



**exxaro**

**POWERING POSSIBILITY**

**Exxaro Resources Limited**  
Environmental, social and governance report 2019

## HOW TO NAVIGATE THIS REPORT

GRI elements in the ESG report are cross-referenced for a fuller perspective.

 Read more online

 Further reading in this report

# In this report you will see a few hashtags. We will be using these throughout the year when we are sharing news about a topic, making it easier to follow us on social media and stay tuned to our activities during the year.



## Feedback

**We welcome feedback from stakeholders.**

**Please send your suggestions to:**

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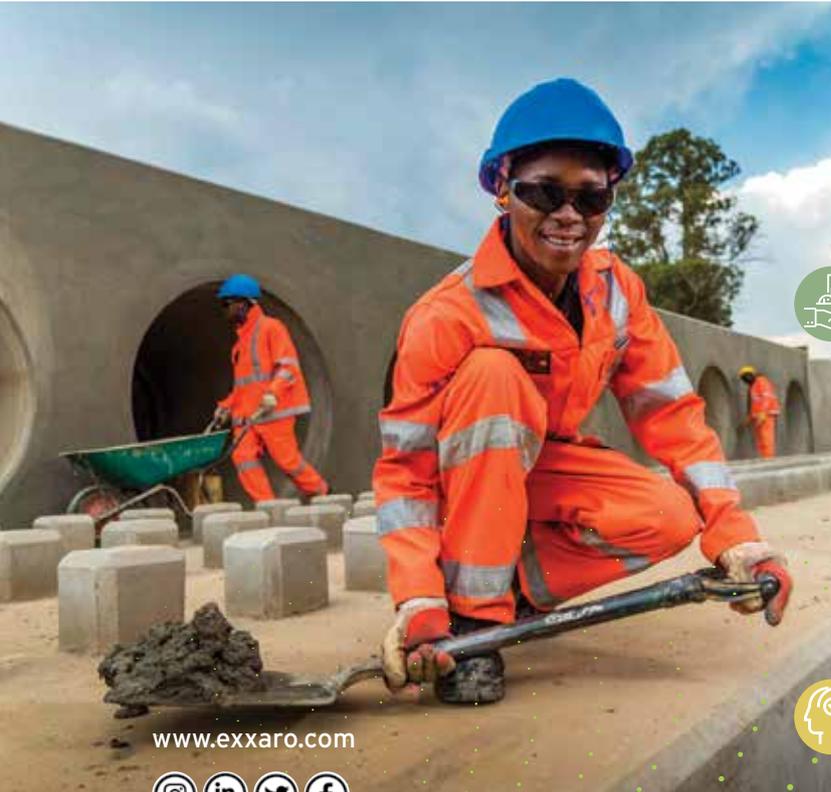
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www.exxaro.com



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## About this report

Exxaro’s environmental, social and governance (ESG) report for 2019 expands on information in the integrated report 2019 and the 2019 consolidated Mineral Resources and Mineral Reserves report. It also contains the Global Reporting Initiative (GRI) index.

### Exxaro’s alignment to the SDGs

Exxaro is committed to contributing positively to the achievement of the United Nations Sustainable Development Goals (SDGs).

To this end, in South Africa, we participate in the National Business Initiative to align the 17 SDGs with the country’s National Development Plan. Exxaro is committed, through its strategy, to supporting the country in the implementation of the National Development Plan and the SDGs.

We employ leading practices in upholding the most material SDGs for our business to leave a lasting net positive impact.

Exxaro as a mining company and in line with its purpose to power possibilities, intentionally focus on the following SDGs:

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

To date, Exxaro has worked to embed integrated thinking in terms of the six capitals into its business operations and strategy. In the year ahead, our focus will be on mapping our refreshed strategy and strategic objectives to the relevant SDGs that present the greatest opportunity for positive impact. We will then focus on embedding these goals within our business.

