COVID-19 inflation and the effects of the Russia-Ukraine and Israel-Hamas conflicts. In an uncertain and volatile environment, we rely on our mature risk management strategies to make agile and effective decisions to mitigate risk exposure and leverage opportunities.

[Our operating context](#) (page 14)

Our risk management philosophy and approach

Embedding risk management into our daily activities and processes is key to making informed decisions and proactively planning for possible future unwanted events stemming from internal and external sources. Exxaro’s risk management philosophy identifies risk management as a strategic enabler rather than being compliance driven. This ensures that we think and act proactively at every layer to pursue our strategic objectives.

Exxaro’s enterprise risk management (ERM) framework provides a proactive, systematic and integrated approach to risk management. The principles outlined in the framework form the foundation for our risk management philosophy, mission and vision. The ERM framework and process illustrated below are based on principles published by the Committee of Sponsoring Organizations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. The framework also considers

applicable codes of best practice such as ISO 9001, 14001 and 18001. The ERM framework is regularly reviewed to ensure it remains relevant and effective. The ERM framework was recently reviewed by Deloitte to assess maturity of ERM and benchmark against best practice. As a result of the exercise, improvement recommendations were identified and a roadmap created to ensure these are implemented.

Accountability and governance

Exxaro’s ERM process is a strategic initiative fully supported by the board and executive management. The chief strategic resilience and governance officer is responsible for enabling ERM across the group, and reports to the board and the risk and business resilience (RBR) committee. The RBR committee regularly reviews the ERM framework to ensure alignment with current governance practices and standards. The board and executive committee monitor key performance indicators (KPIs) quarterly to ensure all risks are within Exxaro’s risk appetite. 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.

Significant risks from the strategic layer are filtered down to the tactical and operational layers and are supplemented by the identification of risks that have an impact across the organisation.

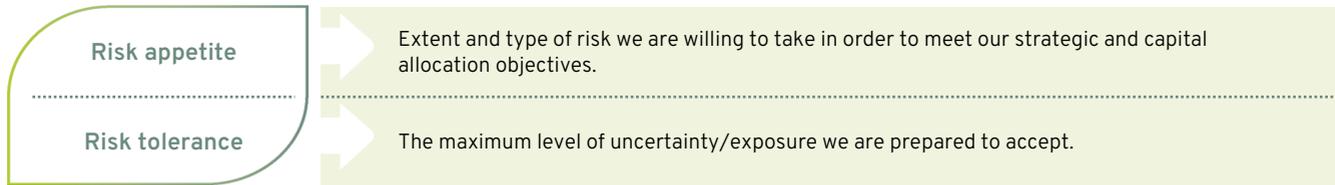
Significant risks originating at an operational layer will also be elevated to a strategic or tactical layer. In this way, the process incorporates a top-down/bottom-up view of risks within the organisation.



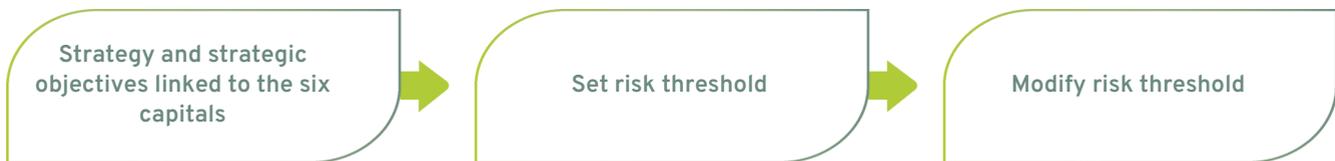
Our risks and opportunities continued

Risk appetite and thresholds

Exxaro's board and executive committee use risk appetite and tolerance levels to evaluate the level of risk the group is willing to endure in the pursuit of the company's strategy.



The risk appetite framework is updated annually or when deemed necessary as part of the strategic planning process.



[Performance against our strategy and outlook](#) (page 50)

Opportunities

We use the ERM framework to identify and realise opportunities – for example, global energy transition to maximise value in the medium to long term in view of the achievement of growth objectives risk. We believe that, for Exxaro to remain sustainable in the future, it is important to adapt the minerals business to identify and pursue possible opportunities that ultimately create value, such as diversifying away from coal to future energy material and renewable infrastructure.

The following opportunities inform our Sustainable Growth and Impact strategy:

Opportunity	Strategic objective
The drive for future-facing minerals presents opportunities to invest in exploration projects at various stages through our balanced portfolio approach towards capital allocation and managing risk and returns.	Transition at speed and scale
Private-public participation in local rail operations is an opportunity for value unlock and vertical integration . We are currently investigating this opportunity.	Make our minerals and energy businesses thrive
The multidimensional poverty index highlights the drivers of poverty and inequality in our communities, allowing us to focus our social impact efforts towards sustainable impact . We will focus on education, land use management and small, medium and micro-enterprise (SMME) development.	Become a catalyst for economic growth and environmental stewardship
The early value strategy and our ability to maximise market to resource opportunities by leveraging the low cost and flexibility of our coal assets and reserves.	Make our minerals and energy businesses thrive
Accelerated expansion into renewable energy will support our low-carbon transition.	Be carbon neutral by 2050 Make our minerals and energy businesses thrive
Nature-based solutions to mitigate the impacts of climate change were identified as an opportunity, especially in lieu of the vast amount of viable land that Exxaro has at our disposal. We intend to maximise this opportunity through our Sustainable Growth and Impact strategy.	Be carbon neutral by 2050
Investing in self-generation facilities is an opportunity we are leveraging, which aligns with our energy growth strategy.	Make our minerals and energy businesses thrive Be carbon neutral by 2050
Cennergi is constructing a 68MW photovoltaic farm, near Grootegeluk, through our special purpose vehicle, Lephalale Solar (RF) Proprietary Limited. This is our first self-generation project to expand and diversify within the energy space, supporting low-carbon emissions and long-term savings on electricity usage at Grootegeluk. We will also explore the opportunity for further self-generation.	Make our minerals and energy businesses thrive Be carbon neutral by 2050
The global energy transition provides an opportunity to mine and supply the minerals that support green technologies. Through a rigorous screening process, Exxaro identified future energy material and renewable infrastructure as being most aligned to our experience, capabilities and market forecast.	Make our minerals and energy businesses thrive

Our risks and opportunities continued

2024 risk trend

The trend report indicates changes in the residual risk score when comparing the 2023 and 2024 financial years. Our risk scores are derived from the product of the likelihood and the impact of the unwanted event*. The top 10 risks are arranged from highest to lowest risk score.

The 2024 ranking represents the key possible unwanted events we anticipate having a potential impact on our ability to achieve our strategic imperatives in 2024. These risks are reviewed on a quarterly basis and could change significantly depending on the internal and external root causes that drive these risks to materialise. These risks are prioritised, and treatment strategies have been designed and implemented. The effectiveness of these treatments will be monitored on an ongoing basis to ensure the risks are managed down to acceptable risk levels.

2024 ranking	2024 top risks (forward looking)	2023 ranking	2023 vs 2024 trend	Comments
1	Unavailability of rail capacity	1	➔	TFR productivity remains our most significant challenge, with a low run rate (below 50Mt for the year) and increasing financial difficulties. Initiatives by Operation Vulindlela, a joint initiative of the South African Presidency and National Treasury, and the National Logistics Crisis Committee are identifying improvements for TFR, including influencing structural and leadership changes. Exxaro is implementing alternative solutions to close the gap on export performance created by TFR. These include road trucking and exports via alternative ports.
2	Fatal risk incidents	4	⬆️	This risk has increased due to a deterioration in safety indicators. Safety improvement plans are being implemented with strong emphasis on the effectiveness of preventive controls. This is supported by various other initiatives, including leadership visibility.
3	Cybersecurity attacks impacting business	3	➔	Exxaro remains vigilant to the high risk of cyberattacks and manages this risk through initiatives that enhance our ability to detect, protect, respond and recover from cybersecurity threats. These include: <ul style="list-style-type: none"> • Implementing a robust cybersecurity awareness programme, establishing incident response plans, conducting penetration testing and overseeing privileged identities • Enhancing network security • Enhancing disaster recovery capabilities • Patching
4	Country risk (geopolitical)	7	⬆️	The current political environment, slow economic recovery, deteriorating state infrastructure and other macro-economic factors have an adverse effect on the country risk assessment. General deterioration of infrastructure affects ability and cost of conducting business. We continue to participate in industry-wide structures to contribute to solutions to address industry and national challenges.
5	Customer concentration risk	2	⬆️	Risk continues to be monitored, taking the power utility's operational challenges into account.
6	Adverse threat to licence to operate	8	⬆️	Challenges in achieving required spend on SLPs were identified, raising this risk and its potential impacts. Resources are being allocated in technical, supply chain and project management areas to address the gap.
7	Community unrest	9	⬆️	Instability is expected before election outcomes and after the elections (forming of coalitions, etc). The team has intensified proactive stakeholder engagement efforts to build relationships with stakeholders by creating a conducive environment to ultimately reduce the number of incidents encountered.
8	Inability to achieve growth objectives	5	⬆️	Increased pressure in delivering growth objectives to diversify Exxaro. The board approved additional minerals to be explored. We continue to explore further opportunities to add to the pipeline for consideration. The primary growth lever for the organisation is inorganic growth through acquisition.
9	Labour unrest	16	⬆️	The risk of labour unrest has increased due to the upcoming wage negotiations and recent unrest/hostage incidents at other mining companies.
10	Inadequate response to climate change	11	⬆️	Collaborate with value chain partners such as Eskom and the Council for Geosciences on carbon capture and storage for the mitigation of scope 3 emissions.

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

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

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

⬆️ Ranking in the top 10 reduced compared to previous the year

★ New

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, their 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.



	Likelihood	Impact
1% - 10%	Rare	Insignificant
11% - 35%	Unlikely	Minor
36% - 60%	Possible	Moderate
61% - 80%	Likely	Major
81% - 100%	Almost certain	Extreme

Managing our risks

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

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

Lines of defence

- 1 Management of risk (risk owner)

- 2 Management support and oversight

- 3 Independent assurance (internal audit and other assurance providers)

- 4 Independent assurance (external audit and regulators)

- 5 Governance structures (board and board sub-committees)

Risk trend

- Residual risk increased compared to the previous year

- Residual risk decreased compared to the previous year

- Residual risk remained unchanged compared to the previous year

- New

1 Unavailability of rail capacity (2023: 1)

Drivers <ul style="list-style-type: none"> Cable theft and derailments TFR challenges that include availability of locomotives, inadequate maintenance regime, and financial difficulties 		Impacts <ul style="list-style-type: none"> Operational stoppages Financial loss Inability to meet contractual agreements Shareholder dissatisfaction on lower returns 	
Treatments <ul style="list-style-type: none"> Develop alternative routes to evacuate export-bound coal Continuous engagement with TFR to understand issues and provide assistance 		Outlook <p>Operational and maintenance challenges are expected to continue to have a significant impact on Exxaro. Sustainable solutions to current challenges will be explored through proactive engagement with Transnet and the industry.</p>	
Strategic objective impacted <ul style="list-style-type: none"> Make our minerals and energy businesses thrive 			
Material theme 	Capitals impacted 	Line of defence 	Risk ranking trend 

2 Fatal risk incidents (2023: 4)

Drivers <ul style="list-style-type: none"> Lack of fatal risk ownership and leadership support Under classification of critical controls to manage fatal risk Inadequate resource allocation to implement and manage critical control management programme Lack of safety and health involvement in the sourcing process Our business partners' health and safety compliance are not aligned to Exxaro maturity Employee behaviour 		Impacts <ul style="list-style-type: none"> Fatal health and safety incidents Operational stoppages High insurance premiums Loss of licence to operate Decrease in quality of life Section 54 by the Department of Mineral Resources and Energy (DMRE) Loss of productivity (deaths, incapacity or sick leave) 	
Treatments <ul style="list-style-type: none"> Implement critical control management programme with strong emphasis placed on the effectiveness of preventive controls Verify effectiveness of actions and learnings from incidents to eliminate repeat incidents Management and verification of high-risk and non-routine tasks to ensure control effectiveness Visible felt leadership where management is provided with the opportunities to identify gaps and improvements in management systems and behaviour while demonstrating their commitment to safety 		Outlook <p>Our employees' safety remains a top priority. Although good safety performance has been demonstrated in the recent past, we continue to implement our safety strategy with a focus on safety improvement in our quest for zero harm.</p>	
Strategic objective impacted <ul style="list-style-type: none"> Make our minerals and energy businesses thrive 			
Material theme 	Capitals impacted 	Line of defence 	Risk ranking trend 

3

Cybersecurity attacks impacting business (2023: 3)

Drivers

- Large number of devices connected (especially in operations) to the corporate network that need to be managed (security updates)
- Vulnerability due to lack of awareness – people exposing Exxaro to cyberattacks
- Employees can work remotely as per our working guidelines
- Sophistication of cyber attacks
- Exxaro has not implemented technical controls to restrict or monitor the use of removable media devices such as USBs

Treatments

- Ensure we have monitored security governance in place
- Stricter security practices and remediation of identified weaknesses
- Conduct regular and ongoing security awareness
- Business continuity management plan and disaster recovery testing
- Assess the current antivirus solution to improve the endpoint protection capabilities, which detect threats such as malware/ ransomware on endpoints
- Harden the operating system security settings to not allow any software programs to execute on endpoints, unless these programs have been approved or whitelisted
- Access to USB ports will be blocked
- Implement a tool that monitors data movement
- Implement the use of privileged access management to manage privileged identities such as system administrator accounts
- Implement an extended detection and response tool (XDR) to monitor and block malware on endpoints
- Segregate the IT and OT networks
- Implement a backup and recovery solution to guarantee a clean data backup and boost disaster recovery capabilities

Impacts

- Revenue loss and reputational damage
- Exposure of confidential information
- Business interruption
- Legal and regulatory impacts (Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPIA) implications)

Outlook

The prevalence of cybersecurity attacks, specifically ransomware attacks, is expected to increase. We will continue to improve the robustness of the cybersecurity posture.

Exxaro continues to benchmark our cybersecurity profile to enhance identification, detection, response and recovery efforts, and our vulnerability identification and management efforts.

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Line of defence



Risk ranking trend



4 Country risk (2023: 7)

Drivers

- Effect of local political environment
- Slow implementation of reforms and policy certainty
- Instability associated with national government elections
- Unstable/failing local government leading to poor service delivery
- South Africa's low GDP forecast
- High levels of poverty and unemployment
- Low investor confidence
- Low corruption perception index scoring, indicating prevalence of corruption

Treatments

- Align our purpose with governance and ethics
- Continuously monitor independent country risk assessment report
- Establish and participate in collaborative regional development platforms for community impact
- Develop renewables strategy that could result in new investment and electricity security
- Long-term investment perspective for growth, development and impact
- Participate in municipal capacity building
- Ongoing engagement with Minerals Council and provincial and local governments
- Strive for full compliance with relevant legislation for business continuity
- Continued support of relevant business lobby groups to engage business and government
- Increased and improved analysis of dynamic political landscape and impacts on stakeholders

Impacts

- Possibility of community unrest for political support
- Stakeholder dissatisfaction
- Increased compliance burden
- Potential increase in royalties/taxes
- Reduced investment opportunities (increase in cost of capital)
- Increased cost of doing business (due to increased compliance burden)
- Fewer opportunities for co-investment with government in community development
- Breakdown in government relationships with Exxaro
- Higher expectation from society and government for more social investment

Outlook

Social tensions and insecurity persist amid high levels of poverty, income inequality and endemic unemployment (above 30%). With the national elections in 2024, the local economy will likely continue to face challenges like volatility from political uncertainty and associated risks.

Strategic objective impacted

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

Material theme



Capitals impacted



Line of defence



Risk ranking trend



5

Customer concentration risk (2023: 2)

Drivers

- Eskom power stations not operating at full capacity
- Eskom liquidity risk
- Commercial risk attached to long-term contracts
- Inadequate environmental financial provision at tied operations
- Environmental rehabilitation fund shortfall at Matla
- Realisation of approved funding for capital requirements (Matla capital project programme)

Treatments

- Continuous stakeholder engagement
- Ongoing discussions on coal supply agreements
- Enforcement of coal supply agreements

Impacts

- Low volume offtake from the power utility
- Loss of revenue
- Reputational damage
- Operational constraints

Outlook

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

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Line of defence



Risk ranking trend



6

Adverse threat to licence to operate (2023: 8)

Drivers

- Delays in approval of licences and authorisations
- Unable to achieve SLP targets as approved (annual and five-year projects)
- Unable to meet legislative targets, eg Mining Charter and B-BBEE
- High community expectations for social investments and procurement opportunities
- BEE transaction unwinding
- Poor stakeholder communication about Exxaro achievements

Treatments

- Fulfil regulatory requirements within reasonable cost/expenses
- Structured engagement with regulators
- Supervision on execution of projects (SLPs)
- Compliance performance management

Impacts

- Suspension/cancellation of mining right or directive issued by DMRE
- Reputational damage
- Financial loss
- Community unrest
- Production stoppages

Outlook

We will continue to focus on delivering on our commitments in line with our licence to operate. Furthermore, the implementation of the Social Impact strategy is expected to deliver greater impact on the communities where we operate.

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Line of defence



Risk ranking trend



7

Community unrest (new)

Drivers

- Delayed implementation of SLPs and transformation (local economic development, human resource development, local procurement, etc)
- Lack of participation of local community companies in the tender process
- Influence of local community business forums on allocation of opportunities
- High unemployment rate
- Loadshedding impacting SMMEs, resulting in job losses and fewer opportunities for local employment
- Electioneering in the lead-up to and after the upcoming national elections in May 2024

Treatments

- Monitor implementation of SLPs
- Ongoing engagement with Minerals Council and local and district municipalities, among others
- Ongoing investment in communities aligned to Social Impact strategy
- Strike emergency response plans
- Regular participation at community forums

Impacts

- Potential harm to mine employees, contractors and community members
- Disruptions to operations (prevent access to workplace)
- Reputational damage
- Financial loss

Outlook

An increase in the number of incidents is expected due to the upcoming national elections, which could impact our operations.

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme	Capitals impacted	Line of defence	Risk ranking trend
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8

Inability to achieve growth objectives (2023: 5)

Drivers

- Volatile economic and market conditions
- Regulatory/policy uncertainty in South Africa and other targeted destinations
- Competition for desired mineral assets increases valuation of opportunities
- The organisation's ability to respond effectively to opportunities (internal skills and processes)
- Shareholder pressure to return excess cash
- Capital allocation considerations and JSE transaction category criteria (execution risk)

Treatments

- Disclosure of target and performance against strategy and capital allocation
- Build critical skills and capacity to achieve strategy
- Assessment and execution of our opportunity pipeline
- Funds earmarked for growth strategy
- Consider and incorporate appropriate post-deal strategies
- Improve networking opportunities – insights on potential transactions and financing
- Regular communication on strategy, capital allocation and returns against targets – investor engagements
- Board mandate to increase scope of minerals beyond manganese, bauxite and copper

Impacts

- Reputational damage
- Unable to transition from coal to other minerals
- Undervalued/declining/volatile share price and market value

Outlook

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

Strategic objective impacted

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

Material theme



Capitals impacted



Line of defence



Risk ranking trend



9

Labour unrest (2023: 16)

Drivers

- Wage negotiations
- Community activism
- Inter-union rivalry
- Labour unrest spilling over from other mining houses (sympathy strikes)
- Impact of potential local (branch) and regional union leadership changes
- Unstable macro-economic, socio-economic and political factors

Treatments

- Ensure strategic alignment with management and employees
- Regular union engagement
- Regular communication with various stakeholders
- Intelligence system on ground level
- Participate in the Minerals Council forum
- Ensure picketing guidelines and effective communication plans are in place
- Establish a strike emergency response plan and team

Strategic objective impacted

- Make our minerals and energy businesses thrive

Impacts

- Operational stoppages
- Reputational damage
- Damage to assets
- Incidents and accidents
- Security risks
- Strained relationships with unions and employees

Outlook

The wage agreements are due for renewal in 2024. Focus will be on the upcoming wage negotiations with efforts focused on strengthening union relations.

Material theme



Capitals impacted



Line of defence



Risk ranking trend



10 Inadequate response to climate change (2023: 11)

Drivers

- Ageing infrastructure and assets unable to withstand extreme weather conditions
- Poor monitoring and reporting of climate change impacts. Lack of forecasting capabilities of extreme weather events
- Lack of forecasting of extreme weather events
- International and local investor sentiment against fossil fuels
- Increased stakeholder activism (NGOs and communities)
- Increased stringent local and international legislation (eg carbon tax, carbon budget and Climate Change Bill)
- Competition between operations and communities for resources such as water can emanate due to climate impacts particularly in water stressed areas

Treatments

- Develop Exxaro’s decarbonisation roadmap (2050)
- Develop market intelligence on carbon pricing
- Diversify the portfolio into other minerals
- Engage government on policy and other key role players
- Invest in renewable decarbonisation initiatives
- Reduce carbon intensity per ton of product to reduce carbon emissions
- Reduce our water intensity per tonne of product produced
- Develop financial model to cost impact of carbon tax
- Costing of individual projects that will contribute towards decarbonisation

Impacts

- Increased cost of doing business
- Community protest
- Non-compliances associated with environmental emissions
- Energy security and supply
- Loss of production
- Natural disasters
- Equipment/infrastructure damage
- Possible fatalities and increased occupational incident rate
- Restriction in security of water
- Legal claims against heavy polluters
- Unable to secure insurance covers for operations

Outlook

Collaborate with value chain partners such as Eskom and the Council for Geosciences on carbon capture and storage for the mitigation of scope 3 emissions. Exxaro operates in line with our carbon neutral target.

Strategic objectives impacted

- Transition at speed and scale
- Become carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Material theme



Capitals impacted



Line of defence



Risk ranking trend



Engaging our stakeholders

Through our holistic stakeholder approach, Exxaro aims to build long-term, stable, mutually beneficial relationships with stakeholders. Our engagements enable us to better understand, manage and respond to material risks and concerns, protect our licence to operate and create shared value.

Our approach to meaningful stakeholder engagement

We believe the value we create for our stakeholders is as important as the value we create for ourselves. Regular and ad hoc in-person engagements, social impact assessments and surveys inform our understanding of our social impact, and stakeholders' needs and interests.

In this section, we describe our stakeholder management through our ERM framework lens.



Refer to the [stakeholder-inclusive approach](#) section of the ESG report for more information about our approach to stakeholder engagement, details of our key stakeholder relationships, the nature and quality of our relationships with strategic stakeholder groups and our responses to their concerns.

Stakeholder universe

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



Assessing engagement effectiveness

Engagement effectiveness is assessed through assurance and audits of our procedures and changes in risk ratings. We also measure perceptions of our engagement performance as part of a stakeholder survey.

Material engagements in 2023

While we engage regularly with multiple stakeholders, this report focuses on engagements most material to value creation and preservation.



No existing relationship or the relationship has challenges



Established relationship but can be improved



Good relationship with opportunity for improvement



Very strong relationship based on mutual trust and respect

2023 risk **Unavailability of rail capacity**

Quality of relationship:



Engagement purpose Collaborate in finding solutions to improve logistics

Stakeholder Transnet

Further reading [Our risks and opportunities](#) (page 28)

Stakeholder expectations and issues

- TFR performance

Material themes



Key engagements and outcomes

- Supporting National Logistics Crisis Committee initiatives, which we are optimistic will move performance in the right direction
- Engaging directly with Transnet through:
 - Weekly meetings on operational and commercial matters (with TFR Coal Line and TFR Commercial as Exxaro and as a member of the Coal Exporting Parties group)
 - Monthly meetings on issues not resolved at weekly meetings
 - Quarterly and biannual coal industry meetings between senior executives on performance matters and issues of strategic interest

Strategic objectives

- Make our minerals and energy businesses thrive

2023 risk **Customer concentration risk**

Quality of relationship:



Engagement purpose Eskom remains a key Exxaro customer. In 2023, Exxaro attributed 73% of sales to Eskom. Long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. We engage regularly in light of Eskom's challenges.

Stakeholder Eskom

Further reading [Our risks and opportunities](#) (page 28)

Stakeholder expectations and issues

- Coal supply agreements

Material themes



Key engagements and outcomes

- Engaging to renegotiate the Matla cost plus agreement due to expire in mid-2024
- Conducting regular planning and operational alignment engagements at Grootegeluk around Matimba and Medupi coal supply agreement contracts

Strategic objectives

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

2023 risk Fatal risk incidents

Quality of relationship:



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

Stakeholder Employees

Further reading [Our risks and opportunities](#) (page 28) and [building momentum with people](#) (page 96)

Stakeholder expectations and issues

- Health and safety standards

Key engagements and outcomes

- Communicating safety issue reminders daily at operational level and regular safety messages across various platforms
- Hosting our annual sustainability summit and focusing on eliminating repeat incidents following last year's LTIFR increase
- Facilitating ongoing safety training (including risk management, safety for supervisors and legal liabilities), which perceptibly improved the quality of mini hazard identification and risk assessments
- Hosting a compulsory weekly review meeting to discuss learnings from internal or external safety incidents

Material themes



Strategic objectives

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

2023 risk Community unrest

Quality of relationship:



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

Stakeholder Communities

Further reading [Our risks and opportunities](#) (page 28) and [social impact](#) (page 106)

Stakeholder expectations and issues

- Our communities expect Exxaro to employ, uplift and empower locally to enable South Africa's development
- We had four incidents in 2023 that resulted in three hours of lost production at Leeuwpan (2022: 13). The improvement can be attributed to our proactive and intentional engagements with our stakeholders

Key engagements and outcomes

- Considering concerns raised at meetings between our board and host communities in Mpumalanga during 2023, which included the ongoing need for employment and local procurement, youth training and development opportunities, engagement with traditional authorities and collaboration in addressing crime
- Addressing community needs through our socio-economic development, ESD and procurement initiatives and communicating via our stakeholder engagement forums

Material themes



Strategic objectives

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

2023 risk Adverse threat to licence to operate and country risk

Quality of relationship:



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

Stakeholder Government

Further reading  [Our risks and opportunities](#) (page 28), [our strategy](#) (page 47)

 [Social](#) (ESG report, page 67)

Stakeholder expectations and issues

- The role of big business in solving broader societal issues
- Responsible water management, minimising environmental impact and overcoming climate change issues
- Life after mining, job creation and community upliftment*
- Socio-economic development*
- Municipal service delivery*
- Local procurement*

* Multi-stakeholder issues.

Material themes



Key engagements and outcomes

Several partnerships and initiatives enable us to address government's expectations. These include:

- Consulting on SLP development and regularly collaborating on projects
- Improving disclosure in our annual reporting suite
- Refining and consolidating our Sustainable Growth and Impact strategy
- Implementing our Social Impact strategy
- Collaborating with the health departments in Limpopo and Mpumalanga
- Reporting quarterly as required by our regulatory bodies
- Improving compliance and risk mitigation through internal auditing processes, strategies and management controls
- Proactively engaging with the:
 - Department of Water and Sanitation (DWS) and Department of Forestry, Fisheries and the Environment on water issues at our Durnacol and Hlobane mines in closure
 - DMRE on the renewal of our Matla mining right
 - DWS and DMRE on discard dumps
 - DWS and Water Tribunal on Matla water use licence renewal
- Regularly reviewing and actioning complaints received at the mines
- Processing requests for information through the Promotion of Access to Information Act, 2002 (Act 2 of 2002) (PAIA) and managing these accordingly

Strategic objectives

- Become a catalyst for economic growth and environmental stewardship

Engaging about our climate commitments

We engage with all our stakeholders on climate change concerns as we aim to understand regulatory policy; empower employees, communities and value stream participants to manage climate change impacts; contribute to thought leadership; and communicate our decarbonisation plan.

Exxaro is committed to conducting climate lobbying in a responsible and sustainable manner as stated in our Climate Change Response strategy. Our goal is to also participate in stakeholder engagements on climate change in a manner that advances the achievement of the Paris Agreement objectives. We value industry associations and the platform they present for knowledge sharing and engagements on key issues such as climate policy, advocacy and the low-carbon transition.

We received a request from Just Share, Fossil Free South Africa and Aeon Investment Management ahead of our AGM in May 2023 to report on the alignment of our climate lobbying and policy engagement activities, and those of our affiliated industry associations, with the goals of the Paris Agreement. In response, we have engaged directly with Just Share to understand expectations, build trust and establish an advisory partnership to determine the way forward.

During our governance roadshow in September, investors voiced their satisfaction with Exxaro’s engagement with Just Share and suggested improving climate lobbying disclosure in our ESG and integrated reports.

Stakeholder expectations and issues

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

Key engagements and outcomes

- Engaging on air quality management in priority areas
- Enhancing climate change adaptation and resilience for industry and government
- Working with government and other businesses to address South Africa’s international climate change obligations
- Contributing to thought leadership on climate change issues
- Discussions with government on climate change management
- Engaging with businesses through Business Unity South Africa and Business Leadership South Africa on issues affecting the country and securing energy supply
- Working with government, power utilities, industry and other stakeholders to ensure a financially viable, technically healthy and well-managed energy supply sector for South Africa

Material theme



Strategic objectives

- Transition at speed and scale
- Become carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Further reading

- [Our risks and opportunities](#) (page 28), [responding to TCFD reporting requirements](#) (page 120), [building momentum with people](#) (page 96), [social impact](#) (page 106) and [our environmental stewardship](#) (page 109)
- [Transitioning into a low-carbon business](#) (page 12), [climate change adaptation and resilience](#) (page 36) and [social](#) (page 67) (ESG report)

03

Strategically positioning the business for growth

We are acutely aware of the delicate balance between a rapid energy transition and a fair, equitable shift that benefits all stakeholders. Through our Sustainable Growth and Impact strategy, we are positioning Exxaro for sustainable growth and a meaningful impact for all our stakeholders.

45 CEO's report

47 Our strategy

50 Performance against our strategy and outlook



CEO's report

Reflecting on our rich history of innovation and resilience, this past year has further solidified Exxaro's dedication to sustainable growth and impact amid the complex tapestry of global economic challenges. I am pleased to present the progress we have achieved, the obstacles overcome, and the forward-looking vision that guides our journey ahead.

Dr Nombasa Tsengwa
CEO



Delivering sustained value in a turbulent context

Despite the anticipated downturn in China's property sector, the seaborne iron ore market found support as expected cuts in steel capacity proved modest, and the easing of the property market policy later in the year bolstered sector sentiment.

Thermal coal markets witnessed a resurgence in Indian demand, spurred by economic growth and increased energy requirements. This coincided with China's heightened coal imports after the Australian trade ban was lifted in 2020. Conversely, European and northeast Asian demand softened, with ample coal and gas stocks leading to price reductions.

Stronger renewables availability further curtailed Europe's dependency on gas and coal. Yet, as the year concluded, new uncertainties from geopolitical conflicts and potential natural gas supply issues contributed to volatile energy market dynamics.

Domestically, challenges persisted with Transnet's operational issues, resulting in a multi-decade low in RBCT coal exports. Additionally, Eskom's operational hurdles curtailed coal offtake, particularly from the Waterberg region. Although production saw a 1.4% reduction, this outcome still stands as a testament to our team's capability, especially in navigating and mitigating the impacts of the logistical constraints that have affected our export sales.

[Our operating context](#) (page 14)

Wind energy generated from the Cennergi operations increased by 8% compared to 2022 as wind conditions improved in 2023. Although Tsitsikamma experienced an Eskom distribution line fault in the first half of the year, resulting in 15GWh of lost generation over a one-month period, an improvement in wind performance was noted and the average plant availability of 97.3% was above the contracted 97%.

While group EBITDA decreased by 29% to R13.4 billion, this was our second highest EBITDA following record thermal coal prices in 2022. This was driven primarily by lower export prices and lower sales volumes for domestic and export. We delivered headline earnings of R46.81 per share, 22% lower than in 2022. The coal business's EBITDA margin decreased by 9% from 42% to 33%, while Cennergi's operational EBITDA margin remained stable at 80%. We achieved an annualised ROCE of 35%.

This achievement is attributable to our high basket price performance and efforts in efficient capital deployment and cost management. These will be critical performance areas as we embark on our growth journey ahead.