## Introducing our ESG report

Environmental, social and governance (ESG) issues have consumed the attention of the investment community over this past year. Rightly so, yet this focused attention did not appear overnight.

ESG has evolved over many decades. In that time, a myriad of models have emerged to define the scope of social and environmental responsibility for business and the financial community – from the triple bottom line to the six capitals, the eight Millennium Development Goals and the 17 SDGs. Of the 10 SDGs most closely related to mining we have seen two SDGs become very prominent in 2019: combating climate change and generating and securing clean energy.

Exxaro has been there from the beginning. We have been publishing our sustainability performance in our integrated report for the past 10 years on the basis of the six capitals.

For us, as an organisation, this messaging all came together in 2019. Driven by the undeniable evidence of climate change and heavy investor losses in the wake of corporate governance scandals, the general public and the investor community are demanding that companies demonstrate their ESG commitments.

In the past year, our activities illustrate our ability to deliver successfully on ESG and financial objectives.

In this ESG report, we demonstrate our response to an evolving operating context and our approach to transitioning towards a secure and more sustainable world for all.

We look forward to sharing this journey with you.

## 2019 suite of reports

For completeness, this report must be read in conjunction with our suite of reports for 2019, published on the Exxaro website ([www.exxaro.com](http://www.exxaro.com)) and listed below, should be read in conjunction.

As with the integrated report, the content of this ESG report is guided by:

- Our strategic and business sustainability objectives
- Legislative and regulatory requirements, including the Companies Act, 2008 (Act 71 of 2008), as amended (Companies Act)
- JSE Limited Listings Requirements and the Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)
- Global best practice standards, specifically the International Integrated Reporting Council (IIRC) framework for integrated reporting, the United Nations Global Compact (UNGC), the latest GRI guidelines (Standards) and the King Report on Governance for South Africa 2016 (King IV™)

Our ESG report includes limited information on operations where we do not have management control but hold a significant equity interest or joint control, namely Cennergi Proprietary Limited (renewable energy) and Sishen Iron Ore Company (SIOC, a subsidiary of Kumba Iron Ore Limited). We are incrementally disposing of our interest in Tronox Limited (titanium dioxide) and, as at the end of the reporting period, Exxaro held an effective interest of 10.38% in Tronox.



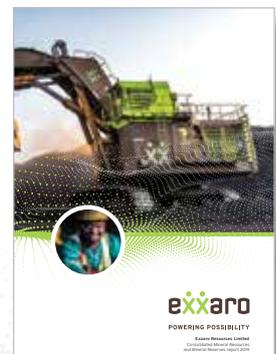
Exxaro Resources Limited  
Integrated report



Exxaro Resources Limited  
Environmental, social and  
governance report



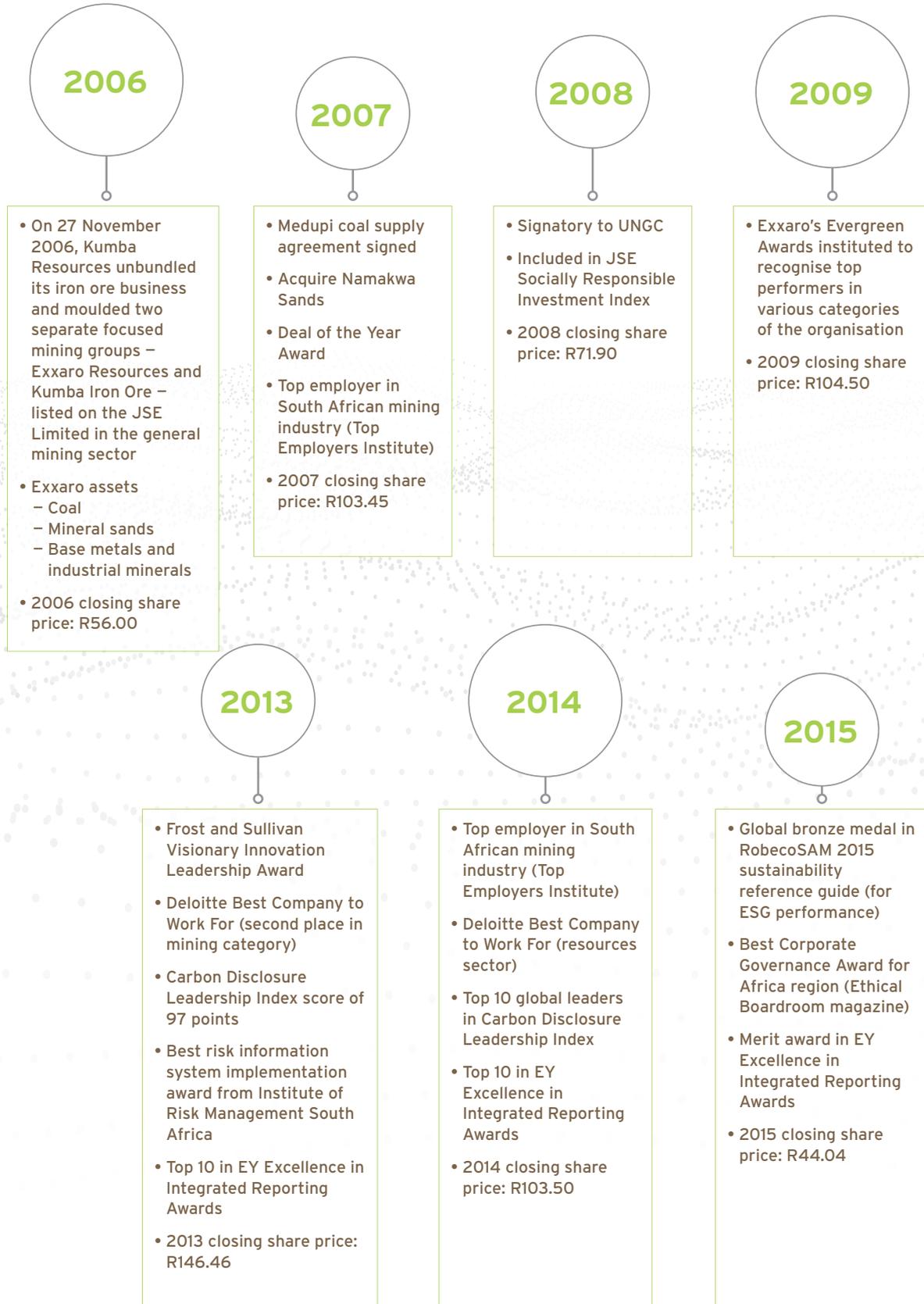
Exxaro Resources Limited  
Group and company annual  
financial statements



Exxaro Resources Limited  
Consolidated Mineral  
Reserves and Mineral  
Reserves report

# Evolution of a 21st century company

## Timeline



2010

- Reduced HIV/Aids prevalence to 13%
- National HIV/Aids prevalence rate of 25%
- 2010 closing share price: R136.24

2011

- Progress with energy and carbon management to measure across business
- Top 10 in EY Excellence in Integrated Reporting Awards
- 2011 closing share price: R168.00

2012

- Zeeland water-treatment plant near Lephalale in Limpopo receives Blue Drop certification
- Carbon Disclosure Project Leadership Index top score of 100 points
- Among top 10 companies worldwide delivering highest returns to shareholders over 10 years (Boston Consulting Group)
- Cennergi (joint venture with Tata Power) formed to realise renewable energy ambitions
- 2012 closing share price: R169.00

2019

- Fatality-free year and zero high potential incidents
- Achieved three fatality-free years in March 2020
- Coal Safe Awards for Matla Mine 1 and Leeuwpan mine for 40 fatality-free years
- Move to the conneXXion
- Partnership with Accenture awarded silver in Loerie Awards for MyNexxt learning and development platform
- Finalist in 2019 South African Graduate Employers Association awards employer of choice: mining and resources
- Newcomer Award in Absa Business Day Supplier Development 2019
- Localisation and enterprise and supplier development recognition award at 2019 South Africa Investment Conference
- Top 40 winner in Chartered Secretaries Southern Africa Integrated Reporting Awards
- 2019 closing share price: R131.14