Enabling sustainable growth and impact through strategic foresight

While Exxaro's legacy is steeped in our country's industrial growth, we have a responsibility to transition to support a sustainable future. Our tangible growth is reflected in the robust expansion of our market capitalisation, escalating from R20 billion at our inception in 2006 – when we set out to achieve our purpose of powering better lives in Africa and beyond – to R71 billion today. Today, we are transitioning from a history rich in mining to engaging with the energy landscape of tomorrow, drawing on the same commitment that steered us through past challenges and successes.

Our strategy champions the outcomes of energy security, endorses resources powering a clean world, and upholds an energy transition that ensures the path to carbon neutrality by 2050 is both viable and responsible.

Aligned with our commitment to ensuring energy security – meeting today's needs while supporting a sustainable future for all – our early value strategy focuses on optimising coal reserves to minimise the risk of stranded high-value assets while improving operational cost efficiency. In this regard, we concluded a capital excellence programme to improve our capital project delivery and enhance value during the year.

Our assets remained cost competitive and continue to deliver operational EBITDA margins of 80%. The group's augmented capital investment in Grootegeluk and Belfast saw a 57% increase over the previous year, which also speaks to the fact that the strategy is working. Our early value strategy and market to-resource optimisation enabled us to achieve the record average price realisation of 97% against the API4 index – an increase of 4% compared to 2022.

[Business resilience](#) (page 92)

The success of our coal business bolsters our financial resilience, enhances our capital strategy, and positions the group to capitalise on new opportunities and drive innovation for sustainable profitability and growth.

Pursuing our ambition to deliver resources powering a clean world, we seek to evolve from our coal-centric beginnings towards future-focused minerals and energy resources.

This transition is epitomised by our wholly owned subsidiary Cennergi, founded in 2009, delivering 229MW of clean energy to Eskom.

CEO's report continued

We aim to grow the business to become a leading energy solutions provider with a 1.6GW generation capacity by 2030. With the financial close of the LSP, Exxaro has further cemented our investment in energy, exemplifying our dedication to sustainable solutions.

Our venture into resilient, energy transition minerals is equally strategic, building on a legacy that adapts to ever-changing market dynamics. Our cash generation remains robust at R13.3 billion, enabling us to bolster our net cash position with R5.2 billion to R10.5 billion, putting us on a solid footing to execute our growth strategy.

The insights garnered through meticulous evaluations of potential opportunities in critical minerals and energy sectors over the past years have honed our expansion strategy. Continuous investment in market intelligence and capability strengthening positions us to forge partnerships that are as robust as they are insightful, ensuring judicious execution of the most value-accretive deals.

It therefore gives me great pleasure to welcome our new chief growth officer, Richard Lillieke. With his extensive banking and investment management background, Richard has successfully led numerous merger and acquisition transactions across the continent. We are delighted to have him join our executive team and excited about the leadership and expertise he will bring to our minerals and energy growth strategy.

As we unlock value and invest in areas with significant growth potential that align with our vision for sustainable impact, we have commenced the divestiture of the FerroAlloys business, which we identified as non-core to our future direction. With a focus on enhancing black economic participation, the sale of FerroAlloys is targeted to promote black ownership – a sale process we anticipate concluding in the second half of 2024.

An energy transition remains central to our ethos. As we shift towards a low-carbon business model, we must do so in a manner that is equitable and inclusive for all stakeholders. Our commitment to this transition is not only about reducing our environmental footprint but also about ensuring that the shift supports equitable socio-economic development, particularly in the areas where we operate.

Exxaro is investing in a greener future and creating a foundation for enduring social equity and economic vitality. To ensure that no one is left behind as we transition, we offer access to social development opportunities to all, in particular those in our host communities.

We are pleased to report a 17% increase in community investments, totalling R1.9 billion. Of this, 71% (R1.48 billion) was directed towards supporting black SMMEs through local procurement and ESD. Our ESD programme has been empowering youth and women-led businesses since 2018, benefiting communities across Limpopo, Mpumalanga and KwaZulu-Natal. Our Social Impact strategy is aligned to the UN SDGs and seeks to create a lasting positive impact on communities and reduce poverty by combining multidimensional approaches that address education, economic wellbeing and access to land for economic activity.

[Social impact](#) (page 106)

Pleasingly, our environmental stewardship and social responsibility initiatives have garnered recognition, as evidenced by our second-place accolade in the 2023 ESG Investing Awards for Social Responsibility, among our other many accolades.

Empowering our people to create impact

The wellbeing of our people is a fundamental priority that underpins every facet of Exxaro's operations. This financial period, we recorded zero fatalities. Regrettably, we recorded 11 LTIs, resulting in a frequency rate of 0.07 against our target of 0.05. Even though we have observed a downturn in HPIs, indicating a movement towards our goal of an incident-free workplace, there is no room for complacency.

The team initiated enhanced safety campaigns across all our operations. We believe in creating a culture where safety and accountability are paramount, and every team member actively participates in safeguarding their wellbeing and that of their colleagues. Looking back at the year, we are proud of the six safety awards received at the COALSAFE Awards by the South African Colliery Managers' Association, reflecting our commitment to operationalising zero harm at our operations and beyond the mine gate.

[Building momentum with people](#) (page 96)

Our dedication to our people extends beyond safety. As the first female CEO in Exxaro's history, I am incredibly proud of our progress in DEI and the transformational power of our succession planning. The representation of black women in senior and middle management has improved by over 75% in the past six years. We are fostering an environment where DEI is woven into the fabric of our corporate culture. This commitment has not gone unnoticed; Exxaro was honoured as a Top Employer in South Africa for the fourth time by the Top Employer's Institute.

I am grateful for the recognition of the Gender Icon Award at the 2023 Standard Bank Top Women Awards and the Trailblazing Women in Mining Award. At the Top Empowerment Awards, we were also recognised in the DEI category, affirming our position as leaders in creating a workplace where we all feel like we belong. Additionally, being included in the 2023 Bloomberg Gender-Equality Index is not just an honour but a benchmark that drives us towards greater inclusivity and equality in our industry.

These awards and accolades received are not just symbols of honour but are testaments to the values we uphold and the inclusive future we are building.

Charting the way forward

As we navigate the complexities of our industry and the broader environmental and socio-economic challenges, our Sustainable Growth and Impact strategy is more relevant than ever. We are committed to transitioning Exxaro into a diversified minerals business, focusing on manganese, bauxite, and copper, among others, to build a sustainable and resilient future. Our energy initiatives and the strategic selection of minerals for diversification reflect our proactive approach to the global energy transition and our contribution to a carbon-neutral future by 2050.

Our achievements and strategic direction are a testament to our team's dedication and hard work, the support of our stakeholders, and the strength of our vision. As we look to the future, we remain focused on driving operational excellence, pursuing sustainable growth, and contributing positively to the global energy transition.

I sincerely thank our investors, board members, partners, and stakeholders for their unwavering support and commitment; and especially the women and men who continue to contribute to the business's success. I would like to thank each and every one of them for their dedication, resilience and loyalty. They know that we are #cruising nicely!



Dr Nombasa Tsengwa

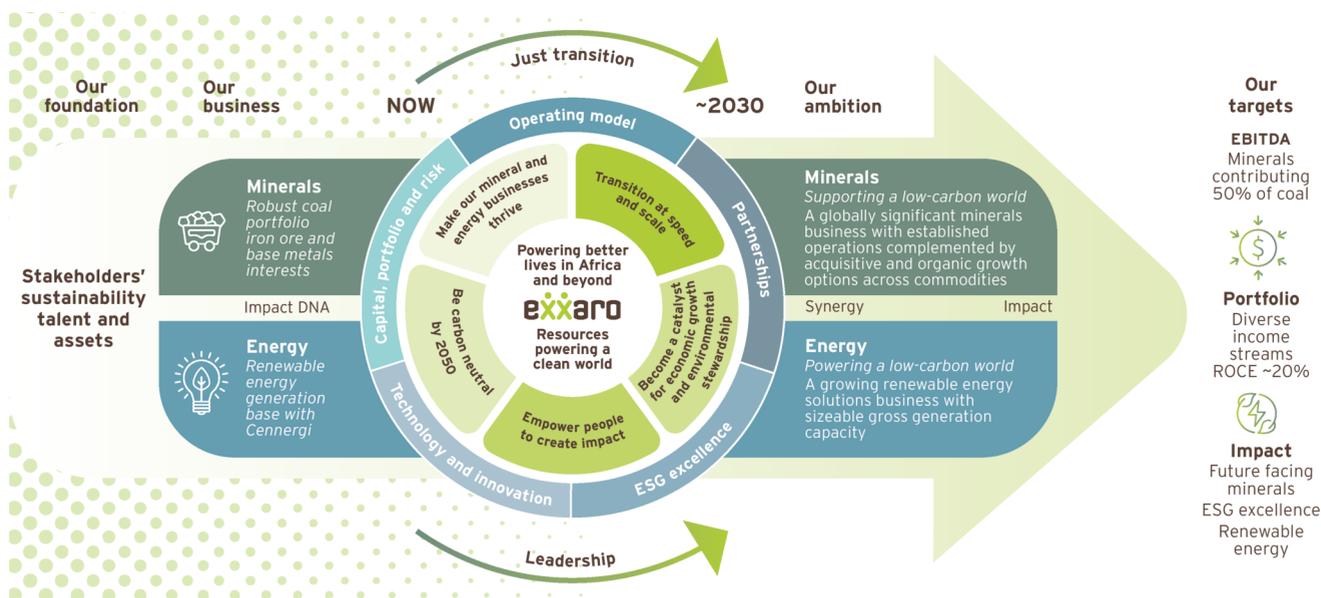
CEO

10 April 2024

Our strategy

Our Sustainable Growth and Impact strategy is a comprehensive, stakeholder-inclusive plan, laying the foundation for a resilient and sustainable future for our business to continue creating and preserving value. We are determined to play an active role in creating a future that enables our vision: resources powering a clean world.

Our approach transforms our business cautiously and effectively, developing into a diversified company poised to thrive in and contribute to a low-carbon future. We commit to responsible operations, prioritising material ESG areas, and adhering to compliance standards.



In 2023, we further refined and consolidated our strategy in response to the rapidly changing macro-economic environment, leveraging short-term opportunities while remaining steadfast in achieving our long-term strategic objectives.

Our strategic objectives

Transition at speed and scale

Transition our business with measured urgency given the growing need for the low-carbon transition. We will do this while creating positive social impact. We will leverage our innovation, organisational intelligence and learning culture to navigate this transition

Make our minerals and energy businesses thrive

Enhance focus on our core delivery areas, minerals and energy, by increasing our footprint in these areas, divesting of non-robust assets and ensuring continued operational and digital excellence

Empower people to create impact

Ensure our people and partners have the capabilities, mindset, environment and passion to achieve our purpose

Be carbon neutral by 2050

Reduce our carbon footprint and become carbon neutral by 2050. We will achieve this through our focused portfolio decarbonisation and social impact initiatives

Become a catalyst for economic growth and environmental stewardship

Positively impact our ecosystem during and after our operations in minerals and energy, building community projects and businesses into investable impact programmes, which can lead to sustainable, scalable economic upliftment and prosperity, independent of our continued operations in these environments

Our strategy continued

Our strategy unpacked

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

- Delivering value in existing coal assets
- Growing our energy solutions business
- Diversifying our portfolio to include minerals that support a low-carbon world

We leverage our strengths and capabilities, which include:

- Experience in mining bulk commodities
- Strength of our balance sheet
- Effective technical and commercial due diligence
- Efficient business integration
- Expertise in energy

We will enable the execution of our strategy over the next five years using:

- Clear targets
- A robust capital allocation model
- Rigorous performance tracking
- Accountability
- Cultivation of necessary skills and a culture of execution

Capital allocation

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

To ensure we embed disciplined and data-driven capital allocation aligned to our enterprise ambition, we use the following criteria:

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

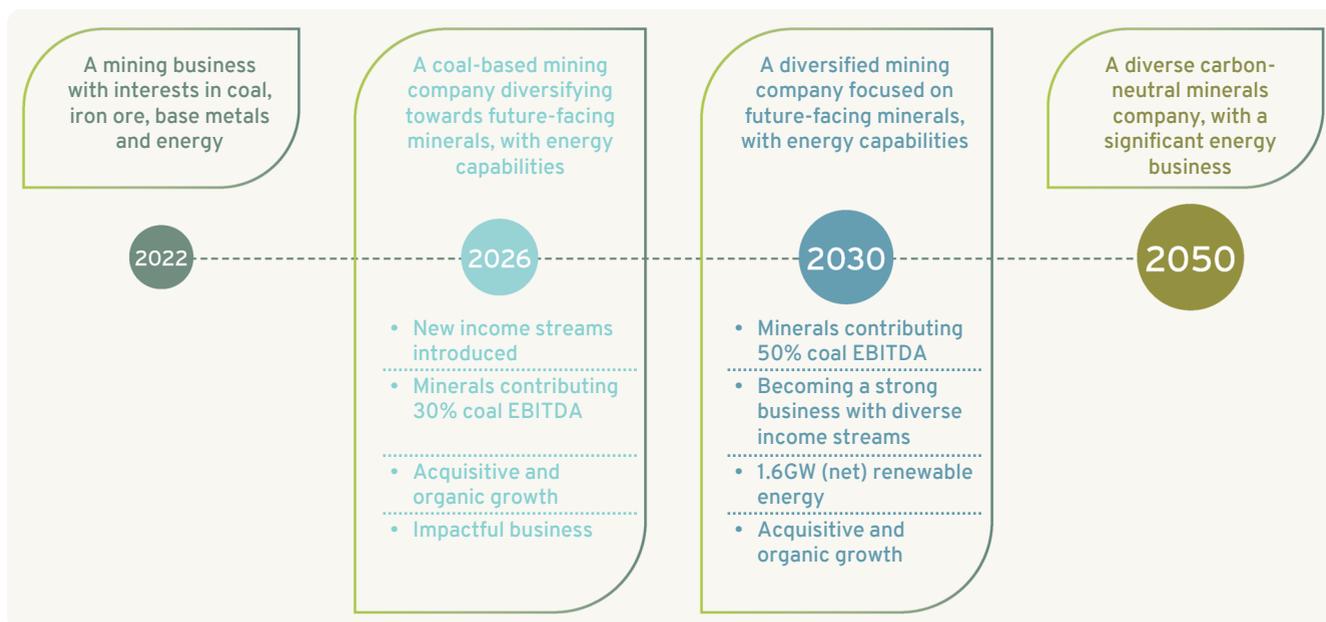
Our capital excellence programme demonstrates our vigilance to optimising how we use our financial resources to create sustainable value.

Robust capital allocation is informed by our enterprise KPIs:

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

Timeframes

We will execute our strategy in phases, with clear outcomes for each focus area.



Accountability

We implement our strategy in three tiers of accountability:

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

Our energy business

To be a leading international energy solutions provider by 2030

Wind and solar energy

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

Why

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

How

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

Competitive advantage

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

Our minerals business

To supply minerals that power a clean world and provide our shareholders with superior returns while driving decarbonisation ambitions

Coal

Our coal business continues to deliver value for Exxaro and is key in providing South Africa's primary source of energy.

Why

We believe that the coal assets under our care do not belong to us. Therefore, we have a responsibility to manage them appropriately.

To do this, we must ensure that, on our way to a low-carbon future, we do not leave high-value assets sterilised and stranded.

How

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

New minerals

Diversify into new mineral assets that are vital to a low-carbon future, eg manganese, copper and bauxite, among others.

Why

- A business that thrives in a low-carbon future
- Diversify revenue for Exxaro's growth
- Clearly defined investment supporting the right opportunities
- Balance sheet and mining capabilities provide a competitive advantage

How

- Exxaro has developed a minerals business approach that enables a just transition to a low-carbon world while leveraging our core competencies in bulk commodity mining and logistics
- Robust screening criteria enable us to continuously review and identify the minerals we should be focusing on for our future growth

Competitive advantage

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

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

Performance against our strategy and outlook

We are gaining momentum as we transition to our new strategy. We have set clear and ambitious objectives to progressively incorporate our Sustainable Growth and Impact strategy into our operations.

To measure and manage our performance over time, we have identified specific KPIs that were selected by considering our past KPIs, representing the various aspects of value creation we affect and our future objectives. The resulting indicators are refined and designed to monitor our momentum towards our strategy while catalysing discussion and analysis within our organisation. Furthermore, they ensure we address our previous ESG commitments and enable the achievement of these ambitious goals.

Our KPIs are grouped per capital and incorporated in the tables below in relation to how their continued availability, quality and affordability impact specific strategic objectives.

Key	Description	Trend	Description
REM-S	Linked to remuneration (STI)		Deteriorated
REM-L	Linked to remuneration (long-term incentive)		Improved
			Unchanged

Transition at speed and scale

Why it matters

The shift towards a low-carbon economy is imperative due to the growing demands for climate change mitigation. As a business, it is essential to approach this transition with a balanced sense of urgency to stay ahead of the curve while ensuring that the shift is sustainable and generates a positive societal impact.

Material themes



SDGs impacted



Performance overview

- Reached financial close for the LSP, supplying 68MW to our Grootegeluk mine via a 25-year power purchase agreement
- Continued development of energy solutions, especially in Mpumalanga, to enable a just energy transition
- Actively reviewed, assessed and evaluated mineral opportunities aligned with our strategy and, where applicable, meaningfully engaged in investment processes
- Continued adhering to our robust capital allocation model

Continued availability, quality and affordability of capitals driving our strategy

Exxaro's strategy is firmly rooted in managing our capitals to support sustainability and growth. By optimising our coal assets and advancing into other minerals and energy, we are securing **financial capital** and investing in our future capabilities. Our performance indicators – EBITDA from new minerals, EBITDA contribution from Cennergi and installed energy generation capacity – are milestones towards our 2026 and 2050 targets. These targets reflect our commitment to transitioning at speed and scale while securing the availability of financial capital now and in the future to support sustainable value creation in a dynamic energy market.

Measuring related capital inputs

Performance indicator	Target		Performance			Trend
	2026 (short term)	2030 (medium term)	2023	2022	2021	
Financial capital	EBITDA contribution from new minerals (%) ^{REM-S}		0	0	N/A	
	Installed generation capacity (MW net)		229	229	229	

Related trade-offs

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

In our pursuit to transition to a low-carbon model rapidly and responsibly, we recognise the current socio-economic reliance on coal in South Africa. While we accelerate our transition, we remain committed to supporting the nation's development, ensuring a responsible shift that considers both the environmental impacts and the immediate energy needs of the society. This alignment is crucial as we strive to create a positive social impact and lead by example in the just energy transition.

Looking forward

We aim to transition at speed and scale but not at all costs. Our investments in minerals and energy will be governed by our prudent capital allocation framework and rigorous investment criteria, positioning our portfolio within our desired risk-adjusted return levels.

Make our minerals and energy businesses thrive

Why it matters

Intensifying our focus on core delivery areas, specifically minerals and energy, is crucial for future growth and sustainability. By expanding our presence in these sectors, we can capitalise on the burgeoning opportunities within the green economy. Simultaneously, strategically divesting from assets not meeting our robust criteria will streamline our portfolio and free up resources to be reinvested into new minerals.

Material themes



SDGs impacted



Performance overview

- Concluded a capital excellence programme to improve our capital project delivery and enhance value
- Continued efforts to create cost-effective logistics solutions
- Rolled out marketing initiatives that led to exceptional performance on export price realisation
- Initiated a sales process for our FerroAlloys business

Continued availability, quality and affordability of capitals driving our strategy

The sustained success of our minerals and energy segments is deeply intertwined with the continuous availability of **manufactured** and **financial capital**. By meeting our targets for coal exports, we exhibit our competence in managing our physical assets efficiently and effectively. Financially, our strong EBITDA margin, ROCE and solvency ratio are testaments to our sound strategic decision making and operational excellence.

Measuring related capital inputs

Performance indicator	Target		Performance			Trend
	2026 (short term)	2030 (medium term)	2023	2022	2021	
Manufactured capital Coal product (Mt)	45	50	42.5	43.1	42.5	⬇️
Financial capital EBITDA margin (managed operations) (%) ^{REM-S}	29	29	35	41	33	⬆️
Financial capital ROCE (%) ^{REM-L}	20	20	35	45	36	⬆️
Financial capital Solvency ratio (times)	2 to 3	2 to 3	3.5	3.3	3.0	⬇️

Related trade-offs

Balancing capital allocation with our growth areas

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

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

Looking forward

We aim to optimise value creation from our coal business while diversifying into a resilient new minerals business and growing our energy business to achieve our goal to become carbon neutral by 2050.

Empower people to create impact

Why it matters

The true strength of our organisation lies in the collective capabilities and dedication of our people and partners. By empowering them with the necessary skills and fostering a culture of innovation and accountability, we position ourselves to make significant strides towards our goals. This empowerment is about reaching organisational objectives and amplifying our collective contribution to society and the economy, ensuring our work resonates with purpose and leads to lasting positive change.

Material themes



SDGs impacted



Performance overview

- Embarked on an organisational effectiveness initiative to improve the overall effectiveness across the business, enhancing the impact of our people
- Launched a comprehensive DEI strategy to increase the participation of women, youth and people living with disabilities

Continued availability, quality and affordability of capitals driving our strategy

We understand that our people are essential to our ongoing ability to innovate, operate efficiently, and respond to the dynamic needs of the market and society. By investing in our **human capital**, we are investing in a sustainable future and fostering an environment where our organisation and employees can thrive and generate enduring value. Our dedication extends to nurturing **social and relationship capital**, critical to our licence to operate, reflected, in part, by our B-BBEE contribution level. Achieving targets like zero fatalities, low LTIFR and OHIFR rates underscores our commitment to wellbeing and development. These efforts ensure we maintain a skilled, motivated workforce and robust community relations, essential for driving sustainable value creation aligned with our strategic mission.

Measuring related capital inputs

Performance indicator	Target		Performance				Trend
	2026 (short term)	2030 (medium term)	2023	2022	2021		
 Human capital	Fatalities ^{REM-S}	0	0	0	1	0	▲
	LTIFR ^{REM-S}	0.02	0.01	0.07	0.05	0.08	▼
	OHIFR	0.06	0.02	0.15	0.16	0.16	▲
 Social and relationship capital	B-BBEE contribution level	1	1	2	3	2	▲

Related trade-offs

Balancing operational focus and the need for diversification

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

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

Looking forward

We will continuously develop our people, processes and platforms to ensure we build on our learning culture, enhance our organisational effectiveness and achieve our strategic objectives.

Be carbon neutral by 2050

Why it matters

Achieving carbon neutrality by 2050 is a critical target that reflects our commitment to environmental stewardship and sustainable development. By actively reducing our carbon footprint, we are contributing to the global effort to mitigate the impacts of climate change. This ambitious goal will be realised through the strategic decarbonisation of our portfolio and by integrating social impact initiatives that promote environmental responsibility. The drive towards carbon neutrality prepares us for a future of stricter environmental regulations and positions us as a leader in sustainable practices. Our dedication to this cause demonstrates to stakeholders, including customers, investors, and employees, that our operations align with broader societal values of preservation and responsibility towards our planet.

Material themes



SDGs impacted



Performance overview

- Development of our decarbonisation roadmap is at an advanced stage
- Financial close reached, and sod turning ceremony held for our 68MW solar self-generation project to supply Grootegeeluk, while more projects are under development
- Signed a memorandum of understanding with the Council for Geoscience to partner on research and development related to carbon capture, utilisation and storage – technology critical for decarbonisation

Continued availability, quality and affordability of capitals driving our strategy

Our strategic reliance on **natural capital** underpins our ability to provide critical resources for a low-carbon world. However, the volatility of climate patterns threatens the quality, affordability and accessibility of the resources we rely on and could jeopardise our operational continuity and the communities we serve. Recognising this, our commitment to carbon neutrality by 2050 is underpinned by KPIs tracking carbon intensity across scopes 1 and 2 and reducing our energy intensity. These indicators do not just measure but actively guide our efforts towards portfolio decarbonisation and underscore our determination to diminish our carbon footprint.

Measuring related capital inputs

Performance indicator	Target		Performance			
	2026 (medium term)	2050 (long term)	2023	2022	2021	Trend
 Natural capital Absolute emissions (ktCO ₂ e)	40% reduction in scope 1 and 2 emissions (579ktCO ₂ e)	Carbon neutrality	953 (2% reduction)	971	994	▲
	Energy intensity (GJ/kt) ^{REM-S}	30	30	28	30	29

Related trade-offs

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

As we aim for carbon neutrality by 2050, our growth strategy includes acquisitions that may temporarily raise our carbon footprint. However, each potential acquisition is assessed in relation to our broader decarbonisation goals. This approach is central to our strategy, ensuring that growth does not compromise our commitment to becoming carbon neutral.

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

Looking forward

Our key focus in the short term will be to reduce our scope 1, 2 and 3 emissions and carbon tax liability through additional energy efficiency projects, implementation of nature-based solutions, energy and other initiatives. We will also leverage and operationalise strategic partnerships to achieve our decarbonisation objectives.

Become a catalyst for economic growth and environmental stewardship

Why it matters

Our role in fostering economic growth and championing environmental conservation is pivotal. We can generate a positive ripple effect beyond our operational lifespan through our involvement in the minerals and energy sectors. By initiating and nurturing community projects and businesses, we serve as a driving force for long-term, self-sustaining development that benefits local economies and ecosystems alike. These impact programmes are designed to deliver immediate benefits and lay the groundwork for ongoing prosperity that does not solely rely on our presence. This approach underscores our vision of leaving a legacy of empowerment and ecological balance, ensuring that the progress and wellbeing of communities endure alongside environmental integrity.

Material themes



SDGs impacted



Performance overview

- Prioritised energy and water efficiency projects
- With an overall FTSE Russel ESG score of 3.9, Exxaro continues the trend of leading our global industry peers over the past five years. This score is underpinned by our exceptional environmental initiatives and stronger governance/disclosure initiatives relative to our global peers
- Exxaro's B-BBEE performance remains exceptional, with an overall score of 95.52, with 5.51 surplus points attributable to increases across all five categories
- Increased efforts in our minerals succession programme to focus on capacitating and/or training farmers and enabling market access; targeting black emerging farmers with appropriate strategic partnerships for skills transfer
- Since 2018, Exxaro has supported 118 SMMEs, with a financial/operational sustainability rate of over 99% compared to national levels of approximately 10%
- Kicked off an early childhood development (ECD)/school readiness programme focusing on training teachers and resourcing ECD centres

Continued availability, quality and affordability of capitals driving our strategy

Our strategy for catalysing economic growth and upholding environmental stewardship revolves around the prudent utilisation of our **natural capital** and fortifying our **social and relationship capital**. Through the reduction of environmental incidents, ensuring responsible water usage and engaging with external feedback, we are not only preserving natural resources but also ensuring their ongoing availability and quality. At the same time, we are dedicated to catalysing economic growth by enhancing agricultural productivity and scaling up support for SMMEs, which invigorates local economies and fosters community resilience. Our ECD programme underpins our investment in early education, vital for nurturing the next generation. These integrated actions underscore our commitment to maintaining robust social ties, investing in the workforce of the future and driving sustainable development, all of which secure our social licence to operate and contribute to long-term value creation.

Measuring related capital inputs

Performance indicator	Target		Performance			Trend	
	2026 (short term)	2030 (medium term)	2023	2022	2021		
Social and relationship capital	Crop yield to market (tonnes)	13 000	15 000	10 011	5 600	5 651	▲
	Financially sustainable SMMEs supported	207	295	118	105	79	▲
	ECD school readiness (%)	90%	90%	n/a*	n/a*	n/a*	
Natural capital	Reportable environmental incidents (levels 2 and 3)	0 level 2s 0 level 3s	0 level 2s 0 level 3s	1 level 2s 0 level 3s	0 level 2s 0 level 3s	6 level 2s 0 level 3s	▼
	Water intensity (kL/tonne RoM) ^{REM-S}	0.180	0.180	0.105	0.150	0.149	▲
	FTSE Russel Rating ^{REM-L}	4	4	3.9	4	3.7	▼

* The ECD programme was launched in 2023, so there is no data for 2021 to 2023.

Related trade-offs

Balancing short-term business performance against long-term ambition

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

In navigating these challenges, we must maintain our focus on short-term resilience while investing in long-term strategic research and development. This delicate balance supports our aim to catalyse economic growth and environmental stewardship, steering towards sustainable and scalable impact programmes that will last beyond our operations. Our portfolio approach towards resource allocation guides us as we manage this tension.

Looking forward

We aim to integrate and embed ESG further within Exxaro and progress our industry-leading ESG performance towards delivering sustainable impact at scale. Skills development remains an important aspect to improve our B-BBEE performance. ECD in our communities will be a new focus area to ensure improved school readiness of young children.

04

Building resilience through governance

Good governance is essential to our ability to create value. By prioritising transparency, accountability and integrity, we develop strategies that generate and preserve value while safeguarding from value erosion. This proactive stance aims to ensure that every decision is a step towards reinforcing stakeholder trust and powering a more sustainable future.

- 56 Our leadership
- 61 Summarised governance report
- 81 Combined assurance for effective governance



Our leadership

The board provides effective ethical leadership and strategic direction while balancing the company's interests as a responsible corporate citizen with stakeholders' legitimate needs and expectations, within a framework of principled governance. For the year in review, we are proud to present the following board members:

Chairperson

- B Board
- A Audit committee
- I Investment committee
- L Logistics committee
- NOM Nomination committee
- RBR RBR committee
- REM Remuneration committee
- SER Social, ethics and responsibility committee (SERC)

Member

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



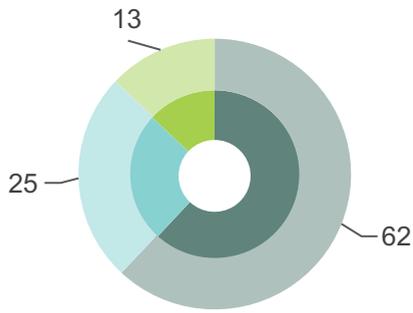
<p>1. Mvuleni Geoffrey Qhena (58) Board chairperson and independent non-executive director Director since 19 April 2021 and board chairperson since 27 May 2021</p> <p>B NOM REM L</p>	<p>2. Dr Nombasa Tsengwa (59) CEO and executive committee chairperson Executive director since 16 March 2021</p> <p>SER</p>	<p>3. Riaan Koppeschaar (53) Finance director Executive director since July 2016</p> <p>SER</p>	<p>4. Geraldine Fraser-Moleketi (63) Lead independent non-executive director Director since 18 May 2018</p> <p>SER REM NOM</p>	<p>5. Karin Ireton (68) Independent non-executive director Director since 7 February 2022</p> <p>SER RBR</p>	<p>11. Chanda Nxumalo (40) Independent non-executive director Director since 1 February 2021</p> <p>A RBR I</p>	<p>12. Peet Snyders (63) Independent non-executive director Director since 1 July 2016</p> <p>RBR SER I L</p>	<p>13. Isaac Malevu (50) Non-executive director Director since 22 June 2021</p> <p>I</p>	<p>14. Likhapha Mbatha (69) Non-executive director Director since 6 March 2018</p> <p>SER</p>	<p>15. Mandlesilo Msimang (47) Non-executive director Director since 15 March 2021</p> <p>I RBR</p>
<p>6. Ben Magara (56) Independent non-executive director Director since 7 February 2022</p> <p>I RBR L</p>	<p>7. Billy Mawasha (45) Independent non-executive director Director since 7 February 2022</p> <p>I A</p>	<p>8. Nondumiso Medupe (53) Independent non-executive director Director since 3 January 2023</p> <p>A RBR</p>	<p>9. Dr Phumla Mnganga (55) Independent non-executive director Director since 7 February 2022</p> <p>REM NOM L SER</p>	<p>10. Nosipho Molope (59) Independent non-executive director Appointed 3 January 2024</p> <p>A SER</p>	<p>16. Zwelibanzi Mntambo (66) Non-executive director Director since 28 November 2006</p> <p>L REM NOM</p>	<p>Board nominees for the upcoming 23rd AGM</p> <p>In accordance with the company's memorandum of incorporation (Mol), one-third of the non-executive directors are subject to retirement by rotation and re-election by shareholders annually. Eligible directors may offer themselves for re-election.</p> <p>Furthermore, in accordance with our Mol, Likhapha Mbatha, who has reached the director retirement age, will retire by rotation at the 23rd AGM to be held on 23 May 2024.</p> <p>As per our board charter and director nomination and appointment policy, the nomination committee has reviewed the composition, gender and racial balance of the board and evaluated the independence (where applicable), performance and contribution of the directors listed below, as well as their individual knowledge, skills and experience. The board will propose to shareholders the following directors for election and re-election at the upcoming AGM:</p>			

Re-election		Appointed
1	Mvuleni Geoffrey Qhena Independent non-executive director and chairperson of the board	19 April 2021
2	Mandlesilo Msimang Non-executive director	15 March 2021
Election		Appointed
1	Nosipho Molope Independent non-executive director	3 January 2024

The ESG report includes details on the [board's composition, diversity and experience](#) (page 134).

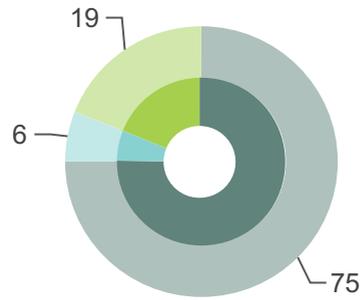
Our leadership continued

Independence (%)



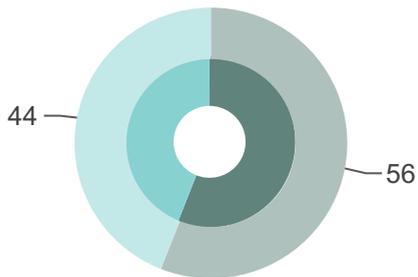
● Independent ● Non-executive directors ● Executive directors

Racial diversity (%)



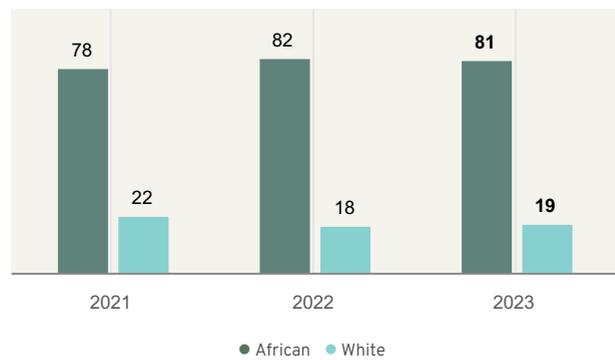
● African ● Coloured ● White

Gender diversity (%)



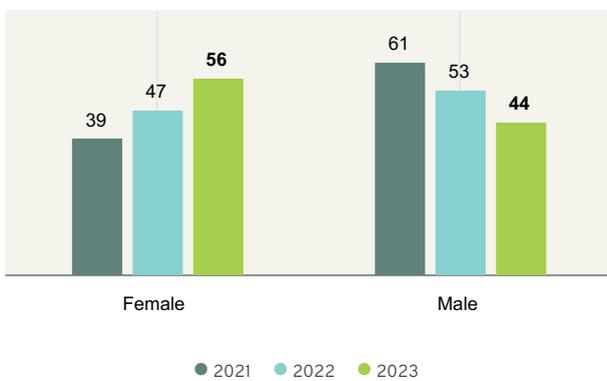
● Women ● Men

Racial diversity year on year (%)



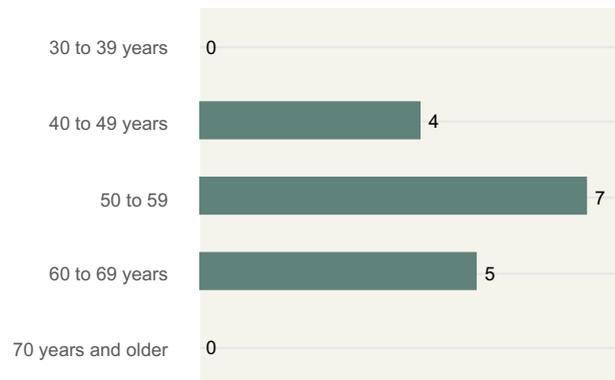
● African ● White

Gender diversity year on year (%)

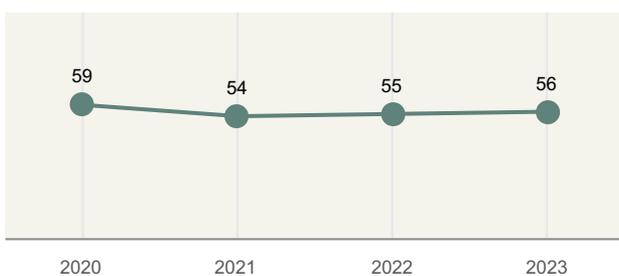


● 2021 ● 2022 ● 2023

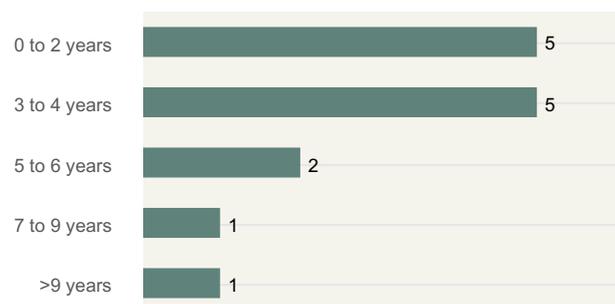
Age diversity: Number of directors (16)



Average age per year



Non-executive director tenure



Our executive team

We have conviction in Exxaro’s Sustainable Growth and Impact strategy. We are on the right path and focus is critical.

 The ESG report includes details on our [executive committee](#) (page 139).



Dr Nombasa Tsengwa (59)
CEO

KEY

-  Executive director
-  Energy
-  Executive committee



Riaan Koppeschaar (53)
Finance director



Kgabi Masia (48)
Chief coal operations officer



Leon Groenewald (57)
Managing director: energy



Mongezi Veti (60)
Chief sustainable impact officer



Johan Meyer (55)
Chief technology officer



Andiswa Ndoni (56)
Group company secretary (ex officio)
Chief strategic resilience and governance officer



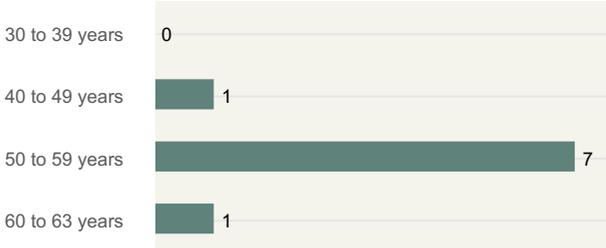
Joseph Rock (54)
Chief people and performance officer



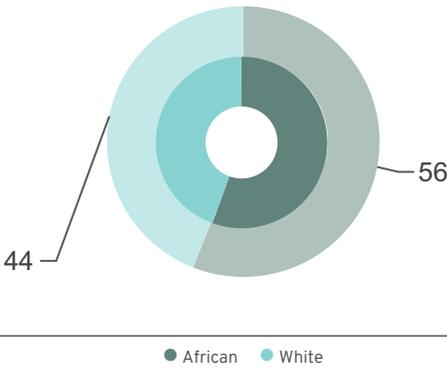
Richard Lilleike (51)
Chief growth officer

Our leadership continued

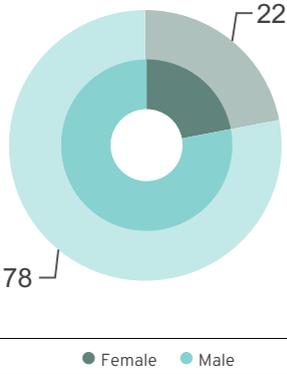
Executive age diversity (an average age of 55)



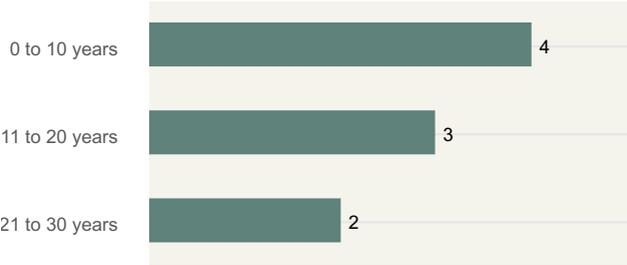
Executive race diversity (%)



Executive gender diversity (%)



Executive tenure at Exxaro



Summarised governance report

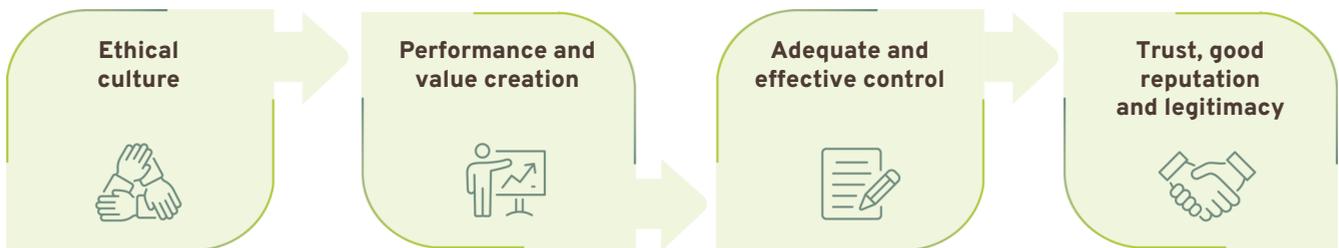
The Exxaro board applies good corporate governance to ensure an ethical culture, safeguard human rights, and support sustainable growth while transitioning to a low-carbon world.

Exxaro's board is the focal point and custodian of good corporate governance for the group. The board assumes ultimate accountability and responsibility for the group's performance and affairs. In so doing, it effectively represents and promotes the group's legitimate interests. As a responsible corporate citizen, Exxaro considers its material stakeholders' legitimate interests and expectations to ensure it contributes positively to society and the environment.

Exxaro's corporate governance is underpinned by principles that guide the board in meeting its responsibilities to the company, the group and its stakeholders. These principles enable the company to achieve the King IV governance outcomes and fulfil its purpose to power better lives in Africa and beyond through its own ethical and effective leadership.

King IV promotes good governance, transparency in leadership and decision making, and a focus on sustainability. Sustainable development is an ethical and economic imperative. It entails economic and social growth to meet present needs without compromising the ability to fulfil the needs of future generations. Sustainable development is a fitting response to organisations being an integral part of society, their status as corporate citizens and meeting stakeholders' needs, interests and expectations. Exxaro expresses its commitment to sustainable development through its Sustainable Growth and Impact strategy.

 In line with King IV's recommendation to apply and explain how Exxaro practices good governance, we include our detailed King IV application register in the [databook](#), which sets out each principle with an explanation of steps taken, policies and processes. Our corporate governance reporting is similarly structured under the four desired King IV governance outcomes of:



Material themes in focus

The following material themes received focused attention in 2023:

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

Board key matters in focus

Transitioning strategic direction

As sustained value creation is founded on good governance and responsiveness to significant social and environmental challenges, we continuously monitor and assess our strategy and formally present to the board for approval at least once a year.

The board considered progress, timing and scenario considerations related to the execution of the Sustainable Growth and Impact strategy. The board also approved the consolidated ESG framework as a lens through which to view the Sustainable Growth and Impact strategy.

As part of the strategy development and review process, we conduct a risk and opportunity assessment, including emerging risks and material sustainability issues. Our top five risks for 2023 and the key events we anticipate may impact on our ability to achieve our strategic imperatives for 2024:

2023 top risks	2024 key events
Unavailability of rail capacity	Unavailability of rail capacity
Key dependency on Eskom as a key customer	Not achieving growth objectives
Cybersecurity attack impacting business	Fatal risk incidents
Fatal risk incidents	Cybersecurity attack impacting business
Not achieving growth objectives	Country risk

Coal mine dust class action

On 23 November 2023, coal mine dust class action litigation was launched against Exxaro. The action relates to mineworkers who contracted coal mine dust lung disease in the form of pneumoconiosis caused by exposure to coal mine dust at various Exxaro mines, as well as dependants of those mineworkers who have died and whose deaths were probably attributable to coal mine dust disease.

Exxaro takes its health and safety obligations seriously and is investigating the facts pertaining to the class action. Our management team continuously works on addressing risks and ensuring preventive measures are properly implemented to address the potential of any novice occupational health diseases at Exxaro.

Managing rail risk

In response to Exxaro's top risks for the past two years and the possible impact on our sustainable growth, the board established a non-remunerative ad hoc board logistics committee early in 2023 to monitor and report to the board on:

- The development of long-term solutions for logistics access to international markets
- The identification of medium-term solutions and alternatives and related matters

Based on the longer-term nature of logistical challenges within the industry and, on recommendation from the nomination committee, the board approved this committee as a standing board committee.

Members	Categorisation
Zwelibanzi Mntambo	Committee chairperson, non-executive director
Ben Magara	Independent non-executive director
Dr Phumla Mnganga	Independent non-executive director
Mvuleni Geoffrey Qhena	Independent non-executive director
Peet Snyders	Independent non-executive director

Climate change response

We believe our greatest opportunity is to help steer South Africa towards a sustainable future by focusing on low-carbon minerals and energy with the goal to be carbon neutral by 2050. The board goes beyond compliance and responds to climate change through its commitment to mitigating the impact of climate change with a robust Sustainable Growth and Impact strategy.

The board oversees climate-related impacts, risks and opportunities. These are mainly included in the SERC and RBR committee terms of reference and annual work plans.



[Climate change adaptation and resilience](#) (page 111)



[Climate Change Response strategy report](#) (investor tab under integrated reports 2020)

ESG governance

Exxaro works to integrate and embed ESG into the organisation beyond mere compliance using a tiered governance structure and lens through which to view the Sustainable Growth and Impact strategy. The board sets the ultimate direction for sustainability considerations, including committee and individual responsibilities for overseeing sustainability-related impacts, risks and opportunities by ensuring these are reflected in board and committee terms of reference, annual work plans and other relevant policies and processes.

The board therefore sets our strategy and sustainable growth performance targets which include ESG matters, while our executive team manages and monitors ESG risk and impact, supported by management and various management committees. Our management ESG steering committee supports the executive team in ensuring the integration of decarbonisation and other critical ESG factors.

In addition to Exxaro's ESG commitments and climate change position statement, the ESG steering committee is responsible for developing and reviewing an ESG framework policy for approval by the board. Other policies supporting our ESG focus are referenced throughout this report. In addition to policies and to highlight the importance of ESG in everything we do, all reports submitted to our board, its committees and executive committee require management to reflect on strategy and financial implications and provide directors with a risk analysis of major risks applicable to the matter and its ESG implications.



For more on our tiered ESG governance structure reflecting management roles and responsibilities, see our [ESG report](#) (pages 117 to 119) for the distribution of ESG matters among our board committees.

Governance roadshow 2023

We held an annual governance roadshow for our domestic equity shareholders from 4 to 6 September 2023. A series of nine-hour-long meetings was held with shareholders. Key issues included our strategy and capital allocation; our response to the proposed resolution on climate change lobbying; and clarification of remuneration structures and practices. The board is committed to keeping shareholders informed on our progress in addressing these.

Board diversity and independence

In terms of our directors' nomination and appointment policy and King IV, we annually review the structure, size and composition (including the skills, knowledge and experience) of the board and board committees. The following directors were appointed:

Independent non-executive directors	Appointed
Nondumiso Medupe	3 January 2023
Nosipho Molope	3 January 2024

Changes to the board:

- Vuyisa Nkonyeni and Isaac Mophatlane, both independent non-executive directors, retired at the 2023 AGM. Vuyisa retired as chairperson of the audit committee and member of the investment committee. Isaac retired as chairperson of the investment committee and member of the audit committee and SERC. The board extended its gratitude for their valuable contributions
- Nondumiso Medupe's appointment as independent non-executive director and audit committee member (effective 3 January 2023) was approved by shareholders at the 2023 AGM
- Nosipho Molope was appointed as an independent non-executive director to the company and member of the audit committee and SERC effective 3 January 2024. Nosipho's appointment will be submitted for shareholder approval at the 2024 AGM
- Likhapha Mbatha, who has reached the director retirement age, will retire by rotation at the 23rd AGM to be held on 23 May 2024



[Board composition, diversity and experience](#) (ESG report, page 134)

Innovation@Exxaro

Underpinning Exxaro's strategic objectives is our drive to enhance our business resilience through safe production, delivering financial results, effective capital allocation, compliance excellence, entrenching innovation and capitalising on digitalisation. Innovation and digitalisation are part of Exxaro's culture in driving business resilience and helping our people thrive.

The following digital enablers are highlighted:

- Through our Digital@Exxaro strategy, we enabled value-driven intelligent integration of our value chain to deliver near real-time optimisation of our operations and implemented several initiatives
- To foster innovation and meet the varying needs of end-users, we adopted a systems approach and identified priority areas to develop a range of optimised energy solutions and drive energy innovation
- Exxaro applies a cloud-based digital sourcing solution that allows suppliers to access the solution to receive and respond to tenders, requests for quotes or purchase orders; create and submit invoices and timesheets; and generally receive contracts for electronic signature
- Annual declaration of conflicts of interest are done by directors and employees electronically, which has been expanded to include consultants and contractors
- We execute our purpose of powering better lives through our learning management platforms, which include MyNexxt and a community development platform, Powering Knowledge

We continue increasing our competencies across mining and energy. Through our growing competence in innovation, we have built multiple products and capabilities across our business that position us to meet our energy business targets.



[Driving innovation and information management](#) (page 95)

Adapting to a changing context

We assessed the increased probability of sanctions against South Africa and the impact on the financial stability of the country, exacerbated by existing risks such as grey listing and higher interest rates, among others. This matter received focused attention during our second annual board governance session, with the theme of "adapting to a changing context: South Africa macro-security and grey listing". These risks are continuously monitored after being analysed to determine their impact on Exxaro and were presented to the RBR committee and the board.

Focused governance sessions

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

Board governance session themes for 2023

April	Responsible environmental stewardship: Directors' ESG oversight role
October	Adapting to a changing context: South Africa macro-security and grey listing

Board key matters in focus continued

Governance in action

The below outlines the board's quarterly progress in addressing our material themes to achieve our governance outcomes:

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Material themes
<ul style="list-style-type: none"> First quarterly meeting 2022 financial results presentation 	<ul style="list-style-type: none"> Second quarterly meeting Annual strategy sessions with executive and management First governance session focusing on responsible environmental stewardship Visit to Cennergi windfarms 2023 sustainability summit Finance director's pre-close briefing Hybrid AGM held Stakeholder engagement days 	<ul style="list-style-type: none"> Third quarterly meeting 2023 interim financial results presentation Annual governance roadshow 	<ul style="list-style-type: none"> Second annual governance session focusing on adapting to a changing context Fourth quarterly meeting 	
Safety moment and reporting	Safety moment and reporting	<ul style="list-style-type: none"> Safety moment and reporting Safety indabas at all coal operations and mines in closure 	<ul style="list-style-type: none"> Safety moment and reporting Safety indabas at our two Cennergi windfarms 	
Annual conflict of interest declaration and assessment by directors, prescribed officers, employees and contractors	Obtained AGM shareholder approval through the non-binding advisory vote on the remuneration policy and its implementation	Approved the terms of reference for the logistics committee	<ul style="list-style-type: none"> Conducted annual board assessments Revised board committee membership, terms of reference and charter 	
<ul style="list-style-type: none"> Approved the group year-end financial results and IFRS announcement Considered the going concern assessment and approved the solvency and liquidity assessment for distribution to shareholders 	Considered an energy blackout crisis management plan and guidelines in the unlikely event of a total grid collapse, which includes procedures for emergency evacuation	<ul style="list-style-type: none"> Considered the going concern assessment and approved the solvency and liquidity assessment for distribution to shareholders Approved the group interim financial results, IFRS announcement and interim dividend declaration 	<ul style="list-style-type: none"> Approved the: Consolidated annual group budget Treasury risk management and hedging policy Revised insider dealing policy Policy for engagement of external auditors to perform assurance and other services 	
Approved the integrated suite of documents for publication, including the King IV report and JSE compliance certificate	Requested that the unwind of the 2017 replacement transformation transaction be included as a standing agenda item	Noted progress on the integration of the group social impact structures	<ul style="list-style-type: none"> Considered the coal mine dust class action litigation launched against Exxaro Noted an environmental incident, and a comprehensive mitigation plan is being executed 	
Approved the revised business rules policy	Approved the: <ul style="list-style-type: none"> Integrated ESG framework Strategic performance management dashboard Amendment of the group governance framework 	Noted continued focus by the RBR committee on information technology (IT) security, risk and governance	Approved the integrated report material matters following a double materiality test	
Approved a revised workplace harassment policy	Noted: <ul style="list-style-type: none"> An increase in B-BBEE compliance to level 2 Progress on roll out of DEI strategy Employment Equity Amendment Act, 2022 (Act 4 of 2022) and approach to alignment 	Noted: <ul style="list-style-type: none"> Implementation of the mineral succession strategy on Exxaro-owned properties Results of 2023 culture and engagement survey, part of Exxaro's DEI journey 	<ul style="list-style-type: none"> Approved the revised supply chain management sustainability policy Noted the wage gap statement of intent, approved by the remuneration committee 	
Approved the transaction agreements in respect of the LSP at Grootegeluk Coal Mine as cost saving and scope 2 emission reduction between two wholly owned subsidiaries	<ul style="list-style-type: none"> Approved the Sustainable Growth and Impact strategy, detailing implementing minerals succession planning, education and supplier development as initial focus areas Considered progress and approved strategic flexing of boundary conditions and investment criteria 	<ul style="list-style-type: none"> Noted progress on various acquisition and investment opportunities Placed the COP27 roundtable discussions on loss and damage on the agenda for the next governance session in 2024 	Noted: <ul style="list-style-type: none"> Progress on various acquisition and investment opportunities Progress in finalising an ESG framework policy and related stakeholder engagements 	
Noted changes to the Companies Act	Noted the change to the JSE Listings Requirements on auditor accreditation model	Approved an updated POPIA policy and PAIA manual	Considered the proposed changes to the Companies Act	
Appointed: <ul style="list-style-type: none"> Independent non-executive director, Nosipho Molohe New managing director of energy, Leon Groenewald 	Appointed chief growth officer, Richard Lilleike	Appointed: <ul style="list-style-type: none"> Chief strategic resilience and governance officer, Andiswa Ndoni Chief people and performance officer, Joseph Rock 	Approved the organisational effectiveness programme and structure	

Ethical culture

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

Governance of ethics

Our board is committed to effective ethical leadership and establishing an ethical culture. Flowing from this commitment, the board adopted a number of codes, policies and practices outlining the group's ethics and values to which employees and suppliers are required to adhere.

To support the board, the SERC is responsible for overseeing the group's ethical performance, and it therefore oversees ethics management. Membership of the SERC was reviewed in 2023, with new members – including the CEO and finance director – appointed at the 2023 AGM.

A management ethics committee exists to ensure that high ethical standards are maintained in Exxaro's business conduct. The committee is responsible for evaluating all instances of fraud, extortion, bribery, corruption, possible conflicts of interest, violations of the code of ethics or any other ethics-related matters.

It also oversees the continuous anti-fraud and anti-bribery initiatives associated with a robust programme in terms of both local and international laws and regulations.

Guided by our ethics strategy and management plan, the ethics officer is responsible for embedding an ethical culture and ensuring that integrity is maintained within the group.

Code of ethics

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

- 1 Empowered to grow and contribute
- 2 Teamwork
- 3 Committed to excellence
- 4 Honest responsibility

Monitoring ethical culture

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

A culture and engagement survey launched in January 2023 was designed to measure employees' perceptions and engagement against the following categories:

- Exxaro's Leadership Way principles
- DEI
- Exxaro's culture themes

Independent consultants were appointed to manage the survey roll-out and results consolidation. While none of the dimensions scored below the critical weakness cut-off point, the following areas of concern were identified:

- Disability and inclusion
- Employee engagement
- Career development, training and advancement

Positive findings of the survey included employees' pride in working at Exxaro, DEI, strong buy-in on Exxaro's values and vision, and gender issues. On request from the SERC, management will develop an action plan based on the survey, which will be done in 2024.

Global ethics benchmark

As part of ethics management, Exxaro conducted a benchmark on business ethics trends globally. Exxaro is trending positively against the five major global trends listed in the Ethics & Compliance Initiative's Global Business Ethics Survey® 2023 report, with only one finding (fear of retaliation/psychological safety) featuring in the Exxaro culture and engagement survey of 2023. This was reported to the SERC with the recommendations outlined in the survey report. These will be incorporated to enhance our ethics management programme for 2024.

Ethics awareness

To embed an ethical culture, we adopted the theme "Mining with Morals", which focused on:

- Clarifying ethical standards
- Promoting ethical decision making
- Raising awareness and understanding of consequences
- Encouraging reporting without fear
- Building a culture of integrity

In our internal group-wide communication, we reminded employees to be guided by business ethics and the Exxaro family code of conduct. Exxaro expressed our commitment to fighting fraud, corruption, theft and unethical behaviour and acting without fear or favour. By purposefully building ethical guidelines within our business, we are keeping our employees' and stakeholders' best interests in mind while maintaining a positive influence on those we impact through our processes.

Organisation for Economic Co-operation and Development's recommendations on ethical behaviour

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

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

Fraud and ethics hotline



We encourage employees and stakeholders to report suspected fraud or corruption to Exxaro's [fraud and ethics hotline](#) (contact us tab).

The hotline is independently managed and reports to the SERC and management's ethics committee. Due to the importance of retaining the integrity of the hotline, it is necessary for Exxaro to protect the interests of the disclosing parties as far as reasonably possible.

Avoiding conflicts of interest

In terms of the Companies Act and King IV, directors and prescribed officers have specific duties regarding disclosure of actual direct and indirect conflicts of personal financial interests as well as the perception of a conflict, including that of their related parties. Directors, prescribed officers and employees (and their related parties) are obliged to actively avoid any conflict with Exxaro's best interest.

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

We implemented and reviewed an electronic platform to facilitate reporting, workflow approvals and an auditable communication trail for disclosures by directors and employees, including a gifts and benefits register, director trade clearances and policy management.



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

Supplier ethics

- We developed the supplier code of conduct to assist employees in selecting suppliers who operate in a manner consistent with our values and relevant standards. The code aims to communicate our mandatory selection standards to prospective suppliers and promotes a commitment to ethical conduct among our suppliers

- As part of the supply chain pre-qualification process, suppliers must disclose details of shareholders, directors and other associates who are current or former employees in compliance with the conflicts of interest policy
- Employees who evaluate requests for proposals or recommend contract awards must declare that they have neither an interest in nor a close relationship with the supplier that may be construed as a conflict of interest



[Supply chain sustainability](#) (ESG report, page 105)

Anti-bribery and anti-corruption

The board has expressed a zero-tolerance stance towards bribery and corruption and approved the group-wide anti-bribery and anti-corruption policy. To support the board, the SERC is responsible for overseeing the group's ethical performance, which includes detection and response to fraud and corruption. The RBR and audit committees oversee risks, including controls and fraud risks.

Supplier conduct

To improve a broader operating environment and culture to combat corruption, our standard operational and capital-related expenditure terms and conditions with suppliers contain specific provisions around sanctions, corrupt practices, fraud and prohibited practices in respect of local and international legislation, including the UN and European Union, which terms are considered material to the relevant agreement.

Guided by the code of ethics and supplier code of conduct, we evaluated our business relationships with various suppliers in light of findings and recommendations contained in the state capture report. The outcome of this evaluation was reported to the management ethics committee, group executive committee and SERC. Guidelines were developed as a framework to deal with implicated companies doing business with Exxaro. The framework will also be used in instances where suppliers and service providers are mentioned adversely in the media or where it comes to Exxaro's attention that the company is under investigation or involved in any dealings (actual or alleged) that could put Exxaro into disrepute.

Political contributions

Exxaro agrees that a clear policy on political funding provides for certainty and consistency and reduces the suspicion that companies are funding parties for their own interest. It is acknowledged that the primary purpose of political donations is to strengthen and consolidate democracy by ensuring that political parties can function effectively within a multi-party democracy.

The group has a board-approved political donation policy in line with national legislation, guiding all political donations and contributions. The board requested that donations rather be directed to the Independent Electoral Commission in support of democratic stability. The update to the policy will be submitted to the SERC for consideration and recommendation to the board for final approval in 2024.

Monetary loss from unethical behaviour

The board is satisfied that the group has not suffered any monetary loss as a result of legal proceedings (including fines) associated with fraud, insider trading, anti-trust, anticompetitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations.



[Respecting and upholding human rights](#) (page 105)

Performance and value creation

Strategic direction

King IV articulates the board's responsibilities of steering an organisation strategically, in line with its core purpose and values, by approving and monitoring an informed short, medium and long-term strategy while considering sustainability-related impacts, risks and opportunities.

As sustained value creation is founded on good governance and responsiveness to significant social and environmental challenges, our strategy is continuously monitored and assessed, and formally presented to the board for approval at least once a year. Before executive leadership presents the strategy to the board, iterative workshops, following a bottom-up process, and board governance sessions are held. During our annual strategy review process, management also demonstrates how sustainability and ESG objectives are integrated into the Sustainable Growth and Impact strategy, including status and progress in our context. The board therefore supports the King IV principles with regard to strategy setting and follows an iterative process. As part of the strategy process, a risk and opportunity assessment is conducted, which includes emerging risks and an assessment of material sustainability issues.

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

The board reviewed an integrated medium to long-term decarbonisation roadmap to achieve carbon neutrality by 2050. The roadmap, which is at an advanced stage, outlines strategic considerations and actions to increase our decarbonisation performance.

Business continuity and crisis management plans

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

The RBR committee oversaw the process of updating various business continuity governance documents and policies. This process sought to align BUs with the board-approved business continuity plan template, which aligns with ISO 22301:2019 and British Standards Institution 11200:2014.

Performance evaluation

KPIs track the execution of our strategy for the board, board committees, and group and energy executive committees. We use a strategic performance dashboard that reports on the achievement of these KPIs. The dashboard was reviewed in 2022 and its reporting philosophy revised.

We developed a reimagined strategic performance dashboard to oversee strategy execution and facilitate strategic conversations at the right time within a tiered group governance structure. It aligns prioritised KPIs with the Sustainable Growth and Impact strategy to provide forward-looking insights, and support strategic discussions and resource allocation.

For more on our performance see:

-  [Performance against our strategy and outlook](#) (page 50)
-  [Delivering measurable results and impact](#) (ESG report, page 19)

Performance targets to support our Climate Change Response strategy

To strengthen greenhouse gas (GHG) mitigation and business resilience efforts, we included targets on water security and efficiency, and energy efficiency in the group's short-term incentive (STI) scheme in 2022.

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

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

Strategy-aligned internal reporting

Internal reporting to the board requires management to detail the outcomes of proposed recommendations to the board in respect of:

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

Transparency

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

Good governance to achieve strategic objectives

-  See page 124 of our [ESG report](#) on how we apply good corporate governance to support the achievement of our strategic objectives and how the SDGs are supported through specific steps taken in 2023.

Adequate and effective control

Governance framework

The framework provides an overview of our governance principles, structures, policies and practices and the integration of the minerals and energy strategies and budgets. It guides monitoring and oversight of business affairs to achieve accountability, authority and sound decision making, as well as policies to support the group in achieving the Sustainable Growth and Impact strategy. It is an entrenched governance principle within Exxaro that group-wide policies require board approval, and this is captured in the delegation of authority framework.

The group governance framework was reviewed in 2023 to enable Exxaro's core businesses to thrive in an increasingly dynamic market and industry sector, and to continue to support the execution of the approved strategy. The revision included new board and management committees.

Board charter and code of conduct

The charter and code of conduct regulate the parameters in which the board operates and ensure good corporate governance principles are applied in all dealings in respect and on behalf of the company and group. The charter sets out the roles and responsibilities of the board, individual directors, chairperson, CEO, lead independent non-executive director and group company secretary.

The charter and nomination and appointment policy require board members to be individuals of calibre, integrity and credibility, with the necessary skills and experience. The nomination committee must ensure continuity of directorships and undertake succession planning on behalf of the board. This includes identifying, mentoring and developing future candidates. The nomination committee is also responsible for conducting independent background checks on all proposed candidates prior to recommending their appointment to the board.

The charter was reviewed in 2023 to align with new executive designations and the nomination and logistics committees.

Board's access to information

The board charter guides directors and executive management on the information requirements to be shared with the board while the onus remains on each director to advise the chairperson and/or CEO should they believe that the information provided is insufficient for informed decision making.