2016

- New CEO appointed: Mxolisi Mgojo replaces Siphon Nkosi
- Merit award in EY Excellence in Integrated Reporting Awards
- Exxaro's 10-year BEE ownership structure unwinds
- Cennergi wind farms commissioned
- Thabametsi project approved
- 2016 closing share price: R89.50

2017

- Replacement black economic empowerment transaction implemented
- Merit award in EY Excellence in Integrated Reporting Awards
- Business of Tomorrow team formed
- 2017 closing share price: R162.50

2018

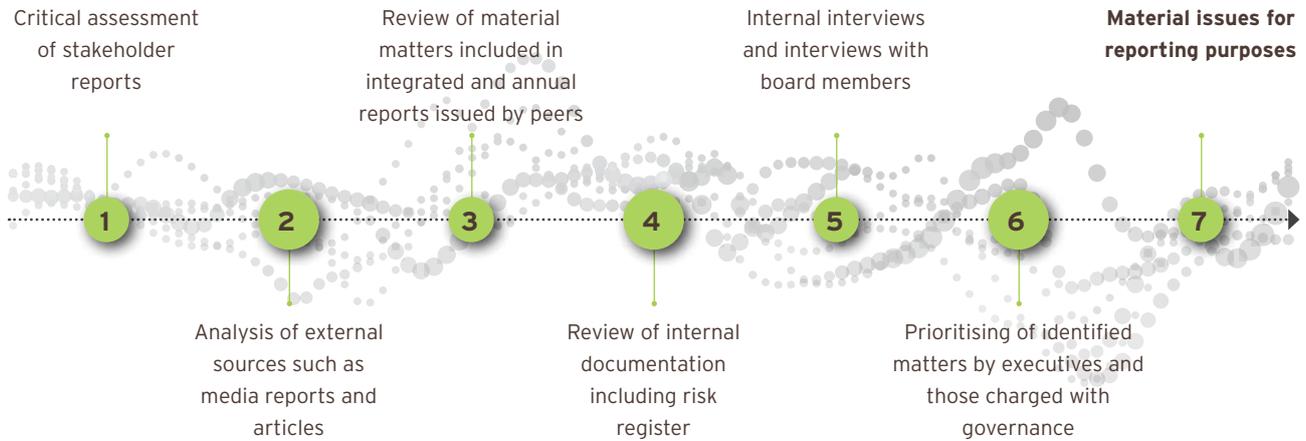
- Mid-cap winner in Chartered Secretaries Southern Africa Integrated Reporting Awards
- Belfast project breaks ground
- 2018 closing share price: R137.87

# Material matters in 2019

The ESG report has been informed by matters of material significance to Exxaro and our stakeholders at large for the period under review. We determined these material matters through a rigorous materiality determination process.