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

Delegation of authority

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

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

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

Board committees

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

Board committees enhance efficiency by providing focused expertise on specific areas, allowing the board to address a broader range of issues. When used effectively, committees also enhance the objectivity of the board's judgement. As such, to facilitate the execution of its functions, the board delegates activities to its committees through formal terms of reference.

The board retains full and effective control of business and company affairs and does not assume management's functions, which remain the responsibility of the executive directors, prescribed officers and other senior management.

In response to the business risk resulting from unavailability of rail capacity in executing the Exxaro strategy, the board established an ad hoc board logistics committee early in 2023. The logistics committee is responsible for monitoring and reporting to the board on the development of long-term solutions for logistics access to international markets, identification of medium-term solutions and alternatives, and related matters. The board, based on the longer-term nature of logistical challenges in the industry, and as recommended by the nomination committee, approved the logistics committee becoming a standing board committee.

The board committees' terms of reference were reviewed in 2023, including key focus areas and annual work plans.

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

Subsidiary companies

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

The group governance framework seeks to mitigate possible tension between the holding company and its subsidiary boards. The subsidiary directors must adhere to the framework and adopted group policies. This does not absolve the directors of subsidiary boards from exercising their fiduciary duties. If directors breach their fiduciary duties, they may be held liable under section 77 of the Companies Act. This responsibility is clearly highlighted for all our subsidiary directors.

 [Ownership structure](#) (page 11)

Group-wide control functions

The group control and oversight functions are responsible for providing enterprise-wide oversight of operational management and integrated reporting. The heads of these functions have direct access to the board, audit committee and RBR committee, as appropriate.

Our group control and oversight functions consist of:

- Corporate secretariat
- Risk management
- Compliance management
- Legal
- Strategy
- Internal audit and assurance
- Finance (as it relates to financial compliance)

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

Integrated ERM

Our ERM framework provides a process for effective risk management. We follow a layered approach (top-down and bottom-up) that considers all risks and impacts. The same terminology and assessment mechanisms are used across the organisation. Our risk catalogue includes a set of risk names, and an impact and likelihood scale is used across different disciplines to ensure management concentrates efforts and resources on material activities.

We link all risks, assurance activities and material issues to reduce assurance costs and derive greater value from auditing controls. A tracking and monitoring system is applied for transparency for audit findings to be closed out.

The risk management function, through the combined assurance model, coordinates with the internal audit function to obtain evidence on the effectiveness of treatment and control activities in achieving the desired or planned risk treatment outcomes.

Assurance providers (internal audit, sustainability KPI audits, external assurance providers, self-assessments and accreditation reviews) monitor the effectiveness of significant risk treatments and compliance with regulatory requirements, non-binding rules, codes and standards, as well as policies and procedures.

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

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

In terms of our governance framework, risk management is an independent control function across the group. The strategic risk profile, highlighting the group's material risks (including Cennergi's top risks) and emerging risks, is reported quarterly to the RBR committee and board.

To test the robustness of our strategic risk profile, a study was conducted in 2023 to compare the risk register to top risks disclosed by mining industry peers. Our strategic risk profile was found to be robust and reflects relevant risks that apply to our peers.

 [Our risks and opportunities](#) (page 28)

Technology and information management

The board governs technology and information management in a way that supports Exxaro in setting and achieving our strategic objectives.

The board mandated the RBR committee, as part of its business resilience focus, to oversee Exxaro's ERM process, including key risks facing the group and responses to address these risks, including information management risks. The RBR committee is mandated to oversee information management strategy governance; integration of the improvement programme's overall direction, context and objective; and ensure alignment with the enterprise business strategy, governance and risk management.

In addition to the RBR committee, the audit committee is responsible for ensuring adequate information management governance.

Governance plays a pivotal role in ensuring that our technological infrastructure and processes align with organisational objectives while also adhering to industry benchmarks. We strategically aligned the information management governance framework with recognised industry standards, including ISO 27001, COBIT 2019, ITIL 4, ISO 31000 and ISO 27031, among others. This alignment supports our commitment to best practice and ensures robust oversight of our IT operations.

To further enhance decision making, oversight and strategic direction, we instituted several management governance forums: the project review committee, architectural review board, investment review board, change advisory board, and information management committee.

Our foundational policies support these structures by guiding behaviour, expectations and operations. These include the acceptable use of information and communications technology, security, operations, project management, asset management and the information and communications technology service continuity policies. Together, this forms a cohesive governance structure that promotes transparency, efficiency and innovation in our IT domain.

Information management risk management

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

These are our top information management risks over the past two years:

2022	2023
1 Cybersecurity: data theft	Cybersecurity: data theft
2 Availability and quality of data	Cyber threat: malware
3 IT disaster recovery strategy, plan and procedures	Cyber threat: disruption of operations

There is also an emerging risk of impending enterprise resource planning transformation due to end-maintenance support. We monitor treatment plans for the risks to determine adequacy.

Information management disaster recovery

To ensure our disaster recovery programme is robust and resilient, we strategically aligned it with the ISO 27031 guidelines by embedding the plan-do-check-act cycle, a systematic series of steps for continuous improvement of our disaster recovery capabilities.

Beyond compliance

The group is committed to:

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

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

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

Management regularly revisits the group's regulatory environment to identify material legislation and categorises each using a risk-based approach.

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

The chief strategic resilience and governance officer is responsible for providing a compliance and regulatory compass to the group by promoting a culture of compliance.

Key compliance activities for 2023 included:

- Reviewing our regulatory compliance risk ratings and audit review cycles
- Rolling out competition law training for the whole organisation
- Updating the POPIA policy and PAIA manual and providing additional POPIA training
- Annual environmental authorisation and other licence audits at our operations



[Material compliance universe](#) (ESG report, page 129)

Combined assurance model

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

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

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

Combined assurance forum

The combined assurance model was put in place through the effective functioning of the combined assurance forum. The forum coordinates assurance for our risk exposure, as identified and ranked by the risk management function and aligned to King IV recommended practices for assurance. The forum's activities and outcomes of assurance reports are presented quarterly to the audit committee.

Five lines of assurance

Exxaro adopted the three lines of defence model for combined assurance. The model aims to establish effective governance, risk management and control practices within Exxaro.

However, with the continuous development of the concept of combined assurance, we replaced the three lines of defence model with the five lines of assurance. The five lines of assurance are differentiated by the level of risk ownership and the independence of assurance efforts or providers.

Adequate and effective control continued

The five lines of assurance include:

- Line functions that own and manage risk and opportunity, such as operational management
- Specialist functions that facilitate and oversee risk and opportunity, such as compliance, risk, legal departments and oversight structures
- Internal assurance providers, such as internal audit
- External assurance providers, such as independent external auditors or other independent third-party providers
- Regulators, such as the DMRE

Combined assurance plan

The combined assurance plan focus areas are aligned to the group's top 10 strategic risks with inputs from assurance providers. The plan considers the level of assurance from assurance providers in providing the audit committee and board with confidence regarding the effective functioning of the internal control environment.

Overdue and repeat findings

Exxaro uses an issue tracking management system to capture and track the status of all internal audit and other assurance provider findings. All overdue and repeat findings are reported at each audit committee meeting.

Independence of audit and assurance functions

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

- We appointed KPMG as our independent external auditor, along with its service delivery partner, AM PhakaMalele (approved by shareholders at the AGM on 18 May 2023 by way of a separate resolution of shareholders in terms of JSE Listings Requirements paragraph 3.84(g))
- Under the management of Exxaro's head of internal audit, PwC and its service delivery partner, Ngubane & Co, have been providing internal audit services since 1 July 2022

- In 2021, the group adopted a framework for engaging auditors to supply non-audit services. We confirmed that KPMG, in terms of its policy, does not provide advisory and tax services to its audit clients
- Our group governance framework confirms the internal audit function as an independent control function across the group
- The internal audit charter informs the role and scope of work of the internal audit function
- The head of internal audit reports directly to our audit committee and is administratively overseen by the CEO

Board statement

The board and audit committee are satisfied with the effectiveness of controls for the year ended 31 December 2023. This conclusion was reached 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.



[Combined assurance for effective governance](#) (page 81)

Trust, good reputation and legitimacy

JSE compliance certificate

The board considered the JSE compliance certificate for the reporting period, confirming the company's compliance with the JSE Listings Requirements, Debt Listings Requirements and every disclosure requirement for continued listing on the JSE imposed in 2023. The certificate will be submitted to the JSE following board consideration in early 2024.

Integrity in reporting

The board ensures the integrity of the company's integrated report and its alignment with best practice in integrated reporting, including other reporting by the company. The board also oversees the publication of our annual financial statements, ESG report, board committee reports, remuneration report and other online or printed information that complies with legal requirements and meets the legitimate and reasonable information needs of stakeholders.

No insider dealing

The company's insider dealing policy was revised and updated in 2023. The policy complies with the JSE Listings Requirements, Financial Markets Act and Companies Act and is aligned to the company's code of ethics. The policy applies to all directors, prescribed officers, employees and consultants.

Before dealing in any Exxaro security, we require directors to submit a pre-clearance form to the group company secretary for consideration by the chairperson.

The insider dealing committee provides guidance and clarity to employees and directors on insider trading or price-sensitive information as well as prohibited or closed periods.

The group company secretary provides a group-wide announcement of all closed and prohibited periods to assist directors and employees in this regard. Directors and employees have access to an electronic insider register, which reflects their names as relevant. They receive an email informing them of their addition to and removal from the register.

We provide ongoing online training on the MyNexxt platform to directors, employees and consultants to ensure in-depth understanding of the policy, regulatory environment and controls in place.

We issue the necessary JSE Stock Exchange News Service announcements when any director, prescribed officer, director of major subsidiary, the group company secretary or company secretary of a major subsidiary deals in any security.

 Stock Exchange News Service announcements are available on our [website](#).

The board is satisfied with the controls in place to ensure regulatory compliance.

Sponsors

The company's lead equity sponsor and debt sponsor, Absa Bank Limited, and joint equity sponsor, Tamela Holdings Proprietary Limited, perform the continuing obligations in connection with Exxaro's listing on the JSE. The board is satisfied that the sponsors have executed their mandate with due care and diligence for 2023.

Outcomes and value delivered

 Refer to [stakeholder-inclusive approach](#) (page 24) in our ESG report for details.

Stakeholder inclusivity

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

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

 [Stakeholder-inclusive approach](#) (ESG report, page 24)

External communication

Stakeholder days

The SERC's virtual stakeholder days during the year aimed to communicate Exxaro's social performance to stakeholders. These events were also an opportunity for the SERC and board to engage with diverse stakeholders and receive community and beneficiary feedback on Exxaro's social performance and impact.

A two-day stakeholder engagement event was hosted by the SERC at Belfast, Mpumalanga, which included site visits to various Exxaro social development projects and engagements with regional government and municipal officials.

Other external communications

The following external communication (among others) took place in 2023:

- Publication of the annual reporting suite (integrated report, ESG report and climate change position statement)
- AGM notice (presentation of annual financial statements, SERC report and various other resolutions for voting by shareholders)
- Stock Exchange News Service announcements
- Interim and annual financial results presentations by executive management
- Results roadshows following the annual and interim results presentations for interaction with investors
- SLP future forums that play an important role in engaging with labour representative groups to promote ongoing discussions about the future of mines, identify possible challenges and solutions for productivity and employment, and improve business sustainability
- Exxaro 2023 sustainability summit
- COP28 (held in November/December 2023) where Exxaro was given the opportunity to:
 - Participate, engage and partner with different stakeholders and play a positive role in providing solutions to manage climate change
 - Showcase our contribution to South Africa achieving its Nationally Determined Contribution objectives and a just transition

 [Exxaro's contribution to COP28](#) (ESG report, page 33)

Responsible corporate citizenship

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

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

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

Governance

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

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

Commitments

Fundamental to Exxaro's purpose of powering better lives is our stance that all people have inherent fundamental human rights regardless of their differences. As such, Exxaro is committed to respecting and upholding human rights for all people in its sphere of influence, where the company has the power to effect investment and development. Exxaro is guided by the South African Constitution, applicable legislation and external standards such as the Minerals Council's Human Rights Framework and the UNGC principles on human rights, labour, environment and anti-corruption.

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

 [UNGC communication on progress](#) (investors tab under integrated reports 2021)

The board revisited, amended and approved Exxaro's human rights policy in 2022. Policy implementation and communication took place and a due diligence assessment commenced towards the end of 2023 to be completed and reported to the SERC in 2024.

 [Respecting and upholding human rights](#) (ESG report, page 108)

Health and safety

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

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

 [Prioritising safety](#) (page 98) and [integrated health and wellness](#) (page 100)

Focus areas

Our focus areas supporting the outcome of trust, good reputation and legitimacy in 2023 included:

- Executing the ethics strategy and management plan revision
- Executing and implementing the revised human rights policy and starting a due diligence process
- The SERC and remuneration committee considered the results of the 2023 culture and engagement survey as part of Exxaro's DEI journey
- The remuneration committee approved a wage gap statement of intent. The statement is linked to Exxaro's purpose and identified wage gap principles and aligns with Exxaro's revised remuneration policy
- Completing the roll out of compulsory group-wide anti-bribery and anti-corruption training on MyNexxt
- Rolling out additional group-wide POPIA training

Reputation and disclosure recognition

 [Delivering measurable results and impact](#) (ESG report, page 19)

Audit committee

Chairperson: Nondumiso Medupe

Meetings: Six

Members: Billy Mawasha and Chanda Nxumalo

Attendance: 93%

Changes: Vuyisa Nkonyeni (former committee chairperson) and Isaac Mophatlane (former member) retired by rotation at the 2023 AGM

 [Audit committee report](#) (ESG report, page 143)

Composition as at 31 December 2023



Nondumiso Medupe
Chairperson



Billy Mawasha



Chanda Nxumalo

Role and purpose

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

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

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

Terms of reference

The board reviewed and approved the committee's terms of reference, which align with legislation, regulations, King IV and the Institute of Directors South Africa's guidance for audit committees.

Key focus areas 2023/2024

Monitoring implementation of the strategy concerning the deployment of new post-modern enterprise resource planning solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy

Ensuring alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach

Reviewing Exxaro's future strategy regarding insurance cover and self-insurance, taking into consideration global resistance to thermal coal and insurance markets

Enhancing the committee composition and skills set

Monitoring and considering the impact of cybersecurity risks and use of AI in the finance and internal control environment

Managing talent challenges in the finance and internal audit functions in response to the global war for talent

Reviewing the transition from a predominantly outsourced model to a co-sourcing internal audit model, ensuring Exxaro's transformation objectives are achieved

Confirmation

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act and the JSE Listings Requirements as well as the principles and recommended practices of King IV. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and confirms that it fulfilled its mandate and responsibilities in terms of the Companies Act, the JSE Listings Requirements (paragraph 3.84(g) in particular) and King IV.

Investment committee

Chairperson: Ben Magara

Meetings: Five

Members: Isaac Malevu, Billy Mawasha, Mandlesilo Msimang, Chanda Nxumalo and Peet Snyders

Attendance: 93%

Changes: Isaac Mophatlane (former committee chairperson) and Vuyisa Nkonyeni (former member) retired by rotation at the 2023 AGM. Ben Magara was appointed a member and committee chairperson

 [Investment committee report](#) (ESG report, page 148)

Composition as at 31 December 2023



Role and purpose

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

Importantly, the committee reviews the strategic fit, risk assessment and outcomes of financial, technical and legal due diligence for major investments. It ensures adherence to all Exxaro's governance processes and that we meet the approved hurdle rates, set from time to time, before we commit any funds.

An investment opportunity will therefore first serve at the investment committee where a detailed review shall be conducted in line with the investment criteria approved by the board. After the review, the investment opportunity may be recommended by the committee to the board for final approval.

Terms of reference

We reviewed the committee's terms of reference in line with principle 8 of King IV, with minor amendments and rephrasing enhancements. The board approved the revised terms of reference which align with legislation, regulations and King IV.

Conflict of interest

The committee's mandate requires that disclosure of interest is in focus at the time of circulating information to the committee members and before the commencement of any meeting. Any declaration or recusal by members is captured in the meeting minutes to ensure transparency.

Key focus areas 2023/2024

Monitoring divestments and acquisitions

Reviewing and recommending for approval investment guidelines for minerals (energy review completed)

Monitoring the energy and minerals ESG KPIs and dashboard

Continuing to guide and recommend participation in proposed acquisitions that fit our long-term minerals and energy strategy

Confirmation

The committee, in carrying out its duties, has due regard to its terms of reference and the principles and recommended practices of King IV. The committee is satisfied that it has conducted its affairs and discharged its responsibilities in accordance with its terms of reference.

Logistics committee

Chairperson: Zwelibanzi Mntambo

Members: Ben Magara, Dr Phumla Mnganga, Mvuleni Geoffrey Qhena and Peet Snyders

Changes: None

Meetings: Four

Attendance: 90%

 [Logistics committee report](#) (ESG report, page 150)

Composition as at 31 December 2023



Role and purpose

Early in 2023, the board established a non-remunerative ad hoc board committee to address the threat of rail capacity unavailability to Exxaro's strategy. The role of the logistics committee is to monitor and report on the development of long-term solutions for logistic access to international markets, identification of medium-term solutions and alternatives and related matters.

In the second half of the year, on recommendation from the nomination committee, the board approved this committee as a standing committee of the board.

The committee has an independent role in terms of which it operates and makes recommendations to the board, monitors on behalf of the board and reports to the board on mainly:

- Development of long-term solutions for logistics to access international markets for coal and minerals
- Identification of medium-term logistics solutions and alternatives to mitigate TFR issues to increase volumes

Terms of reference

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

Key focus areas 2023/2024

Continuing with oversight of the development and review of the long-term logistics solutions to access international markets

Continuing to monitor the identification and review of medium-term logistics solutions to mitigate TFR risk and increase exports

Confirmation

The committee, in carrying out its duties, has due regard to its terms of reference and the principles and recommended practices of King IV. The committee is satisfied that it has considered and discharged its responsibilities.

Nomination committee

Chairperson: Mvuleni Geoffrey Qhena

Meetings: Four

Members: Geraldine Fraser-Moleketi, Dr Phumla Mnganga and Zwelibanzi Mntambo

Attendance: 100%

Changes: None

 [Nomination committee report](#) (ESG report, page 152)

Composition as at 31 December 2023



Mvuleni Geoffrey Qhena
Chairperson



Geraldine Fraser-Moleketi



Dr Phumla Mnganga



Zwelibanzi Mntambo

Role and purpose

In line with the JSE Listings Requirements, the committee is constituted as a committee of the board in terms of the Companies Act, the company's Mol and King IV. The committee is governed by its board-approved terms of reference which set out its role and responsibilities.

The main purpose of the committee includes to:

- Determine and evaluate the adequacy, efficiency and appropriateness of the group governance structure, practices and processes
- Ensure that the board's composition and structure enable it to effectively fulfil the obligations of the board mandate

The committee's areas of responsibility include:

- Reviewing the board composition and additional criteria
- Succession planning
- Performance evaluation
- Induction and training
- Oversight of corporate governance and statutory compliance

Terms of reference

The committee's terms of reference were reviewed in 2023 to include a broader role as a governance committee. The amendments were approved by the board. The terms of reference remain aligned with legislation, regulations and King IV.

Key focus areas 2023/2024

Developing the framework on future optimal board structure and size to support Exxaro's strategy

Continue overseeing director induction and ongoing director development

Monitoring board and executive leadership succession planning

Considering 2023 board internal assessment outcomes and recommending matters for continuous improvement

Reporting on annual board governance roadshow outcomes and overseeing matters for implementation

Confirmation

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

Remuneration committee

Chairperson: Dr Phumla Mnganga

Meetings: Six

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

Attendance: 92%

Change: None

 [Remuneration committee report](#) (ESG report, page 156)

Composition as at 31 December 2023



Role and purpose

This committee's role and responsibility is to ensure the group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. It also ensures the continuous development, review and implementation of remuneration governance-related documents, including compliance with JSE Listings Requirements and reporting obligations.

The committee is accountable to the board for executing its independent and objective oversight. The committee does not assume the functions of management, which remain the responsibility of executives, prescribed officers and other members of senior management, nor accountability for the functions performed by other board committees.

Where board committee focus areas overlap with this committee's focus areas, committees collaborate to execute the board's broader effectiveness objective. For example, in support of the DEI strategy execution, as it applies to fair pay or application of mechanisms to achieve and exceed employment equity.

Terms of reference

The committee's terms of reference were reviewed in 2023 and amendments were approved by the board. The terms of reference continue to align with legislation, regulations, the company's Mol, King IV and in accordance with the requirements of a JSE-listed company.

Key focus areas 2023/2024

Continuing our wage gap journey, tracking our pay ratios and monitoring appropriate interventions

Embedding the new STI and long-term incentive schemes in our Cennergi business

Monitoring compliance with the minimum shareholding requirement policy for all executives

Reviewing Exxaro's long-term incentive plan rules and performance conditions

Reviewing our recognition policy and programme

Ongoing consideration and deliberation of shareholder feedback

Reviewing benefits and allowances

Confirmation

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

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

Risk and business resilience committee

Chairperson: Peet Snyders

Meetings: Five

Members: Karin Ireton, Ben Magara, Nondumiso Medupe, Mandlesilo Msimang and Chanda Nxumalo

Attendance: 100%

Changes: Karin Ireton and Nondumiso Medupe were appointed members

 [RBR committee report](#) (ESG report, page 159)

Composition as at 31 December 2023



Peet Snyders
Chairperson



Karin Ireton



Ben Magara



Nondumiso Medupe



Mandlesilo Msimang



Chanda Nxumalo

Role and purpose

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

Risk management

The committee's role is to implement an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives and to ensure that risk disclosure is comprehensive, timely and relevant. Risk management is the process effected by the board, management and other personnel. It is applied in a strategy setting and across the enterprise and designed to identify potential events that may affect the organisation, manage risks to within its risk appetite and provide reasonable assurance regarding the achievement of the organisation's objectives. Risk governance refers to the governance structures and mechanisms established within the organisation where decisions are made and implemented regarding risks.

The committee is responsible for reviewing the ERM process, including key risks facing Exxaro as well as responses in place to address these risks with particular focus on:

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

Business resilience

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

Terms of reference

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

Key focus areas 2023/2024

Monitoring the class action served on Exxaro in November 2023 and its impacts on the group as a responsible corporate citizen, and ensuring preventive measures regarding occupational diseases are properly implemented

Overseeing the implementation of the water management plan at all Exxaro mines, including closed mines, and any plans to mitigate these, including an update to the ground water analysis model to include climate change impact on operations and water sources

Ensuring effective plans are in place based on the impact of business disruption (plans are up to date and no significant incidents occurred that led to business disruption)

Reviewing Exxaro's risk appetite

Reviewing Exxaro's key compliance risks related to our licence to operate

Recommending appropriate predictive and proactive reporting and engagement with stakeholders (including the integrated report) based on key risks

Overseeing the implementation of the revised governance of technology and information to ensure incorporation of technology and information risks to enable strategy delivery and ensure business resilience

Reviewing business resilience key elements to ensure business strategy compliance

Confirmation

The committee, in carrying out its duties, has due regard to its terms of reference and the principles and recommended practices of King IV. The committee is satisfied that it has considered and discharged its responsibilities.

Social, ethics and responsibility committee

Chairperson: Geraldine Fraser-Moleketi

Meetings: Four

Members: Karin Ireton, Riaan Koppeschaar, Likhapha Mbatha, Dr Phumla Mnganga, Peet Snyders and Dr Nombasa Tsengwa

Attendance: 97%

Changes: Isaac Mophatlane (former member) retired by rotation at the 2023 AGM. Dr Nombasa Tsengwa, Riaan Koppeschaar and Dr Phumla Mnganga were appointed members

 [SERC report](#) (ESG report, page 163)

Composition as at 31 December 2023



Geraldine Fraser-Moleketi
Chairperson



Karin Ireton



Riaan Koppeschaar



Likhapha Mbatha



Dr Phumla Mnganga



Peet Snyders



Dr Nombasa Tsengwa

Role and purpose

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

The company recognises that it forms part of an interrelated community and, as such, may have positive and negative impacts on public interest and the global goal of sustainable development. The board has primarily entrusted the committee to oversee the company's impact on public interest and its ethical performance. It ensures compliance with Exxaro's statutory duties and oversees that the core purpose and values, strategy and conduct are aligned with the group's responsible corporate citizenship.

The committee oversees the company's ethics regarding business practices, its relationships with employees, other stakeholders and the natural environment. It also assists the board by monitoring the group's achievement of its shared sustainability goals and has oversight of stakeholder management and ethics management.

As part of its responsibility mandate, the committee has oversight of how the company impacts planet, people and prosperity.

Terms of reference

The terms of reference were reviewed in 2023 and approved by the board. The terms of reference continue to be aligned with legislation, regulations and King IV.

Key focus areas 2023/2024

Monitoring the coal mine dust class action litigation launched against Exxaro in November 2023 to ensure our conduct aligns with being a responsible corporate citizen

Overseeing the development of the 2050 carbon neutrality roadmap to support Exxaro's strategy to decarbonise and build resilience to the impact of climate change

Reviewing the ongoing anti-bribery and anti-corruption programme implementation, ensuring an ethical culture and respect for human rights, including the whistleblowing mechanisms for effectiveness

Overseeing the baseline study for the Taskforce on Nature-related Financial Disclosures framework that will assist with disclosing, reporting and mitigating nature-related risks

Overseeing sustainability-related disclosures in line with IFRS sustainability disclosure standards

Overseeing the implementation of the proposed employment equity targets

Confirmation

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

Combined assurance for effective governance

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

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

The board and audit committee assessed the effectiveness of controls for the year ended 31 December 2023 as satisfactory, principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

Approach, governance and reporting

Exxaro defines assurance broadly to cover all sources, including external assurance, internal audit, management oversight and regulatory inspections. Our combined assurance model includes and optimises all assurance services and functions to collectively provide an effective control environment and support the integrity of information used for internal decision making by management, the board and its committees, and in our external reports including:

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

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

Assurance review

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

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

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

Outcome of assurance

As at 31 December 2023, there were 450 open findings, reflecting an increase of 56 open findings in the year. Of the 450 open findings, 283 (63%) are classified as "ready for audit" (a three-month waiting period is applied before performing follow-up procedures for the control to be fully embedded). The split by status of findings is depicted below:

Status of findings	Current period reporting		
	Internal audit	Other assurance providers	Total for the current period
Follow-up in progress	62	0	62
Ready for audit	65	218	283
Within timelines	70	25	95
Overdue	10	0	10
Total	207	243	450

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

Source	Level 1 (high)	Level 2 (medium)	Level 3 (low)	Not rated	Total
Internal audit	1	6	3	0	10
Other assurance providers	0	0	0	0	0
Total	1	6	3	0	10

05

Our performance

Directed by our strategy and guided by our values, we are driven to meet our ambition of providing resources critical to ensuring a low-carbon world.

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Finance director's overview

Despite logistical constraints, cost pressures and lower coal pricing, our coal performance remains strong in delivering value to stakeholders through our early value strategy, coupled with our market to resource optimisation initiatives. Our Cennergi operations delivered a stable performance with generation back to normal levels.

Riaan Koppeschaar
Finance director



Following our record performance in 2022 resulting from high commodity prices, the tougher conditions we experienced in 2023 resulted in a 29% decrease in EBITDA to R13.4 billion. The contribution from our non-controlled operations showed a decrease in adjusted* equity-accounted income by 4% to R7.0 billion. Adjusted equity-accounted income of SIOC increased by 26% to R6.2 billion, which was more than offset by a weaker performance from Mafube (our 50% joint venture with Thungela). This translated into basic headline earnings per share of R46.81 compared to R60.16 in 2022. We are pleased to have declared a final ordinary dividend to shareholders of R10.10 per share. The board also declared a special dividend of R5.72 per share bringing the total dividend for the year to R27.25 per share.



Revenue of
R38.7 billion
down 17%

EBITDA** of
R13.4 billion
down 29%

Adjusted* equity-accounted
income of **R7.0 billion**
down 4%

Headline earnings of
R46.81 per share
down 22%

Cash generated by
operations of
R13.3 billion
down 29%

Final ordinary dividend
declared of **R10.10 per
share** down 11%

Special dividend declared
of **R5.72 per share**

Attributable earnings of
R46.66 per share
down 18%

* Adjusted for non-core items (headline earnings adjustments).

**EBITDA is calculated by adjusting net operating profit before tax with depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on disposal of assets and investments (including translation differences recycled to profit or loss).

Global economy and commodity prices

2023 was characterised by declining coal prices due to a decrease in high calorific value coal demand, driven by sufficient gas and coal stocks in Europe, Japan, Korea and Taiwan. The reduction in coal demand was exacerbated by warmer than usual winter temperatures, robust performance in renewable and nuclear energy generation, and significantly lower gas prices.

We also saw a resurgence in Indian demand compared to the 2022 financial year due to lower coal prices. There were visible changes in global trade flows as Australia resumed supply into China from a previous trade ban, and Russian supplies to Europe and Japan reduced drastically, with Korea adopting a gradual approach of weaning itself off Russian coal.

China and India's economic growth and buoyant power demand were the main demand drivers for coal.

Domestically, operational challenges and equipment failures at Eskom's power stations impacted the offtake of power station coal in the Waterberg region. The operating environment for domestic coal end-users was challenging in the 2023 financial year due to loadshedding, logistical challenges, slowing growth and inflationary pressures.

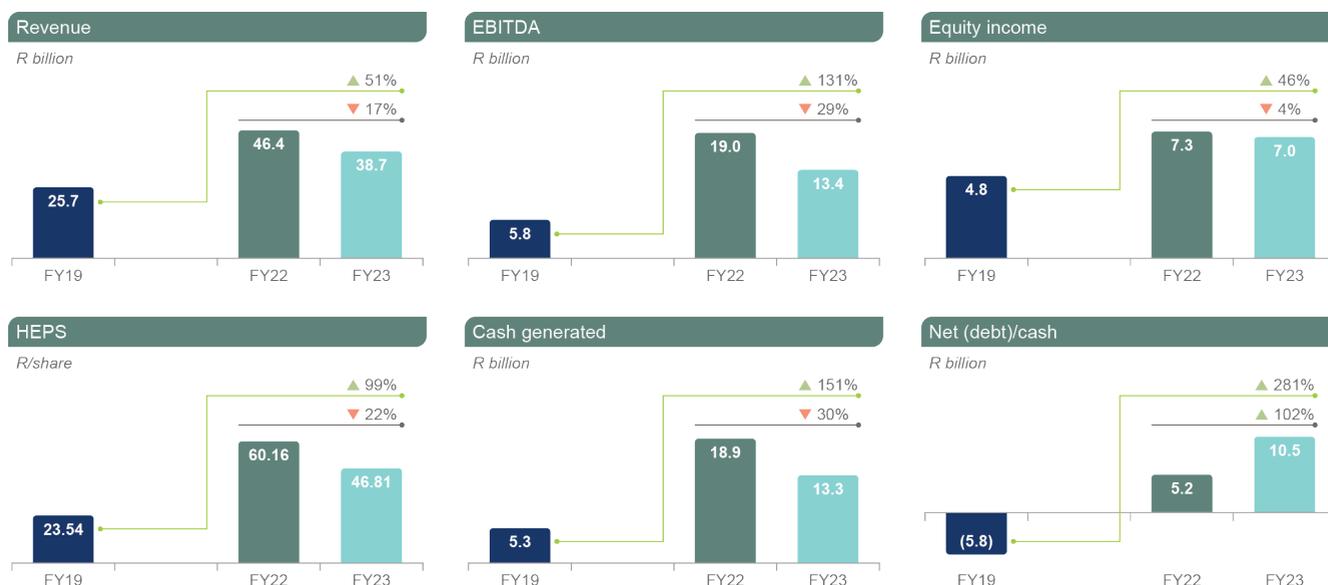
The benchmark API4 RBCT export price averaged US\$121 per tonne (2022: US\$271). The group realised an average export price of US\$117 per tonne (2022: US\$251). Despite this price decline, Exxaro was able to realise 97% of the average API4 index price based on our sales mix. Export volumes decreased slightly to 5.1Mt (2022: 5.2Mt).

Finance director's overview continued

Group performance highlights

For a better understanding of the comparability of results between the two reporting periods, we have adjusted our financial results for non-recurring items (referred to as non-core adjustments) to derive our adjusted financial results. The non-core adjustments in 2023 and 2022 are the same as the headline earnings adjustments.

The group performance highlights should be read in conjunction with the group (consolidated) annual financial statements as at the year ended 31 December 2023.



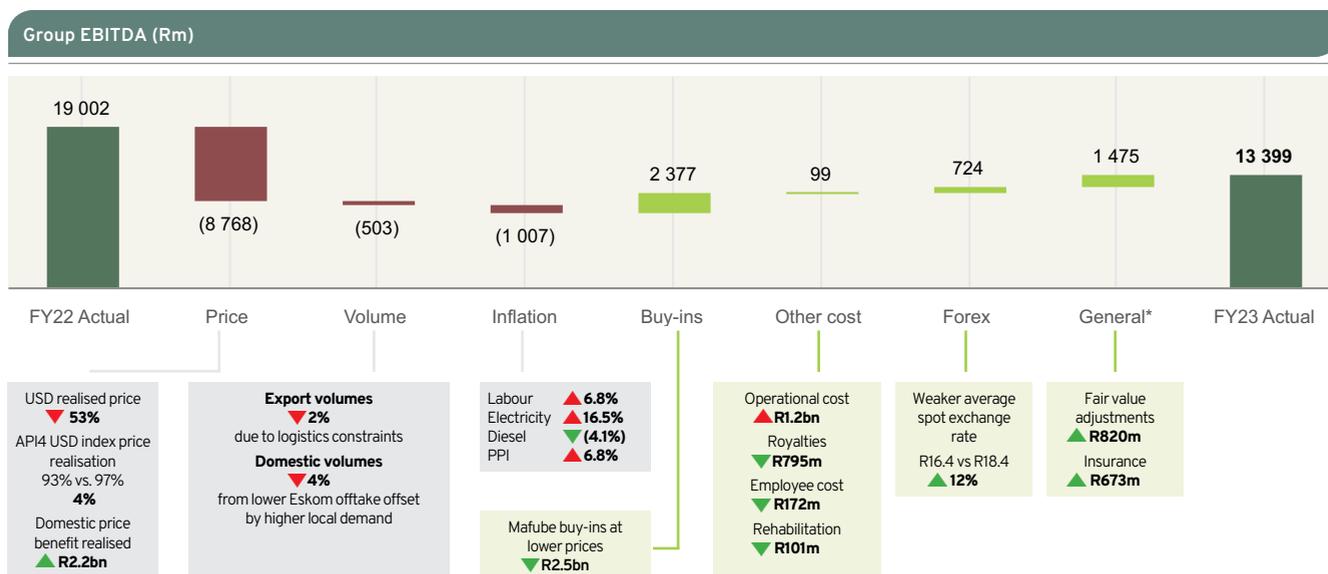
Group revenue

Group revenue decreased by 17% to R38 698 million (2022: R46 369 million), mainly driven by significantly lower export sales prices due to the steep decline in the API4 index price, partially offset by a weaker exchange rate and higher prices achieved on domestic sales at our coal operations.

The revenue contribution from our energy operations was 16% higher than 2022. Energy generation from the Cennergi operating wind assets was higher, driven by improved wind conditions compared to the prior year.

Group EBITDA

Group EBITDA decreased by 29% to R13 399 million (2022: R19 001 million). The main drivers for the decrease are provided in the graph below.



The lower prices realised in 2023 were mainly driven by the lower benchmark API4 price resulting in an average realised price on our export sales of US\$117 per tonne, a 53% decrease compared to 2022. This was partially offset by a higher price realisation compared to the benchmark API4 price of 4% due to our high-quality sales mix, as well as higher prices realised in the domestic market.

As a result of the ongoing logistical challenges, our export volumes decreased by 2%. To mitigate the poor rail performance, export coal was transported to alternative export ports using road transport and some coal was sold in the domestic market. Domestically, operational challenges and equipment failures at Eskom's power stations impacted the offtake of power station coal in the Waterberg region.

We also experienced inflationary pressure with electricity costs increasing by 16.5%, labour costs increasing by 6.8% and the rest of our costs increasing at PPI of 6.8%. There was some relief as our diesel costs decreased by 4%.

The cost of our buy-ins from our Mafube joint venture was lower, directly related to the lower API4 benchmark price in 2023 compared to 2022.

The increase in operational costs was mainly due to once-off overburden removal at Leeuwpan, Belfast and Grootegeluk, enhanced maintenance efforts in line with schedules and equipment hire, and higher production volumes at Leeuwpan and Belfast.

Royalties decreased in line with lower revenue.

Employee costs, including incentive payments, were lower in line with lower profitability and performance targets not being met.

The net decrease in rehabilitation cost is due to the impact of external surveys performed at our operations, combined with a favourable movement in discount rates in 2023, partially offset by an increase in the water treatment cost at our mines in closure to curb the impact of decanting.

The net positive foreign currency exchange variance is due to the impact of the weaker ZAR/USD exchange rate on revenue as well as realised and unrealised foreign currency exchange differences on foreign trade receivables and cash balances.

Included under general expenses are fair value adjustment gains on foreign exchange contracts, environmental rehabilitation funds, and funds held in our insurance portfolio.

Adjusted equity-accounted income

Adjusted equity-accounted income from associates and joint ventures decreased by 4% to R6 991 million (2022: R7 303 million).

	Adjusted equity-accounted income/(loss)			Dividends received		
	2023 Rm	2022 Rm	Change %	2023 Rm	2022 Rm	Change %
Coal: Mafube	510	1 902	(73)	1 525	750	103
Coal: RBCT	(8)	(9)	11			
Ferrous: SIOC	6 157	4 902	26	3 386	5 153	(34)
Other: Black Mountain	332	578	(43)			
Other: LightApp		(70)				
Total	6 991	7 303	(4)	4 911	5 903	(17)

The 26% increase in adjusted equity-accounted income from SIOC to R6 157 million (2022: R4 902 million) was driven by higher iron ore prices and sales volumes as well as cost optimisation initiatives. This was offset by a 73% decrease in Mafube's adjusted equity-accounted income, mainly due to lower export prices.

SIOC declared a final dividend to its shareholders in February 2024. Exxaro's share of the dividend amounts to R2 107 million, which is 7% higher than the interim dividend received. The dividend will be accounted for in the first half of 2024.

Group headline earnings

Group headline earnings decreased by 22% to R11 327 million (2022: R14 558 million), driven by the 29% decrease in group EBITDA and 4% decrease in adjusted equity-accounted income.

The weighted average number of shares of 242 million remained unchanged, translating into headline earnings per share of 4 681 cents per share (2022: 6 016 cents per share).

Capital management and shareholder returns

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



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

During 2023, we had cash inflows of R16.1 billion (2022: R20.4 billion), comprising R10.7 billion from our operations net of tax paid (2022: R14.7 billion) and dividend income received from our equity-accounted investments of R4.9 billion (2022: R5.9 billion) as well as net interest received of R0.4 billion (2022: R0.3 billion net interest paid) on our cash and cash equivalents.

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

- Sustain our operations with capital expenditure of R2.5 billion (2022: R1.4 billion)
- Expand our operations with further capital expenditure of R0.2 billion (2022: R0.3 billion)
- Pay dividends to external shareholders of R7.4 billion (2022: R8.9 billion)

Given our net cash position (excluding ring-fenced project financing) at 31 December 2023 and 31 December 2022, our net debt to EBITDA cover ratio was well below our target of 1.5.

Exxaro remains in a strong liquidity position with a net cash balance of R10.5 billion as at 31 December 2023 (2022: R5.2 billion) and undrawn borrowing facilities and maturities as set out below. If the energy net debt is excluded, the net cash position at 31 December 2023 was R14.8 billion (2022: R9.6 billion).

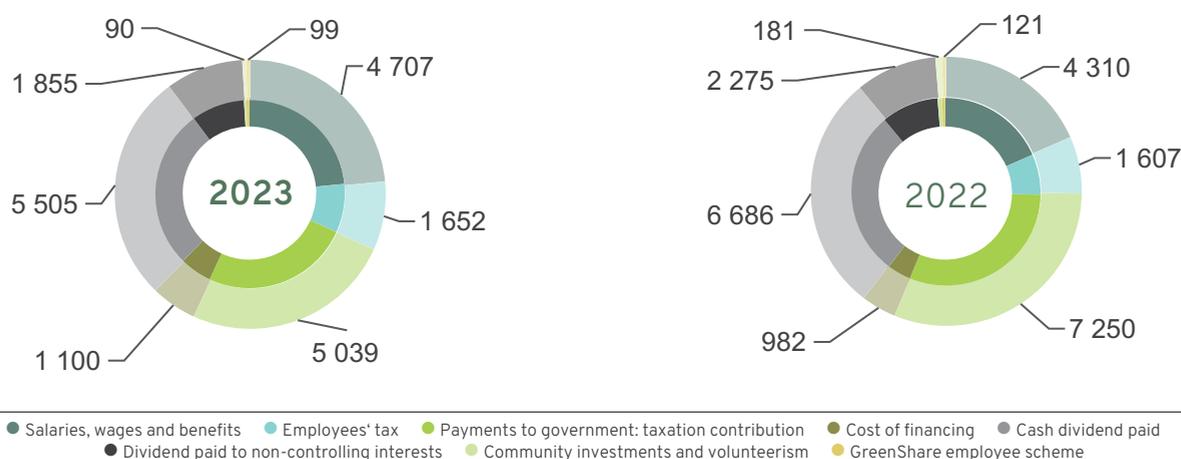
Capital funding structure

Exxaro (excluding energy)

	Facilities available			Maturity profile of debt	
	Drawn Rm	Undrawn/ committed Rm	Undrawn/ unissued Rm		
EXXARO					
Term loan and revolving facility	3 400	3 250		Repayment period	4 487
Domestic Medium-Term Note programme	643		4 000	Less than 6 months	954
Interest-bearing borrowings	4 043			6 – 12 months	248
Interest capitalised	64			1 – 2 years	507
Lease liabilities	389			2 – 3 years	2 574
Capitalised transaction costs	(9)			3 – 4 years	80
Total interest-bearing debt	4 487			4 – 5 years	97
Current	1 202			>5 years	27
Non-current	3 285				
Net cash and cash equivalents	(19 321)				
Net cash	(14 834)				

ENERGY					
Project financing	4 833	1 267		Repayment period	4 887
Interest-bearing borrowings	4 833			Less than 6 months	144
Interest capitalised	5			6 – 12 months	148
Lease liabilities	62			1 – 2 years	349
Capitalised transaction costs	(13)			2 – 3 years	450
Total interest-bearing debt	4 887			3 – 4 years	557
Net cash and cash equivalents	(538)			4 – 5 years	683
Net debt	4 349			>5 years	2 556

Economic value distribution



We distribute the value we generate to our stakeholders as follows:

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

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

Portfolio optimisation

As part of the broader Exxaro strategic review, we continuously seek opportunities to unlock value to support our Sustainable Growth and Impact strategy. As previously reported, Exxaro identified that the FerroAlloys business is no longer a strategic fit within our envisaged minerals business portfolio and a sales process has commenced to dispose of our entire shareholding in Exxaro FerroAlloys Proprietary Limited. Exxaro aims to enhance the economic participation of black-owned companies in the South African economy. In line with this intent, we earmarked the FerroAlloys disposal process to target black ownership.

As we are still in the initial stages of the sales process, the investment did not meet all the criteria to be classified as a non-current asset held-for-sale on 31 December 2023.

Financial KPIs

Despite the operational challenges experienced in 2023, all internal KPIs are well within target, indicating a healthy balance sheet and strong cash flow generation. The impact of various coal sensitivity measures as well as the key financial risk factors can be further used to stress test our current headroom. Exxaro complied with all the bank covenants for the year ended 31 December 2023.



Refer to note 12.1.4 of the [group annual financial statements](#) for the year ended 31 December 2023 for detailed disclosure on the salient terms and conditions of interest bearing borrowings.

Coal sensitivity analysis

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

Measure	Sensitivity	Net operating profit impact
Environmental rehabilitation discount rate decrease	1%	(169)
Environmental rehabilitation discount rate increase	1%	156
Royalty cost	1%	369
Production cost	1%	189
Domestic sales volumes	1%	153
Export price per tonne	US\$1	94
Export sales volumes	1%	56
Exchange rate	10 cents	52
Labour	1%	32
Railage	1%	31
Fuel	1%	16
Energy	1%	8

Key financial risk factors affecting our performance

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

In managing our capital, we focus on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. Our policy is to cover annual net funding requirements through long-term loan facilities with maturities spread over time. Neither Exxaro nor any of our 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 and equity prices) will affect profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

Our activities expose us primarily to the financial risks of changes in environmental rehabilitation funds, portfolio investment and deposit facilities quoted prices, foreign currency exchange rates and interest rates. We enter into a variety of derivative financial instruments to manage our exposure to foreign currency risk and interest rate risks, including:

- Currency foreign exchange contracts, currency options and currency swap agreements to manage the exchange rate risk arising from the export of coal and import of capital expenditure
- Interest rate swaps and interest rate forwards to manage interest rate risk on interest-bearing borrowings

Price risk management

Our exposure to equity price risk arises from investments held by and classified as "at fair value through other comprehensive income" or "at fair value through profit or loss". Our exposure to price risk in relation to quoted prices of environmental rehabilitation funds, portfolio investments and deposit facilities is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

Finance director's overview continued

Foreign currency risk management

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

We maintain a fully covered exchange rate position in respect of foreign balances (if any) and imported capital equipment, resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through using economic hedges arising from export revenue and foreign exchange contracts. Trade-related export exposures are hedged using foreign exchange contracts and currency options focusing on short-term receivables. Any open exposure to foreign currency risk on these balances is insignificant as the turnaround time is generally less than 30 days. Foreign-denominated capital purchases funded by rand-denominated project financing arrangements are hedged using foreign exchange contracts.

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

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



Refer to note 16.3.3.2.2 of the [group annual financial statements](#) for the year ended 31 December 2023 for detailed disclosure.

Interest rate risk management

We are exposed to interest rate risk as we borrow and deposit funds at floating interest rates on the money market and extended bank borrowings. Our main interest rate risk arises from long-term borrowings with floating rates, which expose us 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. We also use interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

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

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

Loan facility and bonds



Refer to note 16.3.3.2.3.1 of the [group annual financial statements](#) for the year ended 31 December 2023 for detailed disclosure.

Energy project financing

The group is exposed to the risk of variability in future interest payments on project financing, attributable to fluctuations in three-month Johannesburg Interbank Average Rate during operations phase, and one-month Johannesburg Interbank Average Rate during construction phase. The designated hedged item is the group of expected floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

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



Refer to note 16.3.3.2.3.2 of the [group annual financial statements](#) for the year ended 31 December 2023 for detailed disclosure.

Liquidity risk management

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

The ultimate responsibility for liquidity risk management rests with the board, which has built an appropriate liquidity risk management framework for managing Exxaro's short, medium, and long-term funding and liquidity management requirements. We manage liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

	Group	
	2023 Rm	2022 Rm
Amount approved	65 309	58 524
Total borrowings	(8 923)	(9 093)
Unutilised borrowing capacity	56 386	49 431

Exxaro's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2023 and 2022 financial years. To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Credit risk management

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

We limit our counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. Our exposure and the credit ratings of our counterparties are continuously monitored, and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of several customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such customers, resulting in limited credit exposure (which exposure is limited by performing customer creditworthiness or country risk assessment).

Exxaro strives to enter into sales contracts with customers, which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivable balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Exxaro has concentration risk due to our exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms. We establish an allowance for non-recoverability or impairment that represents our estimate of expected credit losses in respect of trade receivables, other receivables, loans, cash and cash equivalents, and investments.



Refer to note 16.3.3.4.1 of the [group annual financial statements](#) for the year ended 31 December 2023 for detailed disclosure.

Outlook

Economic context

Global inflation is expected to continue its downward path, although towards the end of 2023, energy-related pressures temporarily stalled this trajectory. As a result, policy interest rates are predicted to remain restrictive for longer, affecting both global investment sentiment and economic activity.

Despite unprecedented rolling loadshedding, South Africa's real GDP grew by 0.9% year on year in the first six months of 2023. The modest upside reflected higher investment in machinery and other equipment and a better-than-expected response to loadshedding. However, GDP decreased by 0.2% in the third quarter of 2023. The ongoing constraints of inadequate electricity and logistic challenges limit the local economy's future productive potential.

During 2023, the South African rand lost significant value against major global currencies. This is attributable to intensified loadshedding with the perceived risk of a potential grid collapse, the country's grey listing by the Financial Action Task Force, widening current-account and fiscal deficits, US dollar strength, global recessionary risk, and widespread geopolitical tensions. We expect the USD/ZAR exchange rate to improve in 2024 due to an expected improvement in both global economic sentiment and investor confidence.

Commodity markets and price

Despite the uncertainty of the severity of the northern hemisphere's winter and potential risks around natural gas availability and prices, continued strong Chinese thermal coal imports are expected to provide some support to seaborne thermal coal prices. However, the easing of global supply risks in both the thermal coal and natural gas (including liquefied natural gas) markets are expected to filter through to market pricing.

Continuous rising iron ore supply and exports remain the limiting factor for iron ore prices. Supply increases from major miners, a flat Chinese demand, with the rest of the world demand recovering are expected in 2024. A stronger pricing environment is expected to prevail, supported by higher marginal cost levels.

Operational performance

TFR railed 47.92Mt of coal to the Richards Bay Coal Terminal from January to December 2023. The export rail performance remains below expectations due to the impact of security, vandalism, and locomotive shortages.

Riaan Koppeschaar

Finance director
10 April 2024

Operational performance



Exxaro's manufactured capital is the physical mining, energy and property assets that enable us to deliver our products. The quality of our assets and how effectively we use them impact our overall value creation and operational performance.

How we deliver value through our manufactured capital

We invest in our assets to maintain their enduring value, upkeep and performance, and optimise their use in delivering our products at optimal qualities. Optimising our portfolio and effectively using our invested capital enables us to achieve excellent operational performance, which in turn enables value creation and preservation across the other five capitals.

We deliver value through our:

- Operational excellence and digital transformation programmes that use data-driven insights for decision making to enable safety performance, improve productivity and optimise cost
- Integrated operations centres enable timeous decision making, allowing our business to focus on controllable elements, consequently limiting the impact of disruptions in the value chain. We continue enhancing this process through deployment of data science and advanced analytics initiatives
- Market to resource optimisation strategy that informs operational plans with market insights to deliver coal products that meet customer specifications
- Continuous portfolio reviews and appropriate sustaining capital investments, which ensure we prioritise our investments – enabling the right investment that will contribute and add value to the portfolio

We build momentum and resilience in executing on our strategy and business model through operational excellence and continued investment in our manufactured capital.

Material theme	Matter	Supporting our strategy	Our broader impact
 Adapting to a changing context	<ul style="list-style-type: none"> • Macro-environment • Country risk • Geopolitical context • Commodity price risk 	<ul style="list-style-type: none"> • Transition at speed and scale • Make our minerals and energy businesses thrive • Be carbon neutral by 2050 • Become a catalyst for economic growth and environmental stewardship 	   
 Executing our strategy	<ul style="list-style-type: none"> • Diversity into critical minerals and energy • Coal portfolio optimisation 		

Performance snapshot

 Exxaro's manufactured capital	<ul style="list-style-type: none"> • Five mines (including one joint venture), one coal project, one ferro-silicon manufacturing facility, two windfarms and one solar project in construction 		
 Investments in our manufactured capital	R2.5 billion invested in sustaining capital (2022: R1.4 billion)	R0.2 billion invested in expansion capital (2022: R0.3 billion)	R2.7 billion invested in property, plant and equipment (2022: R1.7 billion)
 Improving our outcomes (business model, page 20)	<ul style="list-style-type: none"> • Optimising our portfolio <ul style="list-style-type: none"> • Disposal of shareholding in Exxaro FerroAlloys Proprietary Limited • Accelerating our decarbonisation <ul style="list-style-type: none"> • Financial close of the 68MW LSP on 29 June 2023 		

Exxaro's operational performance areas encompass coal, energy, ferrous, portfolio optimisation and investments in minerals and energy.

Looking ahead

Safety, portfolio optimisation, cost efficiency and continuous business improvement remain our priorities across our coal and energy businesses.

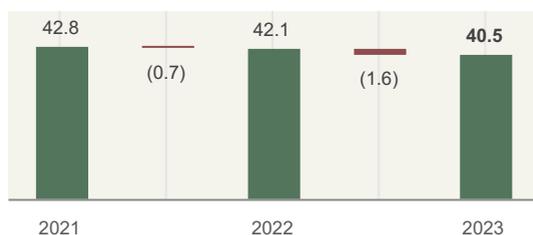
Our performance

Coal

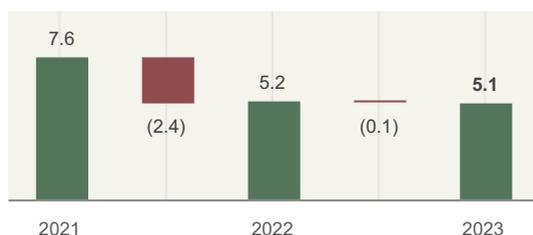
Total product (Mt)



Total sales (Mt)



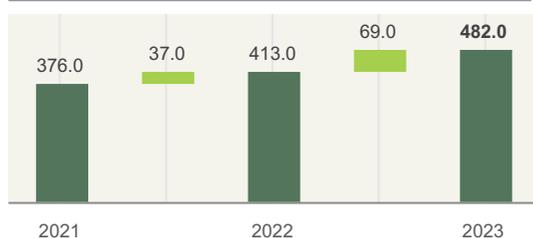
Export sales (Mt)



Cash cost per total tonnes handled (R/t)



Cash cost per production tonne (R/t)



International thermal coal pricing (API4) averaged US\$121/t in 2023 (2022: US\$271/t). Prices declined from 2023 levels due to coal to gas switching in Europe. Europe and key markets in Asia also remained well stocked during the year, keeping prices stable.

Production cost per tonne was mainly impacted by lower offtake, resulting in increased total tonnes handled with the following impact on costs:

- Volumes handled resulted in increased contractor activities, equipment hire and enhanced maintenance costs
- Employee costs increased primarily due to normal labour increases
- Energy costs rose, primarily due to a 16.5% increase in electricity rates, offset by improved efficiencies

These costs were offset somewhat by the decrease in the rehabilitation liability mainly due to an increase in discount rates.

Other operational costs were impacted by a net positive foreign exchange variance due to a weaker ZAR/USD exchange rate on revenue as well as realised and unrealised foreign exchange differences on foreign debtors and cash balances. Royalties decreased in line with lower revenue, while our insurance expense also decreased due to the change in accounting treatment of new insurance products. These decreases resulted in a premium expense (classified as a financial asset) on the balance sheet.

Our net cash cost per tonne was above mining inflation, impacted by increased cost as explained. However, our cost per total tonnes handled was R1 lower, demonstrating our ability to cost-efficiently move volumes.

In the face of a challenging macro-environment, our commitment to cost containment remains. We therefore see ourselves returning to normalised cost as we bolster our responsiveness to a new, ongoing reality.

Energy



Cennergi's operational EBITDA margin was 80% (2022: 80%), showing the consistency of earnings underpinned by long-term offtake agreements.

The two windfarms generated 727GWh in 2023 (2022: 671GWh), despite the Tsitsikamma community windfarm suffering 15GWh of losses owing to an Eskom distribution line fault. The increase in generation resulted from improved wind conditions. Our average equipment availability was 97.3% in 2023, slightly above the contracted levels of 97.0%.

Ferrous

SIOC

- Adjusted equity-accounted income of R6 157 million (2022: R4 902 million) primarily driven by higher iron ore prices, higher sales volumes and cost optimisation initiatives
- An interim dividend of R1 967 million was received from the investment in SIOC in August 2023. SIOC declared a final dividend to its shareholders in February 2024. Exxaro's share of the dividend amounts to R2 107 million, which is 7% higher than the interim dividend received. The dividend will be accounted for in the first half of 2024

Business resilience



Exxaro’s intellectual capital is the unique combination of knowledge, experience, innovation and systems that differentiate us. We leverage these elements to respond to market challenges and position our business for the future.

How we deliver value through our intellectual capital

Our operations must be able to overcome frequent challenges and adapt to change in global and local markets. We use our intellectual capital and differentiation to transition our already successful business into a company that remains sustainable, growth-orientated and values-driven into the future.

Exxaro is focused on driving and leveraging changes to patterns of production, consumption and ways of working to positively impact our business’s value and sustainability. We apply our collective knowledge, skills and resources to ensure our business is responsive while safeguarding our people, assets and the business.

We deliver value through:

- Efficient project portfolio management and capital allocation
- Increasing our competencies across mining and energy
- Investing in innovation, digitalisation and technology
- Managing our relationships with stakeholders for reputational resilience

Purposefully using our intellectual capital enables us to build momentum and resilience in executing on our strategy and business model.

Material theme	Matter	Supporting our strategy	Our broader impact
 Adapting to a changing context	<ul style="list-style-type: none"> • Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> • Transition at speed and scale • Make our minerals and energy businesses thrive • Be carbon neutral by 2050 • Become a catalyst for economic growth and environmental stewardship 	   
 Executing our strategy	<ul style="list-style-type: none"> • Build a leading global energy solutions business • Coal portfolio optimisation 		
 Driving business resilience	<ul style="list-style-type: none"> • Supply chain and logistical impediments • Cyber risk • Innovation and digitalisation • Capital allocation 		

Performance snapshot

Exxaro's intellectual capital

Investments in our intellectual capital

Improving our outcomes (business model, page 20)

The knowledge, experience, innovation and systems that enable business resilience

<p>Developed:</p> <ul style="list-style-type: none"> • Carbon footprint calculator app for employees • Near miss reporting app to report safety-compromising behaviours • Visible felt leadership app 	<p>Installed FuelActive technology on haul trucks at Grootegeluk and Mafube</p>	<p>An appropriately skilled, diversified and independent board</p>	<p>Engagement with our stakeholders at the governance roadshow</p>
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- **Leveraging digital transformation to create impact**
 - Our Digital@Exxaro strategy
 - Fully integrated digitalisation into our talent management strategy
- **Build on an already successful business as we mature, using our intellectual capital and differentiation with a long-term vision to develop a sustainable, growth-orientated and values-driven company**
 - Deepening our knowledge and stimulating behaviour change in pursuit of climate change adaptation and resilience through awareness, training and education initiatives for our people and host communities
 - Integrated finance, tax, legal and company secretary structures for better coordination and to enhance the financial efficiency of our impact efforts and integrated reporting
- **Become a leading international renewable solutions provider by 2030**
 - Decarbonisation roadmap will be executed in a phased approach for sustainable impact

Exxaro's business resilience encompasses capital allocation, energy investments, innovation and information management, and reputational resilience ([engaging our stakeholders](#), page 39).

Looking ahead

We are future proofing Exxaro and enabling a sustainable future for our business. We aim to fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification.

Our capital allocation and project execution remain focused on leveraging the growth investments already made, supporting our early value strategy and sustaining our businesses by implementing our portfolio of sustaining capital projects. Our early value strategy means we are strategic about our capital allocation.

We are focusing on opportunities in South Africa to start with, while monitoring opportunities in new markets for potential entry that meet our investment criteria, building strong foundations for the future and investing in energy assets that enable us to transition to a low-carbon world.

Exxaro is continuing on our transformation journey with a dedicated focus on enterprise-wide transformation, innovation and digital, leveraging data by turning it into insights, aiding in decision-making across the organisation and creating an agile environment. We continue to strive to attract and appoint top tech talent to support our Digital@Exxaro strategy.

CASE STUDY:

Decarbonising our mobile equipment fleet

FuelActive is an innovative fuel cleaning system that reduces harmful emissions, fuel consumption, repair and maintenance downtime, and related costs – supporting our goal of systematically decarbonising our fleet.

FuelActive uses a floating pickup to draw clean fuel from the top of the fuel tank, instead of the bottom where contaminants settle. The system improves engine efficiency and reduces fuel consumption while maintaining the manufacturer's intended emission standards and performance throughout equipment life. A three-month trial of this technology at Mafube compared the performance of our mining truck fleet against the manufacturer's baseline data (collected over at least six months) – with and without the FuelActive system. We collected and managed data on fuel economy and carbon dioxide emissions every month and presented it to management and FuelActive (as average litres of diesel consumption per hour) at biweekly reviews.

Key benefits realised

Payback from our investment within
263 days

CO₂ reduction of
762 tonnes

Annual fuel savings of
R6 million

Our performance

Capital allocation

Project	Classification (growth/sustaining)	Product	Focus and performance	Capital expenditure
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Location: Mpumalanga

The infrastructure projects at Matla, to achieve a 10Mtpa production objective once fully ramped up, were approved.

Matla LoM programme	Sustaining	10Mtpa of thermal coal	Developing infrastructure to support LoM production	R5.2 billion
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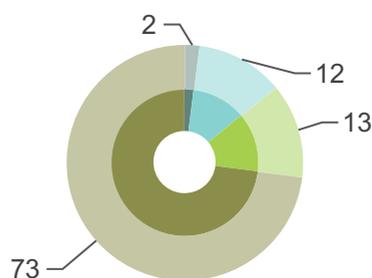
Outlook

Construction of the Matla Mine 1 tunnel development was completed. We aim to complete the incline conveyor in the first half of 2024, the overland conveyor in the first half of 2025 and the support complex and plant in the second half of 2025. Mining equipment manufacturing was completed by the Matla Central Workshop. Mine 2 development was completed. We aim to complete Mine 3 development in the second half of 2024. We expect to complete and conclude the programme in the first half of 2026.

We focus on sustaining a robust coal portfolio with strong cash flow generation through the capital excellence journey and always focusing on the early value strategy. In this process, we continue to evaluate and optimise our portfolio and, where needed, dispose of non-core assets and invest in our coal business to remain resilient. We are targeting average capital of between R2 billion and R2.5 billion annually in real terms.

Coal

Coal sales by product tonnes (%)



● Domestic metallurgical ● Other domestic ● Exports ● Eskom

	2023 actual	2023 previous guidance	2022 actual	% change previous guidance
Sustaining	2 432	2 514	1 605	3
Waterberg	2 217	2 314	1 348	4
Mpumalanga	201	180	252	(12)
Other	14	20	5	30
Total	2 432	2 514	1 605	3

Capital expenditure in our coal business increased by 12% compared to 2022, driven by investment in sustaining our operations, which is well aligned with our capital guidance.

The increase in sustaining capital is mainly due to higher spend at Grootegeeluk to support continuation of the business. Our capital excellence journey is enabling improved project timing, execution and savings.

Supply chain and logistics

While the South African logistics environment is challenging given the rail performance to RBCT, we use our intellectual capital to develop new innovative logistics solutions and corridors to ensure we are on a more sustainable strategic path. We successfully exported via alternative ports and continue to look at solutions that will optimise our value chain from our mines to alternative posts, including our road and rail flows.

[Our operating context](#) (page 14)

Investments in energy

Exxaro is targeting a total of 1.6GW (net) installed capacity by 2030 with an estimated total equity capital deployment of approximately R13 billion based on high level assumptions, with the remaining capital requirements being project financed. This could potentially provide a forecast estimated EBITDA of approximately R4.9 billion. We are aiming to achieve equity returns on a portfolio basis of 15%.

The LSP reached financial close on 29 June 2023, and construction started shortly thereafter. The project total investment cost is R1.56 billion.

Driving innovation and information management

Exxaro's innovation plays a pivotal role in driving our Sustainable Growth and Impact strategy. The main focus is on optimising value creation from our coal business using digital innovation, while

diversifying towards resilient minerals and growing our energy business. Our innovation and technology journey is geared to enable the business to be carbon neutral by 2050.

Innovation is a strategic enabler and key to realising our 2030 goals

Our approach to innovation is underpinned by our innovation management programme, which aims to take a systematic approach to integrate innovation into our entire business value chain, ie operations, marketing and logistics intelligence, corporate innovation and embracing disruptive innovation through data science and generative AI. The innovation programme is managed through structured processes and governance, while building future in-house capabilities, and measures that enhance Exxaro's strategic objectives.