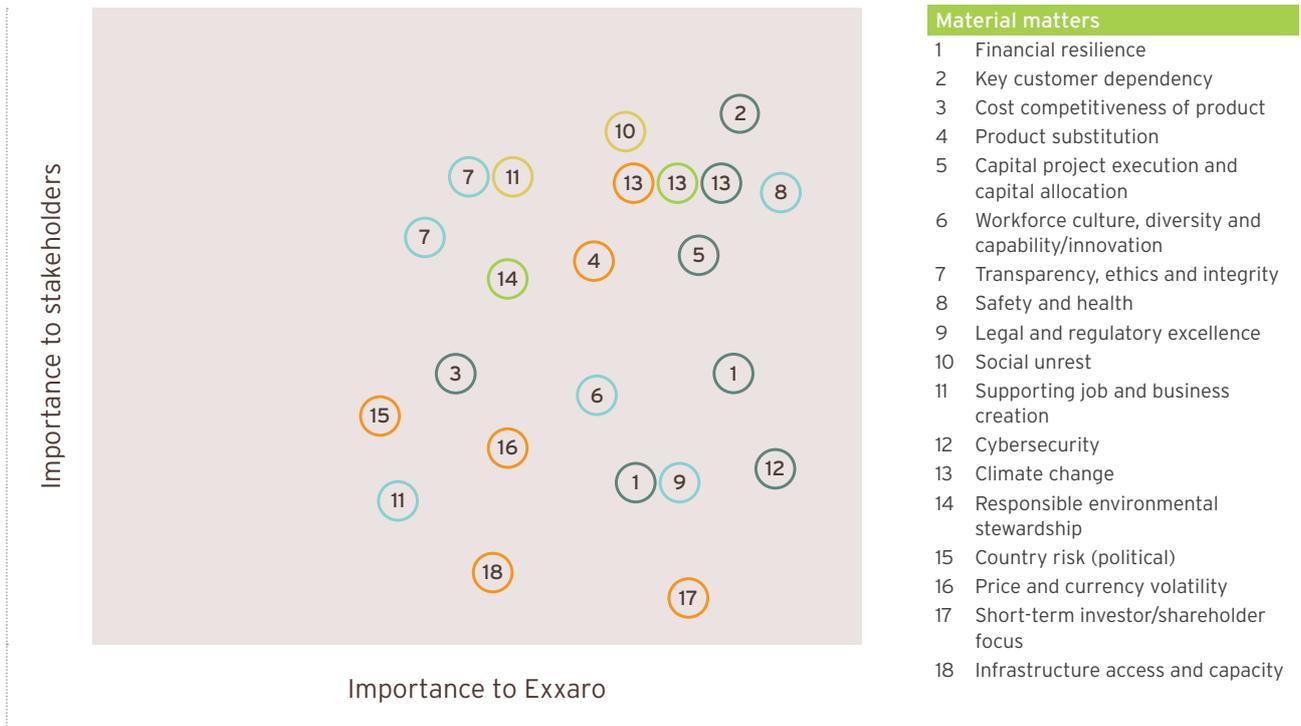
## Materiality determination process

### Assess against global reporting context



## Our material matters

The identified matters were mapped and grouped under five themes.



**Broader themes:**

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



## Material matters in 2019 continued

### Changes to our material matters

Material matters are significant in terms of Exxaro's existence and sustainability, and change in relation to our evolving context and business environment.

The nature of our operating context is changing rapidly with sentiment hardening towards companies within the fossil-fuels sector, particularly over the past 12 months. While climate change and related environmental matters have always been of material significance to Exxaro, in the past year, the necessity to elevate this matter to a broader, more prominent theme became apparent.

Theme	Matters of significance	Related risks
<p><b>Business resilience</b></p> 	<ul style="list-style-type: none"> <li>Financial resilience</li> <li>Key customer dependency</li> <li>Cost competitiveness of product</li> <li>Capital project execution</li> <li>Legal and regulatory excellence</li> <li>Climate change</li> </ul>	<ul style="list-style-type: none"> <li>Climate change concerns</li> <li>Loss of social licence to operate</li> <li>Water allocation and shortage</li> <li>Cybersecurity threats</li> <li>Safety and health concerns</li> <li>Legal and regulatory non-compliance</li> <li>Capital project execution</li> <li>Competition and project execution</li> <li>Cost competitiveness of products</li> <li>Price and currency volatility</li> <li>Competition and product substitution</li> <li>Community unrest</li> <li>Labour unrest</li> <li>Eskom systemic risk</li> <li>Country risk (political)</li> <li>Short-term focus of investor/shareholder</li> </ul>
<p><b>Our people</b></p> 	<ul style="list-style-type: none"> <li>Workforce culture, diversity and capability/innovation</li> <li>Transparency, ethics and integrity</li> <li>Safety and health</li> <li>Legal and regulatory compliance</li> <li>Supporting job and business creation</li> </ul>	<ul style="list-style-type: none"> <li>Loss of social licence to operate</li> <li>Community unrest</li> <li>Labour unrest</li> <li>Unavailability of critical skills</li> <li>Safety and health concerns</li> <li>Legal and regulatory non-compliance</li> <li>Fraud and corruption</li> </ul>