Business diversification

Exxaro's commitment to technological and social innovation goes beyond conventional mining practices. Implementing innovative mining and processing technologies ensures that the transition towards emerging minerals is financially viable and that Exxaro remains on the lowest cost curve when new operations are introduced. Beyond economic considerations, Exxaro recognises the crucial role of innovation in creating positive social impact.

In a drive to achieve operational effectiveness, we emphasise the importance of technology and innovation to enable our strategy and achieve our goal to become carbon neutral by 2050. Over the years through our innovation journey, Exxaro successfully deployed technology-enabled integrated operating centres, visualised our value chain, deployed predictive analytics and mineral resource integration.

By leveraging technology, we ensure our operations go beyond compliance, measuring and enhancing our social and environmental impact. This includes deploying innovative digital solutions to strengthen Exxaro's contribution to a just energy transition and aligning with global sustainability goals. One of these initiatives, integrated operations centres, facilitates the seamless integration

of mineral resources and optimisation to enable effective, data-driven decision making. Integrated operations centres optimise resource utilisation and minimise environmental impacts, enabled through continuous monitoring. The integration of advanced data analytics and automation technologies supports us to achieve our early value strategy and reduce climate-related risks, thus reinforcing Exxaro's commitment to sustainable practices.

Through developments in generative AI, Exxaro will continue to look at opportunities to automate certain processes and deploy technology to ensure we remain competitive.

Culture of innovation

We empower our people to create impact by cultivating an innovation culture. This is integral to how we conduct business at Exxaro, ensuring our sustained success in a constantly evolving landscape. Exxaro has a deep-rooted culture of innovation – we believe that innovation is not limited to any particular department, but rather, it is everyone's responsibility. This cultural foundation signifies that innovation is not sporadic, but an integral part of our values, mindset and practices, embedded in every aspect of how Exxaro operates. Through this culture, our people are empowered to create impact.

At Exxaro, we are passionate about creating a positive socio-economic impact in the communities where we operate. This passion motivates Exxaro to integrate social innovation into our operations. Exxaro's innovation and digital journey extends to social innovation, by addressing community challenges through innovative, workable responses to environmental or social challenges. We aim not only to be a modern mining company but also a socially innovative and responsible one. Empowering people through innovative initiatives ensures that Exxaro's growth contributes to the overall development and wellbeing of the economies in which we operate.

Cybersecurity

In today's digital age, cybersecurity has become an essential component of business resilience. As we increasingly rely on technology and data, the cyber threat landscape also increases – the impact of which extends far beyond financial losses and affects reputation and stakeholder trust.

To mitigate the inherent cyber risk, we implemented a cybersecurity programme that focuses on preventing cyber incidents through detection, response and recovery activities. Our dedicated resources enhance our cybersecurity threat intelligence and detection capabilities. We gather insights from emerging threat patterns and malicious actors, and are committed to strengthening our security controls.

We implement a robust cybersecurity incident response plan that outlines the steps to be taken in the event of a security breach. This is supported by a disaster recovery plan to ensure that we can recover from major incidents. We also realise the importance of educating our employees on inherent cyber threats and have implemented a cybersecurity awareness programme to educate them about cybersecurity best practices and potential threats, including phishing awareness and social engineering.

We did not record any data breaches this year.

Building momentum with people

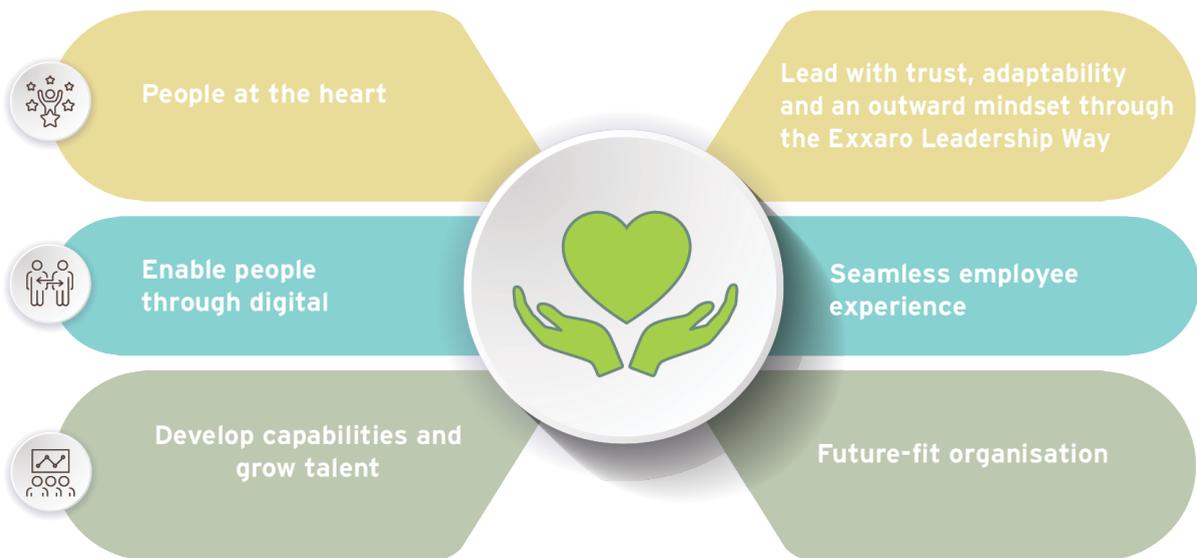


Exxaro’s human capital is the knowledge, skills, know-how, safety, health and wellbeing of the people who manage our business and perform operational activities. This includes our employees and contractors. Our human capital is central to the success of our business.

How we deliver value through our human capital

Investing in, upskilling and offering an attractive value proposition increases our human capital, while safeguarding our people’s safety, health and wellbeing, preserves value and prevents its erosion. Our people and partners have the skills, capabilities, mindset and passion to achieve our purpose.

We deliver value through our people strategy, which is a catalyst for the Sustainable Growth and Impact strategic objectives. The six pillars of our people strategy are underpinned by our commitment to a people-fit organisation, developing capabilities and enabling human resources through our purpose.



We also deliver value by:

- Progressing against our commitment to achieving zero harm by prioritising safety
- Building resilient employees and host communities through integrated health and wellness
- Maintaining our employee value proposition, fostering a diverse, inclusive and equitable workplace, and managing employees’ needs and expectations
- Offering learning and skills development opportunities to ensure a healthy talent pipeline of core and critical skills for existing and potential employees (including our host communities)

Empowering our people to create impact is critical in building momentum and resilience as we progress against delivering on our strategy and business model.

Material theme	Matter	Supporting our strategy	Our broader impact
Helping our people thrive	<ul style="list-style-type: none"> • Health, safety and wellness • Workforce: culture, capability, diversity, inclusion, attraction and retention of key skills and innovation • Labour relations 	<ul style="list-style-type: none"> • Make our minerals and energy businesses thrive • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship 	

Performance snapshot

<p>Exxaro's human capital</p>	<p>20 665 employees (2022: 19 242) 6 797 (33%) permanent employees (2022: 6 745, 35%) 13 868 (67%) contractors* (2022: 12 497, 64.9%) <i>* Contractor total does not include Cennergi sub-contractors.</i></p>	<p>178 employees (2022: 103) 35 (20%) permanent employees (2022: 20%) 143 (80%) contractors (2022: 80%)</p>
<p>Investments in our human capital</p>	<ul style="list-style-type: none"> • R358 million invested in training and development • R4 707 million invested in employee remuneration • R10.5 million invested in developing targeted employees in management programmes, leadership roles, postgraduate studies and support functions 	
<p>Improving our outcomes (business model, page 20)</p>	<ul style="list-style-type: none"> • Stop and Fix campaign launched to enhance employees' safety • DEI strategy launched and embedded in the business • Awareness campaigns, initiatives and measures implemented to address health risks <ul style="list-style-type: none"> • Remain committed to achieving zero harm <ul style="list-style-type: none"> – Adopted leading practices on preventing fall of ground and trackless mobile machinery incidents – Participated in the CEO Zero Harm Forum hour of learning – Introduced revised incident management standard to check and verify the effectiveness of corrective actions and enable meaningful learnings – ISO 45001 certification received at Matla, Leeuwan and Grootegeluk – Demonstrated our commitment to the five safety focus areas at the 2023 sustainability summit • Work with employees and contractors to eradicate any safety incidents <ul style="list-style-type: none"> – Held awareness campaigns and initiatives to address health risks – Implemented health and safety representative empowerment programmes – Launched the Stop and Fix campaign and introduced going back to basics – Near miss reporting app launched to report safety-compromising behaviours – Visible felt leadership app launched to enhance leadership presence and engagement on the field • Continue to invest in employees <ul style="list-style-type: none"> – Progressed the DEI strategy – Streamlined the application process for internal employment opportunities – Rolled out various leadership programmes among employees at different levels – Awarded internships and bursaries to black people with disabilities and students of the Edumap initiative – Introduced the employee referral reward programme 	

Looking ahead

Our future focus is on building a stronger, more inclusive workforce by filling critical vacancies, empowering employees to excel through the performance achievement framework and advancing DEI at Exxaro, with particular emphasis on the inclusion of people with disabilities. We will continue to protect the safety, health and wellbeing of our employees by pursuing zero harm, reducing safety-related incidents and preventing and managing health risks at our operations.

DETAILED DISCLOSURE

Read [building momentum with people](#) (ESG report, page 70) for details about our approach and performance.

Prioritising safety

The safety of our people is a moral imperative that underpins the sustainability and efficiency of our operations. We strive to achieve our ultimate safety goal of zero harm by proactively managing safety risks through strict and consistent implementation of Exxaro's five safety focus areas.

Safety is critical to achieving the objectives of our Sustainable Growth and Impact strategy. Supported by the five key safety focus areas, our safety strategy steers us in our approach to managing safety-related risks and preventing incidents.

Safety strategy key focus areas

<p>Incredible leadership</p> <p>Demonstrating our ongoing commitment to our employees' safety by hosting the leadership safety day and sustainability summit, led by our CEO</p>	<p>The sustainability summit allows the executive committee:</p> <ul style="list-style-type: none"> • An opportunity to engage with employees on health and safety issues and deliver learnings from incidents • A platform to reiterate our commitment to zero harm • Events to recognise employees and contractors for safety excellence <p>The 2023 sustainability summit was hosted at Grootegeluk on 20 April 2023.</p>
<p>Communication</p> <p>Providing regular communication on our safety performance, which includes incidents, learnings from incidents and actions to be taken to mitigate emerging risks. Messages are shared on virtual platforms across the group</p>	<ul style="list-style-type: none"> • Our Khetha Ukuphepha (isiZulu for "choose safety") campaign, launched in 2019, encourages personal responsibility for safety • We host annual safety indabas to drive the importance of safety • We launched the Stop and Fix campaign in 2023 to encourage employees to proactively address safety risks before they escalate
<p>Consequence management</p> <p>Adhering to non-negotiable safety rules that promote life-saving behaviours</p>	<ul style="list-style-type: none"> • We analyse incidents in terms of zero tolerance rules • Consequence management aligns with our culture values and is applied fairly across BUs
<p>Training</p> <p>Capacitating employees and raising their awareness</p>	<p>In 2023, this included:</p> <ul style="list-style-type: none"> • Safety management training for line supervisors • Visible felt leadership champions training • Safety representatives training • On-the-job training for employees
<p>Risk management</p> <p>Embedding risk management into our daily activities and processes to make informed decisions and plan proactively</p>	<p>We identify, assess and implement effective controls to address risks and opportunities with the aim of preventing and mitigating incidents and improving our safety performance. We have a high-risk task verification process at our BUs, led by site management, to verify the effectiveness of controls for high-risk activities and non-routine work.</p>



Cennergi's windfarms comply with the Occupational Health and Safety Act (OHSA), 1993 (Act 85 of 1993) and the LSP with the OHSA and MHSA. Cennergi's head of operations reports safety incident investigation findings to the windfarms and company boards. Site managers and health and safety representatives conduct investigations following reports from contractors. LTIs and medical treatment cases are immediately reported to the group health and safety department.

Our performance

Exxaro	No fatalities (2022: one)	Four HPIs (2022: five)	11 LTIs (2022: seven)	0.07 LTIFR (2022: 0.05)
Cennergi	No fatalities (2022: none)	No HPIs (2022: none)	No LTIs (2022: none)	

Our LTIFR increased due to an increase in hand and finger injuries associated with lifting and material handling, as well as slip and fall incidents that occurred at our BUs. We remain committed to reducing our LTIFR and will continue to intensify our daily efforts to achieve zero harm.

The leading causes of LTI and HPI incidents included:

- Poor risk awareness and assessment
- Inadequate hazard awareness and identification
- Non-adherence to procedures
- Unsatisfactory supervision, change management and task planning

We have revised our incident management process to enhance incident investigations, subsequent corrective actions and learnings, which we believe will reduce our LTIs going forward. This also contributed to the decrease in HPIs compared to last year.

We had four section 54(a) (mining activity stopped) (2022: seven) stoppages.



No reportable health and safety incidents were submitted to the Department of Employment and Labour (2022: none). In quarterly external compliance audits by Libryo, Tsitsikamma and Amakhala Emoyeni achieved average scores of 95.6% (2022: 96.4%) and 96.8% (2022: 96%) respectively.

We implemented the following initiatives to demonstrate our commitment to achieving zero harm and preventing safety incidents following the tragic fatality experienced at Belfast mine in 2022:

Campaigns	<ul style="list-style-type: none"> • Bouncing Back at Belfast launched to uplift employees' morale and offer them counselling • Stop and Fix campaign launched across BUs
Apps	<ul style="list-style-type: none"> • Near miss reporting app launched to report safety-compromising behaviours • Visible felt leadership app launched to enhance leadership presence and engagement on the field
Back to basics	<ul style="list-style-type: none"> • Safety focus areas reinforced at the sustainability summit to eliminate repeat incidents and go back to basics in terms of operational safety • Khetha Ukuphepha principle reinforced – every life counts
Learning from incidents	<ul style="list-style-type: none"> • Revised incident management standard introduced to check and verify the effectiveness of corrective actions and enable meaningful learnings from internal operations and across the mining industry

Celebrating our progress

Group One year fatality-free 15 August 2023	Grootegeluk 11 years fatality-free	Leeuwan 33 years fatality-free	Matla Six years fatality-free
Belfast One year fatality-free	Mines in closure 13 years fatality-free	FerroAlloys 26 years fatality-free	Cennergi Seven years fatality-free

We were honoured to be recognised at the 2023 COALSAFE Awards, where we received several awards in the safety category for fatality-free production shifts at various operations, an LTIFR of 0.00 at Leeuwan and an outstanding award for most improved dust milestone at Grootegeluk.

Looking ahead

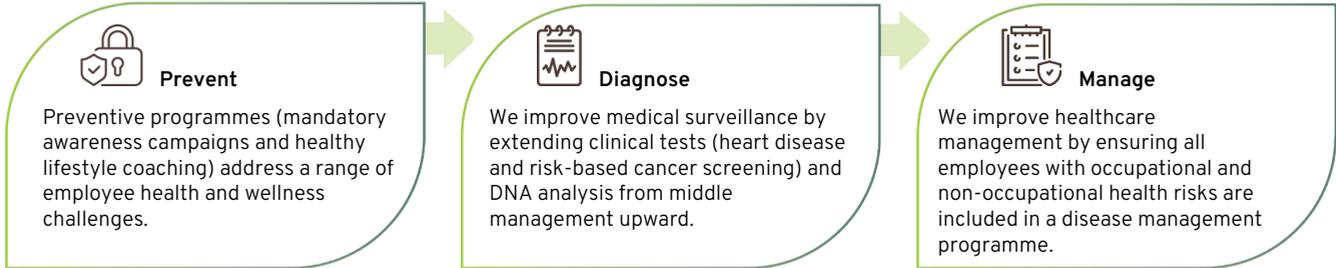
Maturing our safety culture through training and development will be a continued focus as we prioritise zero harm and protect the sustainability of our business. Alongside this, we plan to:

- Reinvigorate the five safety focus areas and the Khetha Ukuphepha principle
- Eliminate repeat incidents
- Enhance supervisor safety capacitation
- Advance and digitise safety systems

Integrated health and wellness

We recognise that a physically and psychologically safe workplace is inextricably linked to successfully delivering on our strategy. Integrated health and wellness builds resilient employees and host communities by enhancing quality of life, boosting morale, improving productivity and ensuring safety.

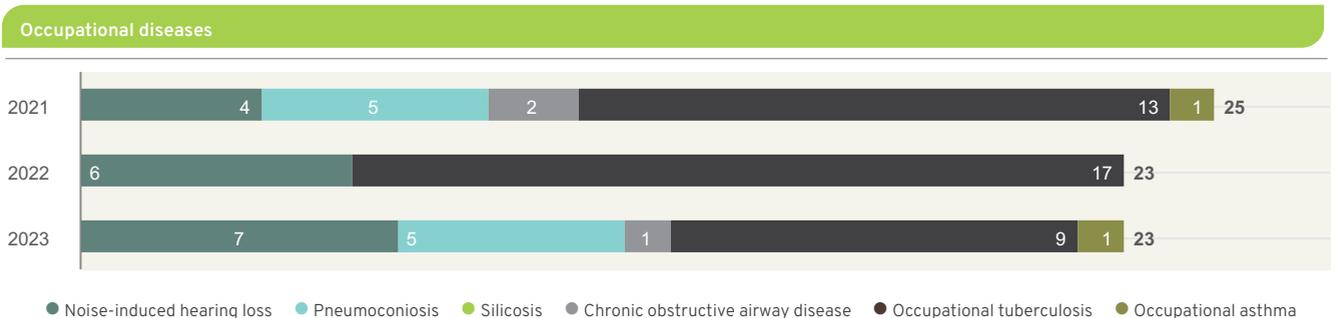
Preventive, holistic and employee-driven health and wellness underpins our approach. Our integrated health and wellness strategy, which is aligned with legislated basic conditions of employment, enables us to create an empowering environment for our employees. We offer an employee wellness programme, which addresses employees' financial, emotional, social, and mental, occupational, environmental, spiritual and physical challenges, and their impacts. We also host complementary awareness campaigns, testing drives and initiatives.



Our integrated health and wellness strategy is supported by our [culture themes](#) (ESG report, page 82)

Our performance

		Demographics
Employee wellness programme	8.9% utilisation (2022: 12.68%)	<ul style="list-style-type: none"> Majority men (18 to 50 years old) in 2023 6 350 cases were managed, of which 716 were individual cases, 578 were group trauma debriefing sessions and 5 056 were group information sessions Stress is the leading cause of mental health issues 251 employees have relationship-related challenges The majority of employees who utilised the employee wellness programme services are between the ages of 30 and 39, making up 43%
	6.4% Proactive Health Solutions benchmark	
Non-occupational diseases	93 new diabetes cases (2022: 24) 334 hypertensive employees and contractors (2022: 92)	
Occupational diseases	Occupational diseases remained at 23 (2022: 23) No cases of silicosis (2022: none)	<ul style="list-style-type: none"> 18 419 employees and contractors received HIV/Aids awareness training (2022: 14 585) The number of people who attended awareness sessions increased, as our workforce increased to 20 665 people. The prevalence of HIV/Aids cases among permanent employees is 1.87%. The national prevalence rate is 14% (on 31 July 2022) One occupational disease case (tuberculosis) (demonstrably work related) was accepted by the Medical Bureau for Occupational Diseases for compensation (2022: five) The OHIFR was 0.15 (below target of 0.18) (2022: 0.16)



We measure our performance against mining industry targets set in 2014. 2023 was the last year we measured our performance against these milestone measurements, as new milestones will be communicated in 2024.

Campaigns and initiatives

Cancer awareness campaigns and testing drives targeted at breast and testicular cancer

All BUs	Wrapping trees with pink cloth to show support for those suffering from breast cancer
Matla and Grootegeluk	Providing mammograms and education on men and women's health via the pink truck
Grootegeluk	Participating in the parkrun for breast cancer

Initiatives per operation

All BUs	<ul style="list-style-type: none"> Hosted a marathon to raise awareness of lifestyle diseases, with 2 600 people participating across the group Implemented a peer influencer programme where influencers spread awareness of noise-induced hearing loss, tuberculosis and thermal stress Launched onsite therapy Provided financial assistance to employees through our financial wellness service provider, Bayport. One of the key highlights was the successful opening of secured accounts, divided between vehicle and home loans Held a cholera masterclass on how to prevent the spread of cholera and the precautionary measures to follow to limit infections Held a masterclass on the importance of taking care of mental health
Matla	<ul style="list-style-type: none"> Ongoing monitoring of lifestyle diseases at Matla wellness centre Initiated a biggest loser campaign on lifestyle management at Matla to encourage and promote an active lifestyle Initiated a women's health drive at Matla and implemented health programmes focused on women's health and family planning at Matla
Grootegeluk	<ul style="list-style-type: none"> Implemented a thermal stress project at Grootegeluk to monitor thermal stress indices in real time and alert employees when temperatures increase or decrease above or below regulatory standards Conducted a wellness outreach programme at Mogol park Held an HIV/Aids awareness campaign Implemented the Step It Up challenge on LetsConnect, which targeted lifestyle diseases by encouraging employees and contractors to be more active. Smart watches were given to employees and contractors to monitor their sleep patterns, number of daily steps and heart rate



Cennergi employees use the group's employee health and wellness programme and attend sessions arranged for Exxaro BUs. Cennergi held medical screening (including blood pressure, blood sugar and HIV screening) and financial wellness interventions to improve the health and wellness of its operations team in 2023.

Looking ahead

We will continue to actively manage health and wellness in the group with a specific focus on implementing continuous heat stress monitoring, advancing the electronic occupational health and hygiene management system and archive, and implementing health and wellness wearables at Belfast to track real-time employee vitals. We also plan to acquire additional specialised human resources.

Engaged employees

We meaningfully engage with our employees to understand their material needs and concerns and maintain our employee value proposition as an employer of choice. Engaged employees are more productive, which enhances safety at our operations and supports the sustainability of our business.

Employee engagement is supported by the embedding of our values and culture, effective communication and a commitment to constant improvement. Our employee relations strategy enables us to manage and respond to employees' needs and expectations. DEI is central in our approach.

Grounded in our purpose, values, vision, culture and strategic objectives, our DEI strategy:

- Empowers us to create an environment built on trust and respect, free from prejudice, harassment and discrimination
- Enables our employees to achieve our goals by recognising that our focus on DEI is a business imperative
- Fosters a conducive environment for employees to thrive by encouraging changes in attitude, behaviour and ways of working to address systemic barriers
- Informs our implementation of appropriate internal processes, procedures and practices

Our new persons with disabilities policy supports the objectives of the DEI strategy in ensuring persons with disabilities have equal access to employment, training, skills development opportunities and career pathing.



Cennergi's employment equity committee guides and monitors transformation and skills development and oversees implementation of the employment equity plan, which aligns with legislation and the Department of Employment and Labour Codes of Good Practice.

Our performance

Strategic priorities

- Following board approval of a revised approach to our DEI strategy in 2022, we reviewed our policies and practices. This included aligning campaigns (in partnership with stakeholder affairs and communications) with strategic objectives
- Advanced our employee relations capacity building processes and conducted a capacity building process with our shop stewards for wage negotiations in 2024
- Provided wellness sessions to manage mental health, gender-based violence and stigmatisation
- Conducted a culture and engagement survey to track the efficacy and progress of culture integration
- Progressed the DEI strategy, with a strong drive around women in mining, inclusivity and workplace harassment

Employee turnover

- Average rate of 4.5% due to abscondment, death, incapacity, dismissal, resignation and retirement (2022: 4.4%)
- 83.81% of employees in bargaining units (2022: 82.37%)
- 16.19% of employees in management and specialist category (2022: 17.62%)

Employment equity

- Certified level 2 BEE contributor
- Achieved employment equity targets over the past five years (aligned with Mining Charter III)
- Addressing women in senior management targets with new employment equity plans for the next five years (aligned with DEI strategy)

Housing

- 1 379 permanent employees received mortgage repayment subsidies for first-time home buyers since 2017
- 42 employees live in converted hostels (single-quarter accommodation or family units)
- Housing allowance paid to 2 213 employees with a registered bond (2022: 2 272)
- Living-out allowance paid to 3 271 employees renting accommodation (2022: 3 594)

Trade union representation

- 5 376 employees (79%) (2022: 5 276) were represented by affiliated unions recognised by Exxaro (National Union of Mineworkers, Solidarity, Association of Mineworkers and Construction Union, Food and Allied Workers Union, and National Union of Metalworkers of South Africa)
- Multiple three-year wage agreements signed in 2021 remained effective. These agreements will expire in June 2024, and plans are underway to hold wage negotiations with organised labour, with a view to potentially signing another three-year wage deal

Workplace harassment

- Conducted workplace harassment training and interventions in response to sexual harassment cases reported in 2022
- Zero sexual harassment cases reported this year

Eliminating discrimination and resolving grievances

- No alleged discrimination cases or grievances were filed (2022: zero)

Share ownership

Each GreenShare beneficiary received a R10 209.92 cash payment



Cennergi consistently meets job creation targets and did not incur contract termination points or penalties from the DMRE in 2023

Looking ahead

In advancing our DEI journey, we plan to launch a new DEI e-learning programme to provide a comprehensive training opportunity for employees. We will also focus on achieving the objectives set out in our performance achievement framework, namely:

- Supporting the performance achievement process and facilitating the integration of Exxaro's culture and leadership philosophy
- Empowering managers and their teams in the performance management process
- Creating an environment where all employees have a sense of belonging and bring their full selves to work
- Ensuring aligned business performance and providing clarity on individual and team contribution, accountability and access to customised development
- Ensuring the performance management process is ethical, equitable, objective, fair, transparent, consistent and credible

Talent management

We empower our employees by offering learning and skills development opportunities to ensure a healthy talent pipeline of core and critical skills. Our community-based skills development programmes, which are aimed at educating marginalised groups and youths, support our employment equity targets and ensure a feeder line of trained and skilled candidates.

Attracting, developing and retaining skilled people strengthens our ability to deliver on strategic objectives, ensure business continuity and preserve the value we create for our employees and communities. Talent management is a critical sustainability factor and part of our employee value proposition.

We achieve this through:

- **Our talent management strategy and delivering against its strategic objectives:** This strategy outlines our approach to strategic workforce and talent planning, leadership and capability development, compliance training and reporting, and talent pipeline development activities
- **Measuring and reporting our performance through KPIs:** We annually identify and measure KPIs as part of the strategic dashboard for talent management and people and performance. Talent management and review processes aim to identify and prepare suitable internal candidates for positions while building a leadership pipeline to address skills shortages
- **Monitoring the relevance of our training programme:** Our people and performance and digital value chain teams keep informed of technological advances in training to ensure our programmes are up to date (including Adapting to 4IR on MyNexxt, Power BI and dashboards, and our data science programme language curriculum)
- **Cross-platform education and training:** We offer classroom-based training, e-learning platforms, simulators, virtual reality, webinars and masterclasses – thereby broadening the scope of learning opportunities



Cennergi prioritises internal recruitment of high-potential employees to retain talent and grow management expertise. Employees receive STIs based on individual and company performance. Cennergi invests 1% of its payroll in employee training and development. Line managers conduct performance appraisals twice a year to determine training and development needs.

Our performance

Zero talent management-related grievances lodged in 2023 (2022: zero)

R193.5 million invested in job-related skills development (functional and technical training) (2022: R198 million)

R7.6 million invested in community development, such as portable skills training (2022: R8.2 million)

R126.6 million invested in bursaries, training professionals, internships, learnerships and skills programmes (2022: R101 million)

R22 million in support for Youth Employment Service (YES) partners to train and develop youth from our host communities (2022: R10 million)

126 employees (89% black people and 58% black women) in our 24-month mentoring programme (2022: 40)

R0.95 million invested in adult education and training (2022: R1.57 million)

Appointed 16 external Paterson D band (middle management) and 43 internal candidates (2022: 16 and 40)

Appointed three external black candidates and nine internal black candidates Paterson E band (senior management) candidates (2022: one and three respectively)

People development training expenditure

	2023	2022	2021
Total training (Rm)	358	331	276
Total training (% of total payroll)	6.22	6.0	5.8
Training of black people (Rm)	318	275	222
Black people trained (% of total payroll)	5.54	5.0	4.7



In accordance with its aim to further the objectives of diversity and inclusion in the energy sector, Cennergi recruited eight new employees in 2023, of whom 75% were female (six African women) and 25% were male (two African men).

Building momentum with people *continued*

We track our performance against the strategic objectives of the talent management strategy:

<p>Use digital platforms</p>	<ul style="list-style-type: none"> • 1 033 employees registered for open-source online courses (LinkedIn, Udemy, Coursera, Open Sesame and OTT University). Overall, 70% utilisation was achieved during 2023 • 91 309 compliance-related courses, ensuring safety, health and environmental compliance, completed through MyNexxt • 109 745 training interventions on the MyNexxt e-learning platform as part of our Digital@Exxaro strategy and aligned with connect2NEXT and smart workforce initiatives (2022: 96 665) • Achieved 63% utilisation on Powering Knowledge community SMME e-learning platform • Offered multiple courses and learning interventions on ESG and risk, performance, IT and cybersecurity, and management
<p>Enhance employee experience</p>	<p>Line managers are no longer required to approve employment applications made by their team members, allowing employees to freely explore internal growth opportunities. This resulted in an increase in internal applications, with 1 598 applications in the Paterson DL band and higher in 2023 compared to 760 in 2022. We also reintroduced a revamped employee referral reward programme, which offers employees rewards for referring successfully appointed candidates.</p>
<p>Build relevant future skills and competencies</p>	<ul style="list-style-type: none"> • 306 employees attended various leadership programmes (2022: 83) and 162 enrolled in management programmes (2022: 181) • 30 employees enrolled in the University of Cape Town Graduate School of Business Women in Leadership programme (2022: 21) • We are in the process of developing a capability system tool to guide employees on capability and capacity building to advance their careers with various learning and development opportunities • Rolled out several leadership programmes to employees on various Paterson band levels and provided university-accredited short courses in competencies to support new capabilities • Refreshed our talent management strategy in 2023 to support capability development and succession planning for management and specialist roles
<p>Build a talent pipeline representative of economically active populations</p>	<ul style="list-style-type: none"> • Implemented the employee referral programme to address challenges in recruiting qualified black women • 32.5% D band (2022: 30.8%) and 25.3% E band (2022: 35.4%) • Improved spend on bursaries awarded to black people studying through Department of Higher Education and Training accredited institutions to the planned target score on the B-BBEE strategic dashboard. The subscore for this B-BBEE element improved to 0.44% (2022: 0.19%) • Updated our recruitment policy to align with the DEI strategy and created a new people with disabilities policy • Female employees represent 31.2% of our workforce (2022: 29%) • 61% female professionals in training graduates (2022: 50%) • 61% black women full-time bursars in engineering and mining disciplines* • 55% women in learnership and internship feeder schemes (2022: 56%) • 11 black women sponsored at technical and vocational education and training colleges to improve access to formal learnerships such as artisan training (2022: 31) • 25 black South Africans (56% black women) with disabilities supported at local tertiary institutions for full-time studies (2022: 20) • 23 internships for black people with disabilities appointed in 2023 (12 of whom are black women)
<p>Build a talent pipeline for energy and minerals businesses</p>	<ul style="list-style-type: none"> • 85 professionals in training programme graduates in our talent pipeline (96% black South Africans) (2022: 89) at a cost of R55 million (2022: R42.6 million) • 54 full-time bursars in engineering and mining disciplines (2022: 52)* • R1.1 million invested in bursaries to address engineering skills shortages (2022: R3.8 million) • 10 matriculants supported in Edumap maths and science bridging programme (2022: 10) • 12 full-time bursaries for tertiary studies awarded to Edumap students who are youth from Exxaro's communities (2022: none)
<p>Establish healthy strategic partner relations</p>	<ul style="list-style-type: none"> • Submitted annual workplace skills plans and training reports to the Mining Qualifications Authority; Mining Charter compliance to the DMRE; and B-BBEE scores to the dtic including employee information, spend, training and development programmes. We received R50.5 million of skills levy tax paid back in grants • Actioned two Yes4Youth initiatives to improve the employability of youths from our communities

* South Africans at local universities.

Looking ahead

Our focus is on enabling responsive, agile talent acquisition to fill critical vacancies and providing a marketplace for internal employment opportunities, supported by an online platform. We are also focusing on streamlining our internal policies to reduce the number of policies and improve policy management and employee access.

Legacy artisan trade qualifications expired at the end of 2023. This will require involvement in newly developed qualifications through the Quality Council for Trades and Occupations.

Respecting and upholding human rights

We believe that all people have inherent fundamental human rights regardless of their differences. We are therefore committed to respecting and protecting the human rights of all employees and stakeholders. We strive to be a responsible steward of natural assets and social capital to uplift host communities.

Recognising that our operations could cause adverse human rights impacts, we have a human rights policy (updated in 2022) which outlines our expectations of employees, suppliers, business partners and other parties directly linked to our operations, products and services. We also perform regular due diligence reviews to identify, prevent, mitigate and account for our response to human rights impacts.

We address key human rights issues in the following areas:

- Governance and ethics
- Equal opportunities/non-discrimination and transformation
- Human rights in the workplace
- Security
- Freedom of association and the right to collective bargaining
- Safety and health in the work environment
- Environmental management and conservation
- Respect for all communities



Cennergi ensures human rights considerations are adequately managed and addressed through human resources policies and a code of conduct and grievance procedure aligned with South African human rights legislation. Cennergi is also committed to the IFC's Performance Standard 2 on labour and working conditions, which requires companies to treat their workers fairly, provide safe and healthy working conditions, avoid using child or forced labour and identify related risks in their primary supply chain. Consistent with Exxaro, employees can report human rights violations to supervisors, line managers, the people and performance department or anonymously through Exxaro's fraud and ethics hotline.

Our performance

Exxaro is **trending positively** against the five global trends listed in the Ethics & Compliance Initiative's Global Business Ethics Survey® 2023 report

196 employees participated in DEI courses (such as workplace harassment and diversity and inclusion) during the year

There were **no human rights grievances** lodged against Exxaro in 2023

191 fraud and ethics allegations were reported (164 to the fraud and ethics hotline) managed by internal audit (2022: 213)

23% resulted in disciplinary inquiries

Out of the **22 disciplinary hearings** that were concluded, 19 ended with findings of guilt, while one resulted in a not-guilty verdict (2022: 41)

Two employees brought Exxaro before the Council of Conciliation, Mediation and Arbitration. In one instance, the Commissioner decided in favour of Exxaro, and in the other instance, the matter was resolved through a mutual agreement (2022: none)

We conducted an evaluation of Exxaro's business relationships with suppliers referenced in the state capture report and developed guidelines on how to deal with suppliers mentioned adversely in the media.

Looking ahead

We experienced delays in appointing a partner to conduct a due diligence review on our processes, however, due diligence is now underway with completion anticipated in the second quarter of 2024. Our focus will then be on addressing the gaps identified in the review and conducting training for employees. We also plan to roll out the ablution facilities project in 2024, which is currently in the planning phase.

Social impact



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

How we deliver value through our social and relationship capital

We strive to leave a positive legacy in our communities by implementing large-scale community development initiatives. We deliver value and achieve tangible impact through the Social Impact strategy, which focuses on land use management, education and SMME development.

The strategy is a proactive response to mitigate the systemic social challenges in our communities through a long-term perspective. When viewed through the lens of the SDGs, this will have a lasting positive impact on communities and reduce poverty by combining multidimensional approaches that address education, economic wellbeing and access to land for economic activity. The strategy will also allow us to influence other areas of wellbeing without additional investment.

The strategy enables us to deliver impact at scale through the following key principles:

- A **market-based approach** that integrates social, environmental and economic outcomes
- **Long-term planning**, aligned to the life of operations and incorporating post-mining livelihoods
- Design for **larger projects** that will enable multiplier effects
- **Optimising existing resources and capabilities** and recognising the power of **partnerships**

The value we deliver through the Social Impact strategy is supported by:

- **Social Impact strategy funding structures:** These support the achievement of social impact by serving as conduits for community donations and sponsorships
- **Incorporating social impact principles in future planning:** We plan future SLPs in accordance with social impact principles and impact areas in consultation with communities and government when developing municipal integrated development plans. We also consider social impact principles in future mining and energy operations. Through localised, in-sourced project management we develop intellectual capital to leverage continuous improvement in SLP delivery



The investment we make in our communities demonstrates the importance we place on our social responsibility. Guided by sustainability, stakeholder inclusiveness and collaboration, we uplift and develop our host communities to build better futures.

Material theme	Matter	Supporting our strategy	Our broader impact
 Building sustainable communities	<ul style="list-style-type: none"> • Social licence to operate (including community relations, collaboration and engagement) • Supporting a just transition to a low-carbon economy • Ensuring human rights are respected and upheld • Social acceptance and community unrest • Job and business creation • Value sharing • Resettlement and land use 	<ul style="list-style-type: none"> • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship 	

Performance snapshot

Exxaro's social and relationship capital	<ul style="list-style-type: none"> • The relationships that provide our social licence to operate • The impact we have on our communities, stakeholders and society at large
Investments in our social and relationship capital	<p>R223.51 million invested by Exxaro and Cennergi in socio-economic and enterprise development programmes (2022: R205.81 million)</p> <ul style="list-style-type: none"> • Completed the municipal capacity building programme • Started phase 2 of the Phumulani agri-village food garden • Contributed significant value to local communities through targeted procurement initiatives • Trained farmers and connected them to markets as part of the minerals succession programme
Improving our outcomes (business model, page 20)	<ul style="list-style-type: none"> • Continuously seek ways to engage and maintain relationships of mutual respect and benefit with our stakeholders <ul style="list-style-type: none"> - Partnership with Women in Mining Business, a national association that promotes female participation in mining value chain opportunities - Developed support structures for black contractors - Attended the Lephallale Investment Summit - Consultation with communities and government when developing municipal integrated development plans • Maintain a robust ESG framework to enable strategic decision making and governance while considering our long history and purpose to guide our transition within the context of our local and global realities <ul style="list-style-type: none"> - Incorporated ESG-aligned strategic priorities into the supply chain sustainability policy

Looking ahead

- Our long-term commitments aim to enhance our shift towards greater social impact. To achieve this, we have:
- Undertaken to develop baseline assessments for ECD in Lephallale and Mpumalanga. In Mpumalanga the process will be concluded in the second quarter of 2024
 - Invested in land use management. The minerals succession programme portfolio is defined and plans developed for implementation
 - Embedded the end-to-end supplier development framework
 - Developed community stakeholder engagement plans

DETAILED DISCLOSURE

 Read [co-creating and preserving value with communities](#) (ESG report, page 92) for details about our approach and performance.

Social impact continued

Co-creating and preserving value with communities

We manage and mitigate the positive and negative impacts of our activities on the environment and society by creating socio-economic development in our communities as we pursue operational efficiency, growth and regulatory compliance.

We achieve tangible impact in our communities through the three pillars of the Social Impact strategy:

- **Land use management (minerals succession programme)**
 - We ensure black emerging farmers have access to resources that guarantee the sustainability of their businesses. We provide holistic support through mechanisation, inputs, access to markets, funding and skills development to enable emerging farmers to commercialise their businesses
- **Education**
 - Our education initiatives aim to improve the quality of school education, and target ECD and whole school development
- **SMME development**
 - We provide financial support, skills development and training to SMMEs to improve their service/product delivery and increase the representation of local black-owned suppliers in our supply chain

ESD

Our ESD programme is a critical element of the Social Impact strategy and our purpose of powering better lives in Africa and beyond. ESD initiatives provide financial and non-financial support to small businesses in areas where we operate, thereby promoting economic transformation and establishing sustainable communities. The programme delivers sustained stakeholder value by securing our licence to operate while being financially self-sustaining; reducing enterprise-wide supply chain risk; and supporting economic transformation by growing the number and size of black-owned businesses.

Supply chain sustainability

Our supply chain sustainability activities integrate supply chain choices that support socio-economic development, preferential procurement, ethical conduct and our climate change response. Sustainable procurement and supply chain processes are critical components of our social and environmental responsibilities as we are sensitive to South Africa's socio-economic challenges, and the effects of climate change on our supply chain.

Our performance

Socio-economic development and CSI	
Exxaro	Cennergi
R86.91 million invested in social investment projects for socio-economic development (SLPs and CSI) (2022: R181.31 million)	R25.3 million invested in socio-economic development initiatives, including education, welfare, agriculture development and health (2022: R24.5 million)
<ul style="list-style-type: none"> • 41 867 community members benefited from CSI projects (2022: 1.17 million) • 29 jobs created for SLPs (2022: 83) 	<ul style="list-style-type: none"> • 350 jobs created, positively impacting more than 4 500 people
<p>Implementation of our prevailing five-year SLPs experienced delays due to challenges with small enterprises and suppliers lacking relevant skills, maturity and capabilities. The difficult economic environment also impacted the viability of these enterprises and suppliers, with some withdrawing due to liquidation. We are managing these challenges through ESD interventions aimed at building capabilities. In addition, a developmental approach through technical and administrative mentoring support has been given by the project teams to guide local contractors.</p> <p>We will continue to drive delivery of the Social Impact strategy in terms of education, land use management and SMME development, as well as create value through collaboration and partnerships. We also plan to advance the Impact Catalyst's integrated waste management study and will be moving the material recovery facility and waste advocacy proposals into implementation phase. We are seeking funding partners for the viable feasibilities.</p>	
ESD	
Retained 355 jobs (2022: 1 037)	Spent R111.3 million (2022: R2 912 million), positively impacting 14 qualifying small enterprises and exempt micro-enterprises, and one youth-owned and nine women-owned businesses
<p>ESD approvals since programme inception have combined grants and loans. Approvals have steadily increased since their drop in 2020, which was caused by a poor pipeline of funding applications related to challenges from COVID-19 and a distressed economy. The ESD programme reached self-sustainability at the end of 2022, meaning the loan fund was able to ensure compliance and support new beneficiaries through loan repayments, instead of annual funding from Exxaro's budget. The 2023 funding is from loan repayments and will ensure that Exxaro's overall B-BBEE performance target is achieved.</p> <p>We are focused on streamlining our ESD process and building the capabilities of our small enterprises and suppliers. We plan to implement an end-to-end supplier development framework in 2024 to improve the conversion from prospective to actual suppliers and support first-time contractors to deliver on their contractual obligations. We are also rolling out a tender readiness programme in 2024 to improve the capabilities of small enterprises in our host communities to respond to requests for quotations.</p> <p>To augment our existing ESD funding, we intend to leverage additional funding through co-funding.</p>	
Supply chain sustainability	
More than R1.3 billion of our procurement spend was directed to 263 local black-owned SMMEs (2022: R1.09 billion; 246)	Local contracts worth R1.9 billion were awarded to 31 suppliers (2022: R525 million; 38)
<p>We developed support structures for black contractors and simplified the onboarding process with a supplier portal.</p> <p>Our future focus areas include:</p> <ul style="list-style-type: none"> • Providing more procurement opportunities to SMMEs from host communities through targeted expenditure and skills development • Driving the adoption of green procurement initiatives • Improving the systems and technologies to track our spend on green products, with the goal of increasing this spend • Prioritising investing in understanding the causes and impacts of disruptions (climate and non-climate related) to our supply chain 	

Our environmental stewardship



Exxaro's natural capital is the resources on which we rely to run our business and create the products and services we deliver to our stakeholders. Our natural capital impact encompasses climate change adaptation and resilience, air quality, energy, water security, waste management, biodiversity protection, and environmental liabilities, land management and rehabilitation.

How we deliver value through our natural capital

We understand that mining can result in long-lasting environmental impacts if unmanaged. Our strategy continues to guide our approach in managing our environmental impact – protecting the natural resources on which we rely. We manage the impact of our activities on the environment and society by incorporating performance principles into our ESG management systems, environmental policies and practices. We comply with local legislation, management standards, and current and future-based best practice.

Exxaro's wheel of excellence ensures our approach to environmental stewardship is consistent across the group. It effectively integrates new assets to align our BUs in implementation, compliance, monitoring and reporting processes. It also guides BUs in acquiring necessary competencies.

We deliver value and prevent its erosion through:

- **Environmental management programmes** that comply with applicable legislation, ensuring that all activities requiring licences are fully licensed
- **Management standards** that are integrated into our environmental management activities
- **Incident management and reporting** through a standardised system – ensuring our BUs manage incidents effectively and efficiently to minimise negative impact. We immediately report incidents and mitigation measures to relevant authorities
- **NEMA's precautionary principle** against which we evaluate our environmental impacts
- Our efforts to **exceed minimum regulatory requirements** and enable consistent compliance – ensuring we respect and uphold human rights, and maintain our environmental licence to operate
- **Performance rewards through the group STI scheme**, aligned with our decarbonisation plan and Sustainable Growth and Impact strategy, to motivate employees to uphold these standards
- **Stakeholder engagement and collaboration** to address and respond to concerns, work together to achieve mutual benefits, and contribute to environmental and socio-economic development initiatives, among others



Responsibly managing and mitigating the negative impacts of our activities on the environment is critical to enabling the success and long-term sustainability of our business, and ensuring we create a sustainable future for our employees, communities and the planet.

Material theme	Matter	Supporting our strategy	Our broader impact
 Adapting to a changing context	<ul style="list-style-type: none"> Supporting a just transition to a low-carbon economy 	<ul style="list-style-type: none"> Make our minerals and energy businesses thrive Be carbon neutral by 2050 Become a catalyst for economic growth and environmental stewardship 	
 Responsible environmental stewardship	<ul style="list-style-type: none"> Managing our pollution Carbon emissions reduction Environmental incidents Water stewardship Waste management Impact of climate change Closure planning and rehabilitation management Biodiversity management 		
 Executing our strategy	<ul style="list-style-type: none"> Build a leading global energy solutions business 		
 Principled governance	<ul style="list-style-type: none"> Embedding ESG in response to increased regulation and for sustainability Legal, regulatory and compliance excellence 		

Performance snapshot

<p>Exxaro's natural capital</p>	<ul style="list-style-type: none"> 74.83Mtpa RoM Land we manage and rehabilitate (active and inactive mines) Water we consume The diesel and electricity we use
<p>Investments in our natural capital</p>	<ul style="list-style-type: none"> Supporting research and development in climate change Created awareness and provided training and education across all environmental topics for our employees, contractors and communities Invested over R1.5 billion in the LSP to reduce scope 2 emissions, manage climate-related risks and leverage opportunities
<p> Improving our outcomes (business model, page 20)</p>	<ul style="list-style-type: none"> Mine responsibly <ul style="list-style-type: none"> No fines or penalties recorded Improving disclosure through participating in the CDP forestation programme Collected one year's consistent data on air pollutants at Grootegeluk – a key result of the multi-pollutant ambient air quality monitor installed Adoption of water intensity targets Minimise our environmental impacts <ul style="list-style-type: none"> Improvement in energy intensity against the consolidated group GJ target Fuel cleaning system launched at Mafube Recalibrating the Grootegeluk water balance model to improve overall water management Mobile reverse osmosis plant commissioned at our Belfast operation Improving dirty and clean water separation, and preventing groundwater contamination with improved waste management at operations Actively participate in the just energy transition to a low-carbon economy <ul style="list-style-type: none"> Land use management integrated into our Social Impact strategy Progressed against our decarbonisation journey and identified various decarbonisation projects and opportunities for implementation in the short to medium term Active land management <ul style="list-style-type: none"> Started rehabilitation at Durnacol dump 7 and Tshikondeni dump Ensure biodiversity stewardship <ul style="list-style-type: none"> Adopted nature-based solutions that enable biodiversity protection and restoration, positively contribute to our broader social impact, and include benefits such as carbon offsetting and credits Reduce the risk of stranded assets <ul style="list-style-type: none"> We focus on sustaining our business to maximise our returns in executing our early value strategy. Investments are reviewed, optimised and scheduled in line with our capital excellence journey. We continue to review and optimise our coal portfolio of assets Optimise our production and sales mix in line with our market to resource optimisation strategy <ul style="list-style-type: none"> Our robust and diverse product portfolio, resulting from the early value strategy and our market to resource optimisation initiatives, enabled us to optimise our product mix, resulting in record price realisation of 97% in 2023 Continue improving our good cost control and resource efficiency <ul style="list-style-type: none"> Our operational excellence programme enabled by data sciences and advanced analytics provides data-driven insights to improve efficiencies and optimise costs, which is critical in protecting our business during volatile economic conditions

Looking forward

To further improve our performance and sustainability, we are looking into strategic partnerships, applying green technologies and sound environmental management tools.

DETAILED DISCLOSURE

 Read the [environment chapter](#) (ESG report, page 32) for details about our approach and performance.

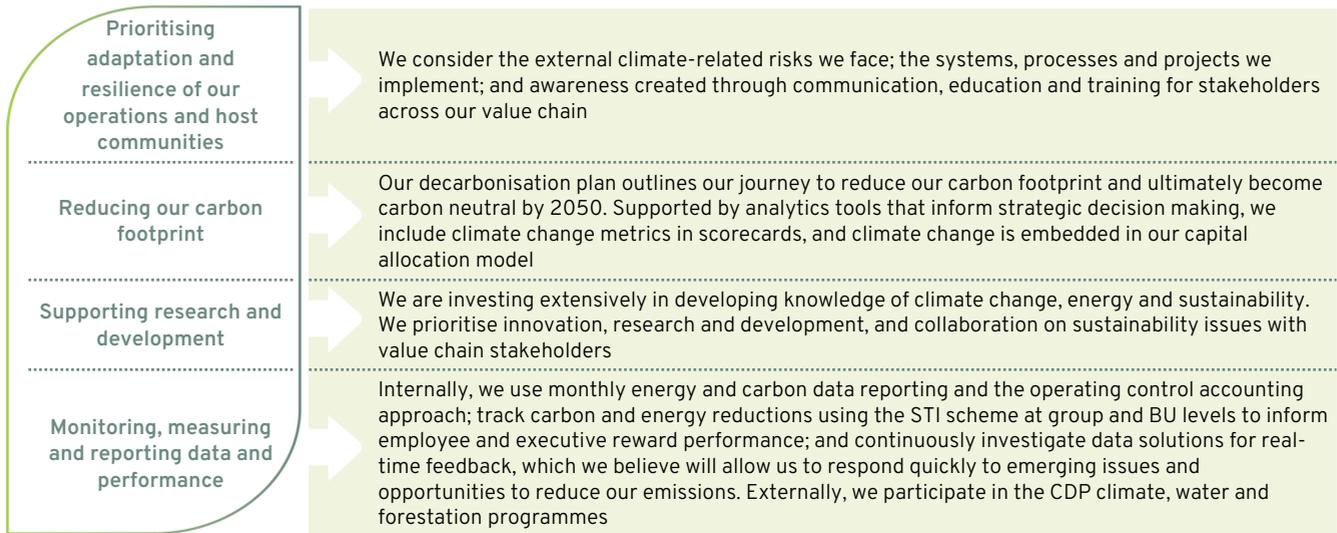
Climate change adaptation and resilience

From governance to strategy, risk management and capital allocation, among others, climate change and its impact on our business and stakeholders are central to our thinking and actions. Our ability to create sustained value now and into the future drives our response to the climate change agenda.

Our employees, contractors, customers, suppliers and communities play a critical role in our ability to address climate change issues. Exxaro's collaborative, inclusive and partnership approach to climate change enables us to continue on our journey of being carbon neutral in a just manner.

Aligned with TCFD recommendations, Exxaro's Climate Change Response strategy and decarbonisation plan guide our approach to mitigating the impact of and addressing climate change while prioritising adaptation and building resilience.

To achieve this, we are:

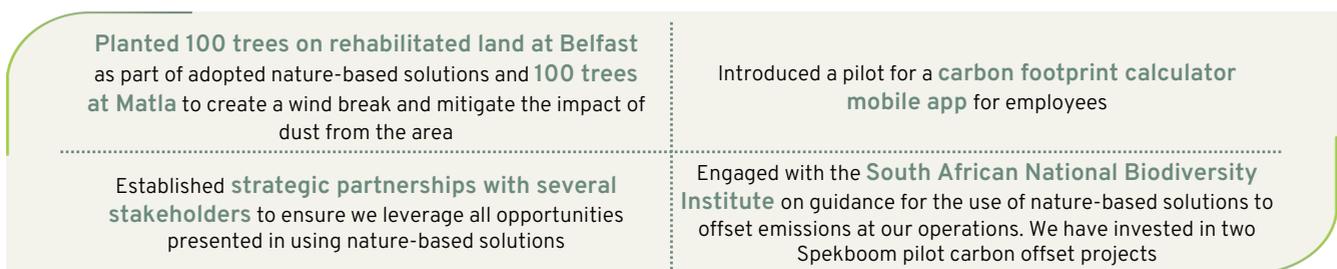


Read more about our response to climate change

	Climate Change Response strategy Investor tab under integrated reports 2020	Climate change position statement Sustainability tab	CDP www.cdp.net	TCFD Index Databook
	Transitioning into a low-carbon business ESG report, page 12	Decarbonisation plan ESG report, page 14	Climate change adaptation and resilience ESG report, page 36	
	Responding to TCFD reporting requirements , page 120			

Our performance

Prioritising adaptation and resilience

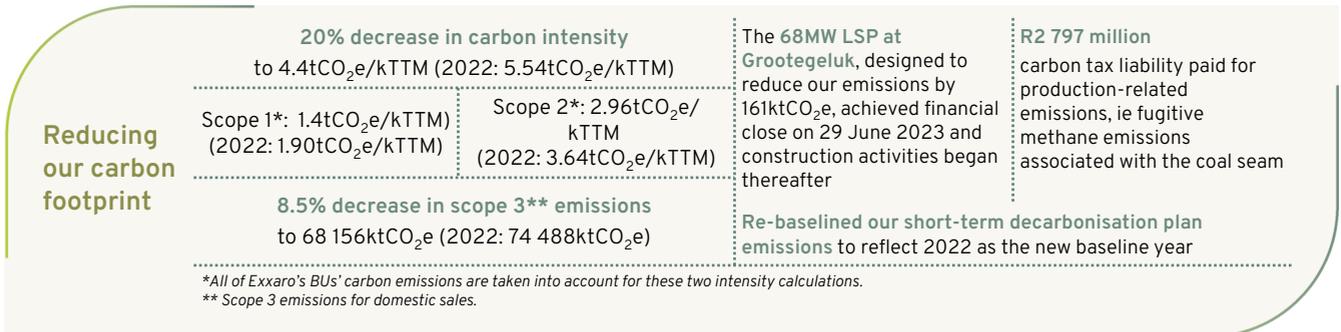


Our awareness, training and education initiatives not only deepen our knowledge as an organisation, but also stimulate behaviour change in pursuit of climate change adaptation and resilience at our operations and in communities.

Our environmental stewardship continued

Key initiatives implemented this year included:

- **Exxaro climate change masterclasses:** Exxaro has been facilitating climate change masterclasses for the past two years as part of employee awareness, education and behaviour change. Classes are held throughout the year
- **The decarbonisation campaign and the climate change course:** The first phase of the campaign encouraged employees to participate in a 10-week personal decarbonisation challenge and complete the innovative climate change course. Weekly challenges on LetsConnect encourage and reward planet-saving behaviours. The second phase is planned for 2024 and will focus on decarbonisation projects being implemented at BUs
- **Employee carbon footprint calculator app pilot:** The app is a gamified platform that tracks, calculates and quantifies an employee's emissions profile
- **Community awareness and education:** For the past two years, Exxaro has run these campaigns to create awareness and educate community members about climate change issues. Topics include the negative impact of pollutants on the environment and their health. Campaigns align with the goals of our Social Impact strategy, and going forward will include an increased focus on embedding knowledge and assisting communities with access to renewable energy



Carbon intensity decreased by 20% due to energy efficiency measures at our operations. Ongoing operational efficiency programmes implemented include working with our engineering teams and a service provider to identify potential group-wide projects to implement at our operations with significantly high energy usage. We are systematically reducing the emissions of our Grootegeluk vehicle fleet by addressing logistics constraints using analytics tools and implementing optimisation solutions that include:

- Mine digitalisation
- Dispatch and fleet allocation optimisation
- Truck payload management
- Shovel and truck cycle variability management
- Road condition and construction opportunities
- Out-of-cycle waste reduction

We continue efforts of promoting renewable energy as a cost-effective technology through the anaerobic biodigester programme, which was launched with SANEDI and UNISA in 2019.

Our operational efficiency drive aims to address challenges experienced in delayed internal reporting.



Looking ahead

Our primary focus areas in 2024 include climate adaptation (at our operations and host communities), and using climate-related data to predict the impacts of extreme weather events on our operations, communities and social impact programmes.

In addition, we will intensify energy efficiency and mitigation efforts at BUs. We are evaluating various opportunities to reduce emissions, including biofuels, compressed natural gas, electric vehicles, carbon and methane capture and storage, solar farms, nature-based solutions and carbon offsets.

Our Climate Change Response strategy and position statement will be reviewed and updated in 2024 to incorporate the latest developments in climate science and climate frameworks. We will also be setting green procurement targets for our supply chain strategy.

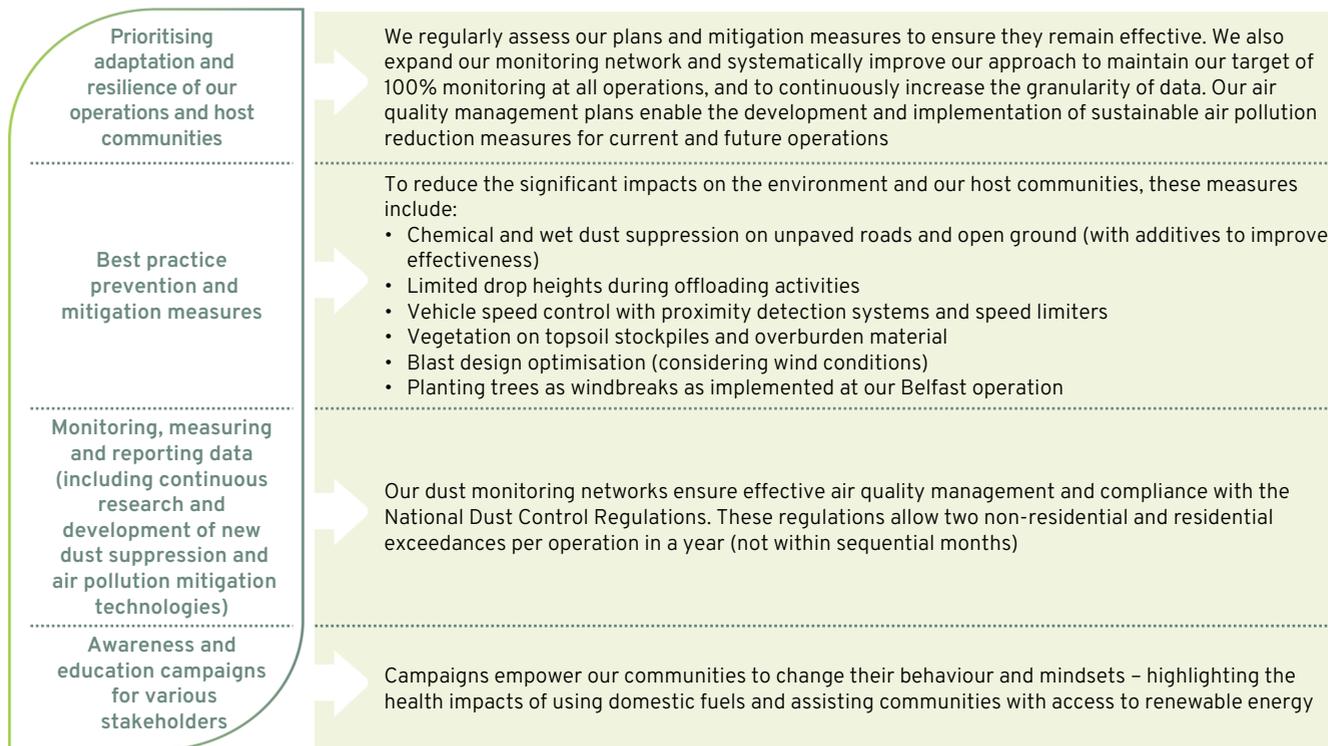
Commercial operations of the LSP are expected to commence in the first quarter of 2025.

Air quality management

Addressing the deterioration of air quality remains one of our top priorities, as pollution has significant negative environmental and social impacts. Our risk-based approach ensures that we continue striving for air pollution reduction for our people and planet.

Pollutants such as dust and particulate matter (PM) emanate from opencast mining activities that unavoidably generate dust, posing health and safety risks and negatively impacting the environment.

To address this, we aim to progressively reduce air quality emissions (dust fallout, PM₁₀ and PM_{2.5}) within our operating boundary. Our approach ensures compliance with environmental legislation and regulatory requirements, and incorporates:



Our performance



We apply the non-residential limit for compliance assessment because our operations are located in industrial areas. In areas where host communities are located close to our operations, we apply the residential limit compliance assessment. During the year, Exxaro intensified all efforts to prevent and mitigate dust fallout.

The multi-pollutant monitor installed at Grootegeluk is in trial phase. The monitor will measure SO₂, PM and NO_x, all of which are pollutants that can impact health and the environment. Calibration activities on the monitor during 2023 ensured credibility, good quality results and proper placement to minimise breakdowns and provide security.

For the past two years, we have run communication campaigns on air pollution and GHG emissions in our communities to raise awareness about the environmental impacts associated with mining activities. Quarterly feedback sessions ensure campaigns remain relevant and help us determine how we can assist communities in reducing the impact of mining activities.

Looking ahead

We aim to continue:

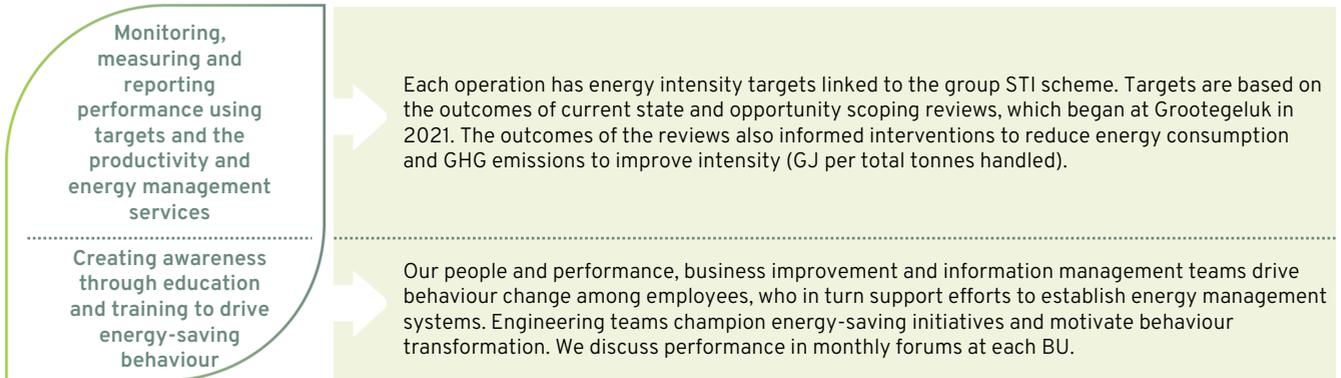
- Working with government and other stakeholders on air quality management
- Improving and reporting on our performance
- Addressing stakeholder expectations

We plan to report monitored data in 2024, which will provide valuable insights about the impact on sensitive receptors and contribute to regional efforts of effectively monitoring and managing air quality within the Waterberg-Bojanala priority area to reduce impacts on health and the environment. This is critical for us to deliver on the strategic objectives of our Sustainable Growth and Impact strategy.

Energy efficiency

Energy efficiency is a critical component of our decarbonisation journey. Managing our consumption and pursuing alternative energy sources in a just and sustainable manner will ensure our long-term resilience, enabling further progress towards transitioning into a low-carbon business.

Our energy efficiency efforts are critical for us to achieve our goal of being carbon neutral by 2050. Exxaro's energy and carbon management programme outlines how we reduce our direct emissions and energy consumption. The programme is supported by:



Our performance



Our primary energy sources included 41% electricity (2022: 40.7%) and 59% diesel (2022: 59%). Total energy consumed increased by 0.15%

Total electricity and diesel intensity decreased in 2023 by 9% based on the increase in RoM tonnages and improvement in energy and productivity performance in the mining areas across BUs.

Based on the 8.64% increase in RoM tonnages, electrical energy intensity decreased by 7.72% and diesel energy intensity decreased by 10.04%.