We seek to be part of the solution in the transition to a low-carbon economy in response to greater risks posed by climate change. However, we recognise the complexity of meeting current energy requirements while supporting this critical aim, which is reflected in our strategic direction for 2019 and beyond.

The challenges faced by Eskom are also cause for material concern as it is a major customer. We have therefore regrouped this matter as we believe that this key customer dependency is a matter to be viewed through the lens of business resilience. We have also grouped capital allocation and capital project execution under the same theme as we believe these matters determine our business resilience.

The material matters in each theme, as well as the related risks, SDGs and impacts or influences of each material matter are outlined in the table below.

Sustainable development goals	Impact/influences			
	Links to strategy	Links to business model	Capitals	Stakeholders
	✓	✓	Financial Manufactured Social and relationship Natural Human	Industry peers Customers Suppliers Government Analysts Investors Communities Employees Unions NGOs
 	✓	✓	Financial Manufactured Social and relationship Intellectual Human	Suppliers Government Communities Employees Contractors Unions NGOs

## Material matters in 2019 continued

Theme	Matters of significance	Related risks
<p><b>Social licence to operate</b></p> 	<p>Social unrest Supporting job and business creation</p>	<p>Loss of social licence to operate Community unrest Country risk (political)</p>
<p><b>Climate change</b></p> 	<p>Climate change Responsible environmental stewardship</p>	<p>Climate change concerns Loss of social licence to operate Legal and regulatory non-compliance Water allocation and shortage</p>
<p><b>Macro-environment</b></p> 	<p>Product substitution Climate change Country risk (political) Price and currency volatility Short-term investor/shareholder focus Infrastructure access and capacity</p>	<p>Eskom systemic risk Price and currency volatility Competition and product substitution Community unrest Fraud and corruption Country risk (political) Capital project execution Short-term focus of investor/shareholder Cost competitiveness of products</p>



Sustainable development goals	Impact/influences			
	Links to strategy	Links to business model	Capitals	Stakeholders
 	✓	✓	Manufactured Social and relationship Intellectual Natural Human	Suppliers Government Communities Employees Contractors Unions NGOs Media
 	✓	✓	Financial Manufactured Social and relationship Natural	Customers Government Communities Employees Contractors Unions NGOs Suppliers Media Investors Analysts
  	✓	✓	Financial Manufactured Social and relationship Natural Human	Customers Suppliers Government Communities Employees Contractors Unions NGOs Media Investors Analysts

## Strategic performance dashboard

The strategic performance dashboard measures our key performance indicators (KPIs) across the six capitals. The board and executive committee monitor the dashboard quarterly to ensure all sustainability-related risks and key metrics remain within our risk appetite (the level and type of risk we are prepared to take in order to meet our strategic objectives).

We have refined the way we conduct business in recent years to ensure that management of our strategy is integrated and holistic by:

- Establishing a sustainability framework
- Implementing an integrated risk management framework with clearly understandable material matters
- Identifying KPIs aligned with material matters, risks and our sustainability framework, and each measured against the tolerance level or appetite set by our board
- Linking the combined assurance plan with risks, material matters and KPIs.

The outcome of this process is an integrated strategic performance dashboard that provides the most critical information required by the board and executive committee to measure and manage Exxaro’s strategy and performance. It also provides a transparent and consolidated view for stakeholders on our drivers for creating value and ensuring sustainability.

This dashboard has built-in risk appetite thresholds to ensure decisions in pursuing Exxaro’s strategic objectives are in line with the risk threshold.