According to our group STI scheme rules, Belfast, Leeuwpan, Matla and FerroAlloys met energy intensity targets, while Grootegeluk and the group did not. The group did not achieve its 2023 energy intensity STI target based on the 2023 GIS rules. However, comparing the group total consolidated energy intensity performance for 2022 with that of 2023 (in GJ/kilotonne) shows that there was an improvement in energy intensity performance year on year. The energy intensity performance for 2022 in GJ/kilotonne was 29.59 with the 2023 performance at 27.43, which represents a reasonable improvement in energy intensity performance year on year.

We experienced challenges in data acquisition (validity, frequency and resolution) in the second quarter of 2023, which impacted our ability to analyse, respond and correct declining energy performance at Grootegeluk. We are improving our data collection process to enable real-time behaviour management. We developed an analytical tool to link plant production throughput with electrical energy per plant module at Grootegeluk, enabling us to monitor and manage energy intensity performance through the plant. We also implemented advanced process control in the plant modules to further improve energy efficiency.

Based on the positive results from FuelActive units installed on three haul trucks at Mafube, a similar pilot was launched on five haul trucks at Grootegeluk. The intent is to gauge the improvement in fuel consumption (expected between 3% and 5%) on the haul trucks and reduce maintenance costs.

Grootegeluk will be replacing its heavy mobile haul truck fleet, with carbon emissions and sustainability prioritised in selecting the appropriate best-fit technology partner. We are engaging with our original equipment manufacturers on this process, ensuring roadmaps will incorporate decarbonisation, sustainability and transitioning from traditional diesel-fuelled haul trucks.

Looking ahead

Our primary focus in 2024 will be improving plant throughput performance and electrical energy efficiency at all BUs.

Water security

Our operations span across large geographical areas, with water facilities and mining areas connected to the water resources and atmosphere. The overall in and outflow of water within the mine boundary are closely coupled to local climatic conditions. To ensure we safeguard sustainable access to sufficient, acceptable quality water, we implement site-specific water management plans influenced by climate change variability, watershed risks and planning scenarios.

Water security management is a critical component of our overall operational and environmental management as we are sensitive to South Africa's water scarcity and the effects of climate change, particularly increased temperatures and rainfall variability. Without controlled efforts to maintain water security, we risk production stoppages, financial loss and non-compliance with water authorisations. The consequences could impact our licence to operate, increase competition for scarce resources, limit investment opportunities and damage our biodiversity efforts.

We manage water-related risks, minimise impacts and operate efficiently by:

- Reducing, reusing and recycling water in line with water conservation plans that support the National Water Resource Strategy
- Providing suitable barriers to our dirty water facilities that prevent groundwater contamination
- Committing to protecting and improving water quality by discharging treated water at our operations through reverse osmosis and/or sewage treatment plants
- Incorporating climate analytics (ENSO and SA Weather Services seasonal outlook) into our water management decision-making processes



Connergi's windfarms use licensed boreholes and rainwater. Employees and contractors drink bottled water at the operations.

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

Our performance

Water recycled improved to 56%
(2022: 47%)

Water consumption improved to 7 430ML
(2022: 10 419ML)

Water withdrawal improved to 8 744ML
(2022: 11 486ML)

Water intensity improved to 105L/t RoM
(target: 180L/t RoM) (2022: 150L/t RoM)

These improvements are mainly due to lower water abstraction from the Mokolo Dam at our Grootegeluk operation as we increased recycling of water from the pit. The newly constructed reverse osmosis plant at our Belfast operation also allowed much of the water abstracted from the pits to be returned to the catchment as an offset.

Our water intensity targets align with industry norms and site-specific conditions. The 180L/t RoM target is well below the coal industry average of 380L/t RoM. This supports our strategy to reduce water intake and support the DWS's objectives to increase water conservation and reclamation. Our water intensity improved by 30% due to factors mentioned above.

Our 38% water recycling ratio target (defined as the total water recycled divided by total water used including recycled water) is substantially higher than the coal industry average of 6%, as outlined in the national water use efficiency benchmarks of the DWS. In 2023, we exceeded our performance from 2022 by 18.6%.

Projects implemented

Internal water pricing

Exxaro embraced the internal water pricing strategy as a planning tool by setting a shadow price, where a price is used during discussions and evaluations of water-related business decisions. The shadow pricing is based on the minimum cost of producing water from alternative sources such as reverse osmosis. This shadow price is further adjusted by evaluating current and future water risks using the Aqueduct Water Risk Atlas for the regions under consideration to identify the true cost of water for a location. The Aqueduct Water Risk score is a combined score comprising physical, chemical and regulatory risks.

Belfast water treatment plant

Belfast implemented a reverse osmosis water treatment plant to alleviate hydraulic load in the mine reticulation system by removing excess water, treating it, and returning it to the watershed. Higher than normal rainfall over the preceding three-year period placed the storage facilities under pressure as the mine could not use all of this water on site. The treatment plant allowed the site to reduce its water intensity by 80%. It also ensured that any risk of storage facility spillage into the natural environment was negated.

Grootegeluk Oliphantskop Dam lining

The lining of the Oliphantskop Dam will enable enhanced water recycling at the beneficiation plants to prevent process water losses to the pit, reducing electricity consumption due to pumping and water quality deterioration in the pit.

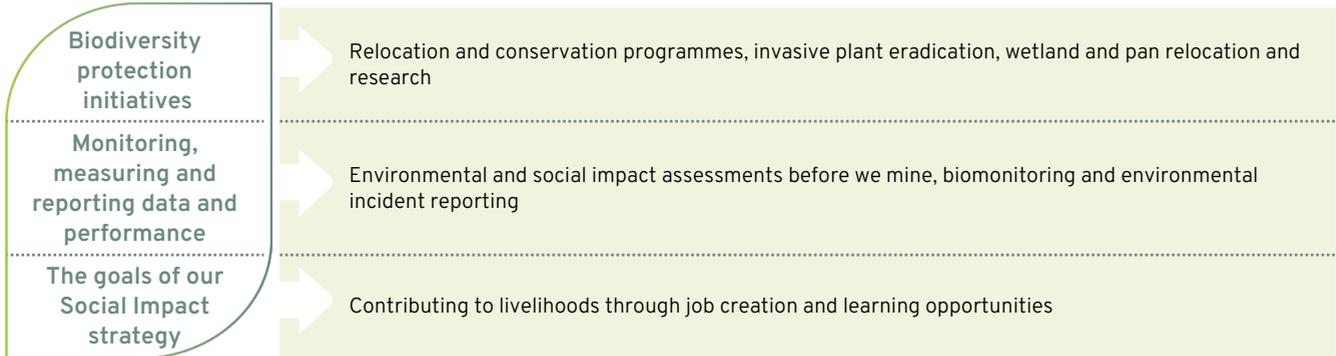
Looking ahead

We aim to further improve our water management plans to ensure climate resilience and safeguard our natural resources for future generations.

Biodiversity protection

Safeguarding our natural ecosystems is an essential part of our business and rehabilitation initiatives. Through conservation and sustainable practices, we strive to be responsible stewards of the environment – mitigating biodiversity loss and building resilience against climate change.

Without responsible practices, mining activities contribute to biodiversity loss, which affects wildlife, economic activities and people who depend on natural resources. This is compounded by climate change – a main driver of biodiversity loss. Our biodiversity management plans guide our efforts in the protection and conservation of biodiversity-rich ecosystems within mining right areas, and incorporate:



Recognising that we need to address climate change and biodiversity loss simultaneously, we adopt nature-based solutions that enable biodiversity protection and restoration as part of our response to climate change.



Cennergi manages biodiversity at its facilities with an environmental management programme. This approach aligns with the Equator Principles and the International Finance Corporation’s Performance Standard 6 guidelines on biodiversity conservation and sustainable management of living natural resources. Cennergi’s biodiversity monitoring and mitigation plan aims to achieve no net loss of biodiversity.

Since 2016, full-time local SMMEs have successfully managed Cennergi’s invasive alien plant control programme.



Our performance

1 638ha cleared of invader plants (2022: 236ha)

Released rehabilitated birds of prey into Exxaro's conservation area at Belfast in partnership with Dullstroom Birds of Prey Centre

Monitored and managed rehabilitated Belfast wetland areas

Increased biodiversity at pan creation sites through ongoing proof-of-concept study at Grootegeluk

We focused on monitoring our wetland rehabilitation areas this year, with rehabilitation of new areas planned for the 2024 financial year.

Initiatives per operation

Belfast

We monitored and managed rehabilitated wetland areas. Part of wetland rehabilitation management is to eradicate alien invasive species plants. A local community contractor was appointed for invasive alien plant eradication. Exxaro provided the contractor with training, equipment and start-up capital, and assisted the contractor to register as a co-operative.

Belfast planted 100 *Searsia Lancea* trees on the mine rehabilitated surfaces for carbon sequestration, carbon credit and/or carbon offset purposes.

Matla

An indigenous forest was established at Matla when 100 indigenous trees were planted at the new Mine 1 shaft area. Other than having an impact on local biodiversity, the trees also serve as a wind break, improving the visual impact of the shaft as well as improving the air quality in the area.

Grootegeluk

We plan to relocate any baboon spiders and other species of concern that will be impacted by the expansion of the pit area in 2024 and 2025. The relevant permits for this will be obtained as part of the process.

The service provider will be appointed in the first half of 2024 and should commence with the invasive alien plant eradication in the second half of 2024.

Tshikondeni

The local community conducted invasive alien species control through Exxaro's partnership with the Impact Catalyst. The community cleared 1 429.56ha.

Cennergi

No red data mortalities were recorded at Tsitsikamma (2022: none). No secretary bird (*sagittarius serpentarius*) fatalities were recorded at Amakhala Emoyeni (2022: one).

Unfortunately, one Cape vulture fatality was recorded (2022: one), one immature martial eagle (*polemaetus bellicosus*) and one blue crane (*grus paradisea*) fatality was recorded at Amakhala Emoyeni (2022: none).

The martial eagle is a regionally and globally endangered species and the blue crane is classified as "near threatened" regionally and "vulnerable" globally. Both birds are priority species at Amakhala Emoyeni with a fatality threshold of zero in terms of the adopted biodiversity monitoring and mitigation plan.

In collaboration with the Endangered Wildlife Trust and International Finance Corporation, Cennergi is exploring an offset opportunity for Cape vultures through the Cape vulture safe zone project, and WildSkies is investigating approaches to reduce cumulative impact on blue cranes.

A bat curtailment programme was implemented at Amakhala Emoyeni between October 2022 and May 2023. The bat fatality threshold was not exceeded for the monitoring period and, as a result, the programme will not need to curtail turbines during the October 2023 and May 2024 period. However, the need for curtailment will be informed by the new bat fatality data from the fatality monitoring programme.

Looking ahead

We will:

- Conduct a Taskforce on Nature-related Financial Disclosures baseline assessment in 2024 to identify our nature-related risks and impacts with the goal of improving our management and reporting of these risks
- Amend biodiversity management standards, and align with the Taskforce on Nature-related Financial Disclosures and biodiversity COP17 outcomes
- Plant the first 4ha of Spekboom in Lephalale in 2024 as part of our nature-based solutions in addressing climate change

Our environmental stewardship continued

Mine closure and rehabilitation

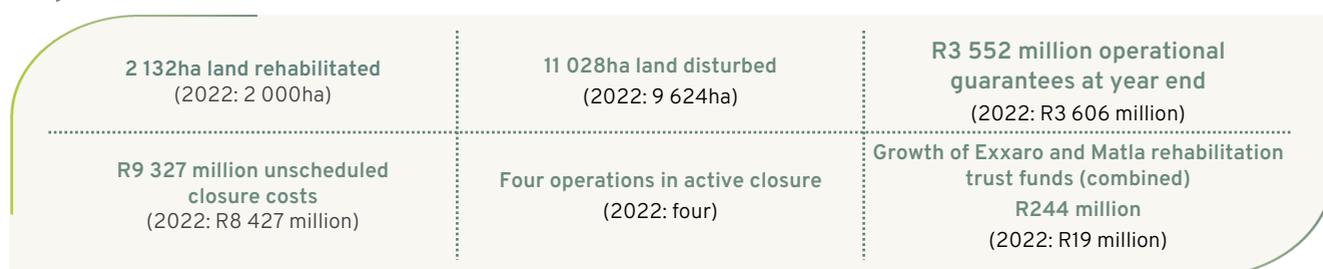
Our integrated closure planning and concurrent rehabilitation will ensure we leave a sustainable post-mining legacy – building momentum throughout our operations’ lifecycles as we work towards enhancing our positive impact and mitigating our negative impact.

We manage our environmental liabilities and rehabilitation in compliance with legislation and evolving responsible mining practices. In implementing our holistic and integrated approach to land management, mine closure and concurrent rehabilitation, we:

- Consider impacts on employees, communities, the environment, government and infrastructure
- Proactively manage environmental impacts to minimise residual liabilities (ie water quality and quantity, and topsoil health) that could affect Exxaro’s financial performance
- Complete concurrent rehabilitation timeously
- Prevent water ingress into rehabilitated areas
- Calculate financial provisions in terms of GNR 1147 (financial provision for prospecting, exploration and mining operations). Our sustainability and finance departments, in conjunction with independent technical and financial specialists, conduct external assessments annually at all coal and energy operational sites, as well as our coal mines in closure
- Approve and update liabilities through internal governance processes

We strive to integrate land and liability management in daily mine planning to minimise final closure costs for each operation and optimise final land use after closure.

Our performance



The increase of 1 404ha in land disturbed is due to the inclusion of Mine 1 development at Matla as well as additional areas mined at the opencast operations at Grootegeluk, Leeuwan and Belfast. The increase in our performance of land rehabilitated of 132ha is due to increased rehabilitated land handed over to farmers at Matla to utilise. The backlog in rehabilitation at Leeuwan will be addressed in 2024 with a dedicated five-year budget to clear the backlog volumes for backfilling pits.

Although the implementation date was set (19 February 2024), we await promulgation of draft financial provision regulations for mine closure and rehabilitation (GN 792) issued on 27 August 2021. Discussions continue between the environmental policy committee of the Minerals Council, on behalf of Exxaro and our mining peers, and the DMRE. The proposed regulations will repeal GNR 1147. All our BUs will be continuously assessed according to GNR 1147. The implementation of GNR 1147 was postponed indefinitely by government. The delays in the government’s implementation of GNR 1147 creates legislative uncertainty in the financial provisions for environmental rehabilitation areas.

Exxaro’s rehabilitation successes since 2002



Looking ahead

We plan to do the following:

- Discard dump design and rehabilitation at Grootegeluk, Durnacol, Hlobane and Tshikondeni
- Rehabilitation projects at three inactive sites
- Concurrent rehabilitation at all operational mines
- Water treatment solutions at Durnacol and Hlobane closed mines

Waste management

Managing our waste streams responsibly is an important part of how we minimise environmental degradation. We achieve this through prevention, minimisation, reuse and recycling while ensuring safe waste disposal as the last option.

We manage the impacts of our waste streams by aligning our policies and procedures with sustainability principles and leading practice. We regularly review our policy and management standard to ensure relevance and alignment with legislation. Our waste management practices incorporate:

- Our cradle-to-cradle approach, which minimises waste production, ensuring waste from one process is used in other processes to encourage elimination or minimisation of waste
- Exxaro’s management standard for hazardous and non-hazardous waste
- Our waste management hierarchy to avoid, reduce, reuse and recycle, which prevents and avoids waste as much as reasonably practicable
- The proximity principle (treat and dispose of waste in reasonable proximity to the point of generation), duty of care (we are ethically responsible for waste management) and the precautionary principle (we are proactive in mitigating environmental risks)
- Monitoring, measuring and reporting data and performance
- Awareness and training across BUs forms part of our induction for new employees

Examples of hazardous waste emanating from our operations include used oil, contaminated soil, medical waste, used personal protective equipment and sewage. General waste comprises:

- Recyclable domestic waste (plastics, polymers, cardboards, metal cans and papers)
- Non-hazardous recyclable industrial waste (rubber products such as waste tyres and conveyor belts, scrap metals and industrial products)
- Inert, non-recyclable waste (rubble and demolition waste separated at source) collected, recycled or taken to safe disposal sites by specialist service providers



Material waste at Cennergi’s facilities includes general waste, oil rags and used oil. Cennergi implements waste separation at source to increase recycling, where possible, and minimise waste sent to landfill.

Our performance

2 703t general waste recycled
(2022: 2 768t)

3 186t hazardous waste sent to landfill
(2022: 1 624t)

General waste recycled decreased by 2% due to less volumes of high-density polyethylene recycled at Grootegeluk.

The total weight of hazardous waste generated at our managed coal operations and sent to landfills increased to 3 186t (2022: 1 624t). The 54% increase in the amount of hazardous waste sent to landfill at Grootegeluk is due to the workshop wash bay silt being included as hazardous waste as of April 2023. The decision was made based on a DWS finding indicating that the silt from the wash bays has the potential to pollute due to its hydrocarbon content and can thus not be disposed as plant discard. Alternatives are being investigated and the outcome of the waste classification will confirm the way forward.

The drive to improve housekeeping across the mine also added to this increase in waste being taken to the hazardous waste storage area for disposal.

To address the increase, the mine will investigate and implement the delisting of the workshop wash bay silt in 2024 and 2025.

Initiatives per operation

Head office

Exxaro head office started a recycling drive by updating the bin labels at the planter, plaza, printer and cafe station to promote better waste separation, which increases post-consumer recycling of strategic parts. This recycling initiative will play a part in environmental awareness for head office employees.

Grootegeluk

The integrated waste management solution developed by Impact Catalyst includes alternatives linked to tyre reclamation. The roll-out of the solution will be supported by the mine. In the interim, the mine will continue to investigate various service providers that can assist with the reclamation of waste tyres.

Exxaro is also working on the following initiatives to further improve our waste management approach:

- Innovation and alternative treatment for integrated waste management
- Evaluating cost-effective options for recycling, reuse, emissions reduction and other end-of-life recovery options
- Opportunities for cost saving and optimisation
- Industrial symbiosis to stimulate green business effectively

Looking ahead

We plan to use various waste reduction or avoidance technologies and opportunities at our BUs to ensure waste is reduced.

Responding to TCFD reporting requirements

This is Exxaro's third year of reporting in line with the TCFD recommendations. This reflects Exxaro's internalised and proactive approach to climate change and our ESG commitments. The table below provides an overview of our responses and links to relevant coverage in this report, our ESG report and other supporting documents available online. We published a separate Climate Change Response strategy and our climate change position statement in 2020. These provide additional detail on some areas of our response to climate change.

		Further reading
1	<p>The board's oversight of climate-related risks and opportunities</p> <p>Climate change is an integral consideration and as such is embedded in our governance processes. The board takes ultimate responsibility and is supported by its sub-committees. The CEO and chairperson oversee climate-related risks and opportunities.</p>	<p> Governance (ESG report, page 112)</p> <p> Building resilience through governance (page 55)</p>
2	<p>Management's role in assessing and managing climate-related risks and opportunities</p> <p>Ultimate responsibility from a management perspective rests with the CEO. She is supported by the executive committee. A scenario analysis is applied to identify risks and opportunities by management teams, as stated in our Climate Change Response strategy.</p>	<p> Transitioning into a low-carbon business (ESG report, page 15)</p> <p> Our strategy (page 47)</p>
3	<p>Climate-related risks and opportunities the organisation has identified over the short, medium and long term</p> <p>Climate-related transitional risks include emerging regulation, legal/litigation, carbon pricing, market and reputational risks. Physical risks include extreme weather events, such as flooding and heat waves. Opportunities include investments in low-carbon minerals, growing the energy business, business resilience, energy self-generation, implementation of low-carbon technologies and strategic partnerships.</p>	<p> Transitioning into a low-carbon business (ESG report, page 15)</p> <p> Our risks and opportunities (page 28)</p>
4	<p>The impact of climate-related risks and opportunities on the organisation's strategy and financial planning</p> <p>Our Sustainable Growth and Impact strategy focuses on diversifying to low-carbon transition minerals and growing our energy business. Prudent financial planning and capital allocation is applied to ensure business resilience in a low-carbon world.</p>	<p> Transitioning into a low-carbon business (ESG report, page 13)</p> <p> Our strategy (page 47)</p>
5	<p>The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p> <p>We undertook a scenario analysis to understand our business resilience from a physical and transition risk perspective. Our strategy is designed to ensure our resilience to different climate scenarios, including 2°C or lower. Our strategy details how we are responding to risks and opportunities associated with the low-carbon transition. Furthermore, our Climate Change Response strategy report and climate change position statement include information on this analysis.</p>	<p> Climate Change Response strategy report (investor tab under integrated reports 2020) and climate change position statement (sustainability tab)</p> <p> Our strategy (page 47)</p>
6	<p>The organisation's processes for identifying and assessing climate-related risks</p> <p>We take a proactive approach to identifying climate-related risks. The ERM framework considers climate risks and has an impact scale that is used to rate these risks.</p>	<p> Transitioning into a low-carbon business (ESG report, page 15), Climate Change Response strategy report (investor tab under integrated reports 2020) and climate change position statement (sustainability tab)</p> <p> Our strategy (page 47)</p>
7	<p>The organisation's process for managing climate-related risks</p> <p>Climate-related risks are managed within our ERM framework. The RBR committee, on behalf of the board, is responsible for regularly monitoring risks that will have an extreme impact on the group if they materialise. Extreme risks, together with their controls, are considered critical in the ever-changing environment in which we operate. These are continually monitored and reviewed in line with the risk appetite framework and combined assurance approach.</p>	<p> Transitioning into a low-carbon business (ESG report, page 15)</p> <p> Our risks and opportunities (page 28)</p>
8	<p>How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</p> <p>Climate-related risks are integrated into overall risk management and factor as one of the top 20 risks facing the business.</p>	<p> Our risks and opportunities (page 28)</p>
9	<p>The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management</p> <p>Climate risks and opportunities metrics are disclosed in the ESG report, ie carbon emissions, carbon intensity, fossil fuel revenue versus clean technology revenue.</p>	<p> Environment (ESG report, page 32) and remuneration report (ESG report, page 168)</p>
10	<p>Disclose scope 1, scope 2, and, if appropriate, scope 3 GHG emissions, and the related risks</p> <p>We report extensively on our scope 1, 2 and 3 emissions in our ESG and CDP reports.</p>	<p> GHG emissions (ESG report, page 42) and CDP report (www.cdp.net)</p>
11	<p>The targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p> <p>We have committed to reducing our emissions by 40% by 2026 and being carbon neutral for our scope 1 and 2 emissions by 2050. We also have a carbon intensity reduction target (5% reduction compared to the previous year's carbon intensity).</p>	<p> Transitioning into a low-carbon business (ESG report, page 14)</p> <p> Our strategy (page 47)</p>

06

Our Mineral Resources and Mineral Reserves

We are capitalising on our existing asset base, which underpins our transition from coal mining towards a future in minerals and energy, equipping us to flourish in a low-carbon economy.



Exxaro Resource and Reserve reporting strategy



Exxaro continuously strives to enhance the estimation and reporting of our Resources and Reserves through:

- 1 Competence
- 2 Assurance
- 3 Accurate estimation
- 4 Credibility
- 5 Accountability
- 6 Reconciliation
- 7 Governance



1 Trustworthy estimates

Our Competent Persons are the custodians of the mineral assets, employing responsible and innovative technical management principles.



2 Professional execution

Mineral Resource managers of each operation are the custodians of the LoM and ensure professional execution of the business plans.



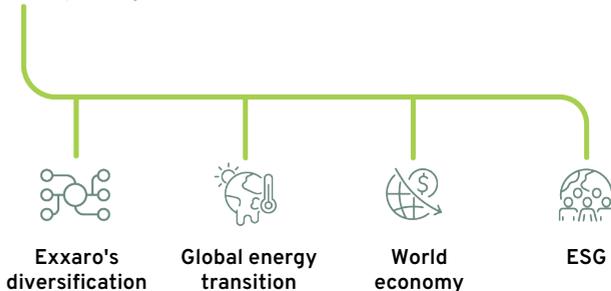
3 Responsible exploitation

Stimulating profitability and return on investment.



Our early value coal exploitation plans, supporting our Sustainable Growth and Impact strategy, are implemented at all our operations.

Considerations reflected in reporting



Our reporting is informed and guided in accordance with:



Notes on our operations and projects

Grootegeluk

- Positive outcomes of an external estimation audit, illustrating the **credibility of the processes** underpinning our estimates
- Production of **coking coal increased** but year-on-year RoM decreased slightly

Thabametsi

- The resource is located immediately **adjacent** to our **Grootegeluk operation**, and we are considering scenarios that will **unlock maximum value** for the **integrated Waterberg business**

Belfast

- Market to **resource flexibility** was achieved through establishing a **domestic client base**
- Challenges experienced early in the reporting year were addressed, resulting in **exceptional production performance** in Q3/4
- Grade control is a key enabler for mining **flexibility** between the various pits at the operation

Leeuwanpan

- An **optimisation study** is in progress to attain a steady and consistent RoM supply as the OL pit nears depletion. The **focus** will be primarily on the exploitation of the **remaining OI pit**

Matla

- The **implementation** of the three mine expansion projects, securing an estimated ~85% of Matla Coal Reserves, progressed well
- Coal Resources identified through **innovative MRM** principals, previously situated outside the LoM, provided additional pit room and the necessary **flexibility** for the mining teams to alleviate implementation delays

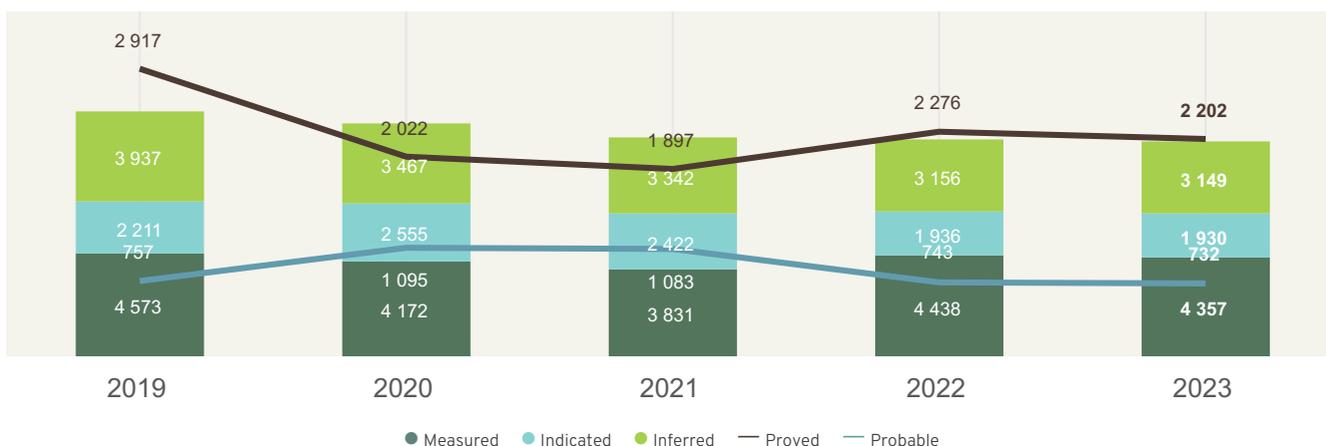
Mafube

- A **50% owned**, highly successful joint venture mine with our partner Thungela Resources
- Focused **exploration drilling** during the year to increase geological confidence and **progress** on environmental studies **enhanced future planning** at the operation

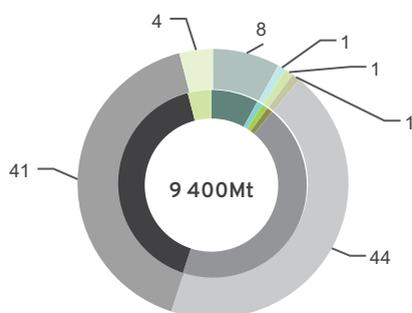
Moranbah

- A **50%-owned**, hard-coking coal joint venture development with Anglo American Steelmaking Coal in the Bowen Basin, Queensland, Australia
- The execution of a 33km² **3D seismic survey** is currently in progress. On completion, most of the Resource will be covered by 3D seismic surveys and will, in conjunction with **focused drilling**, contribute materially to the de-risking of the Coal Resource

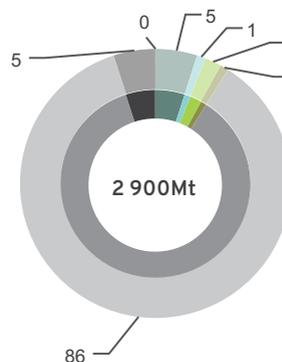
Our coal estimates for the reporting year (Resource (Mt)) (Reserve (Mt))



Total attributable Coal Resources



Total attributable Coal Reserves



Legend: Matla (dark grey), Leeuwanpan (light grey), Mafube (green), Belfast (yellow), Grootegeluk (blue), Thabametsi (orange), Moranbah South project (purple)

Our total attributable Coal Resources decreased by ~1%, primarily due to mining. On-mine drilling increasing the level of confidence resulted in material movements between the Coal Resource categories, as noticeably observed at our Mafube mine.

Our total attributable Coal Reserves decreased by ~3%, primarily due to mining depletion and revised LoM plans. A material decrease in Coal Reserves only noted at our Leeuwanpan mine (~14%) is due to new drill hole information received and layout losses that occurred during mine plan execution.

Other than normal mining depletion, no material changes to the total attributable Coal Resource and Coal Reserve estimates are further reported for any of our operations.

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 2023 reporting cycle, reported estimates are derived from actual mining up to the end of October, incorporating the planned estimates for November and December.
- Resource and Reserve estimates in our statements are quoted in full, irrespective of Exxaro's shareholding. Our attributable tonnage is clearly presented in the image above and, when used in our report, always clearly defined.
- Rounding off of figures quoted may result in minor computational discrepancies, although it is not deemed significant.

Glossary

AGM	Annual general meeting
API4	Argus/McCloskey Coal Price Index
B-BBEE	Broad-based black economic empowerment
Black Mountain	Black Mountain Mining Proprietary Limited
BU	Business unit
Cennergi	Cennergi Proprietary Limited
CMRR	Consolidated Mineral Resources and Mineral Reserves
COP28	2023 UN Climate Change Conference of the Parties
CSI	Corporate social investment
DEI	Diversity, equity and inclusion
DMRE	Department of Mineral Resources and Energy
dtic	Department of Trade, Industry and Competition
DWS	Department of Water and Sanitation
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including transaction differences recycled to profit or loss)
ECD	Early childhood development
ESD	Enterprise and supplier development
ESOP	Employee share ownership plan
ERM	Enterprise risk management
Exxaro	Exxaro Resources Limited
HEPS	Headline earnings per share
HPI	High-potential incident
IFRS	International Financial Reporting Standards
JKT	Japan, Korea and Taiwan
JSE	JSE Limited
King IV	King IV Report on Corporate Governance for South Africa™, 2016
KPI	Key performance indicator
LoM	Life of mine
LSP	Lephalale solar project
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
Mining Charter III	Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018
Mol	Memorandum of incorporation
OHIFR	Occupational health incident frequency rate
PAIA	Promotion of Access to Information Act, 2002 (Act 2 of 2002)
POPIA	Protection of Personal Information Act, 2013 (Act 4 of 2013)
RBCT	Richards Bay Coal Terminal Proprietary Limited
RBR	Risk and business resilience
ROCE	Return on capital employed
RoM	Run of mine
SDG	Sustainable Development Goal
SERC	Social, ethics and responsibility committee
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP	Social and labour plan
SMME	Small, medium and micro-enterprise
STI	Short-term incentive
TCFD	Task Force on Climate-Related Financial Disclosures
TFR	Transnet Freight Rail
UNGC	United Nations Global Compact

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Joint equity sponsor

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Bryanston
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Company registration number

2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY
Bond code: EXX005
ISIN number: ZAG000160334

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Disclaimer

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13 26.982

Al
ASPECT
YOUR FIRE.

Aluminium

29 63.546

Cu
Copper

40 91.224

Al₂O₃
Bauxite

Zr
Zirconium

15 30.974

P
Phosphorus

27 58.933

Co
Cobalt

58.933

25 54.938

Mn
Manganese

3 6.94

Li
Lithium

78 195.08

Pt
Platinum

55 54.938

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POWERING POSSIBILITY