### How to interpret the dashboard

The dashboard lists all KPIs linked to a strategic priority/capital and material matter. Current performance and the status of the indicator (colour-coded icon) reflect whether or not the KPI is within our risk appetite thresholds. We aim to be within the target threshold: outside of worst tolerable means that we are not within our defined risk appetite in pursuing our strategic objectives and this will require additional controls or improvements to existing controls.

### Example of KPI measure

One of our strategic objectives is to improve the performance of our operations. A related KPI is the core operating margin. Anything outside of worst tolerable or target means that we underperformed or overperformed, and appropriate action will be taken.

### KPI performance

KPI	Current performance	Legend (indicator)
Core operating margin	25%	

### KPI threshold

KPI	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%
Legend					

## Human capital

KPI	2019		2018		Trend
	Actual	Indicator	Actual	Indicator	
<b>Safety</b>					
Number of fatalities	0		0		
Lost-time injury frequency rate (LTIFR)	0.12		0.12		
Lost-time injuries (LTIs)	26		23		
<b>Health</b>					
Occupational health incident frequency rate (OHIFR) reported <sup>1</sup> :					
• Chronic obstructive airways disease (COAD)	0.24		0.33		
• Noise-induced hearing loss (NIHL)					
• Pneumoconiosis					
• Silicosis					
• Occupational TB					
Occupational health <sup>1</sup>	15		12		
Non-occupational diseases <sup>2</sup>	413		100		
	1 911		297		
People who received HIV/Aids awareness training (% of group)	130		100		
% of employees who received awareness training and voluntarily tested for HIV/Aids	54		77		
HIV/Aids prevalence rate (%) compared to country prevalence rate	10.7		9		
<b>Skills</b>					
Skills provision (% of internal appointments for critical skills)	47.9		52.4		
Retention of scarce skills (% turnover)	3.80		5.01		
<b>Security</b>					
Fraud and corruption/asset destruction (%) <sup>3</sup>	0		0		
Successful civil and criminal liability claims against Exxaro or other non-compliance penalties (% of revenue)	0		0		

<sup>1</sup> Chronic obstructive airways disease (COAD) noise-induced hearing loss (NIHL), pneumoconiosis silicosis and occupational tuberculosis (TB).

<sup>2</sup> Chronic diseases such as diabetes and high blood pressure, among others.

<sup>3</sup> Personal protective equipment (PPE), inventory, debtors and cash.

Negative   Positive   Unchanged   New KPI this period

# Strategic performance dashboard continued

**R4.4 billion**

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

**2 316 cps**

Shareholders receive a return on their investment through dividends and growth in the share price

## Natural capital

KPI	2019		2018		Trend
	Actual	Indicator	Actual	Indicator	
<b>Incidents</b>					
Reportable environmental incidents (level 2 and level 3)	0		7		
<b>Compliance</b>					
Stoppage directives <sup>1</sup>	7		0		
<b>Valid mining rights (in place/not)<sup>2</sup></b>					
Current operations (%)	100		100		
Projects (%)	100		100		
<b>Valid authorisations<sup>3</sup></b>					
Current operations	100		100		
Projects	100		100		
<b>Compliance with valid licences/authorisations (%)</b>					
Current operations	97		96		
Projects	100		99		
<b>Provisions</b>					
<b>Environmental liability provisions in place<sup>4</sup> (%)</b>					
Commercial operations	68		25		
Captive operations	51		15		
<b>Emissions management</b>					
<b>Carbon footprint (ktCO<sub>2</sub>e)</b>					
Scope 1	412		315.4		
Scope 2	670		552		
Carbon intensity (ktCO <sub>2</sub> e/TTM)	5.4		5.3		
<b>Water management</b>					
Water intensity (kL/ROM)	0.10		0.11		

<sup>1</sup> Including section 54 of the Mine Health and Safety Act, 1996 (Act 29 of 1996), section 93 of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) and directives in terms of the National Water Act, 1998 (Act 36 of 1998) and the National Environmental Management Act, 1998 (Act 107 of 1998).

<sup>2</sup> Mine works plan and social and labour plan.

<sup>3</sup> Environmental authorisation, integrated water use licence, atmospheric emissions licence, environmental impact assessment and record of decision.

<sup>4</sup> Gap between immediate closure cost and rehabilitation funds available excluding guarantees.

R15.6 billion

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

R1.7 billion

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

## Social capital

KPI	2019		2018		
	Actual	Indicator	Actual	Indicator	Trend
<b>Employment equity</b>					
Black ownership at group level <sup>1</sup> (%)	30		30		
People living with disabilities <sup>2</sup>	1.3		1.16		
Human resource development <sup>1</sup> (% payroll excluding levies, including internal and external training)	5.27		5.27		
Employment equity (%) on top management bands <sup>3</sup>	66.67		66.67		
Employment equity (%) on senior management bands <sup>3</sup>	50.00		46.74		
Employment equity (%) on middle management bands <sup>3</sup>	68.77		65.43		
Employment equity (%) on junior management bands <sup>3</sup>	75.02		73.64		
Black women (%) on top management bands <sup>3</sup>	33.33		33.3		
Black women (%) on senior management band <sup>3</sup>	9.38		7.6		
Black women (%) on middle management band <sup>3</sup>	20.46		17.2		
Black women (%) on junior management band <sup>3</sup>	18.27		17.4		
<b>Business sustainability</b>					
B-BBEE level	Level 2		Level 5		
Enterprise development (% of NPAT)	0.80		0.97		
Supplier development (% of NPAT)	1.03		1.47		
Socio-economic development (% of NPAT)	1.23		0.90		
Skills development: learning programmes for black people target as % of payroll excluding mandatory sectoral training <sup>4</sup>	3.92		3.4		
<b>Social and labour plans (SLPs)</b>					
Project delivery measure – local economic development projects per SLP (%) time variance from plan <sup>1</sup>	(11)		12		
Cost variance from plan (%)	(58)		(8)		

<sup>1</sup> Mining Charter.

<sup>2</sup> Mining Charter III.

<sup>3</sup> Five-year plan (2022).

<sup>4</sup> Broad-based black economic empowerment (B-BBEE) codes.

## Strategic performance dashboard continued

### 28% ROCE

Providers of finance receive a return on their investment

### R170.7 million

A total of 30 enterprises were granted loans and grant funding

### Manufactured and intellectual capital

KPI	2019		2018		Trend
	Actual	Indicator	Actual	Indicator	
<b>Capital project delivery measure</b>					
Time	5.0	Behind	0.1	Behind	●
Cost	3.1	Within budget	0	On target	●
Country risk as per assessment criteria (key drivers physical security and security of tenure)	0	💡	0	💡	●
<b>Operational performance</b>					
Asset availability of enterprise resource planning systems	99.75	💡	99.75	💡	●
Digitalisation programmes (cost overrun)	(6)	💡	(12)	💡	●
Digitalisation programmes (time overrun)	(6)	💡	8	💡	●

### R5.8 billion

We reinvest in the growth of our coal business: R2.2 billion sustaining capital and R3.6 billion expansion capital

### Financial capital

KPI	2019		2018		Trend
	Actual	Indicator	Actual	Indicator	
Core operating margin (%)	15.24	💡	22.36	💡	●
Return on capital employed (ROCE) (%)	27.51	💡	22.38	💡	●
Return on equity based on core headline earnings (HEPS) (%)	19.32	💡	17.49	💡	●
Core HEPS (cps, short-term target)	2 354	💡	2 159	💡	●

● Negative   ● Positive   ● Unchanged   ★ New KPI this period

# Measuring our performance

We strive to apply ESG best practice across our business and therefore find it invaluable to benchmark our progress against our peers, nationally and internationally, to understand how we can improve our performance going forward.

## FTSE ESG Index

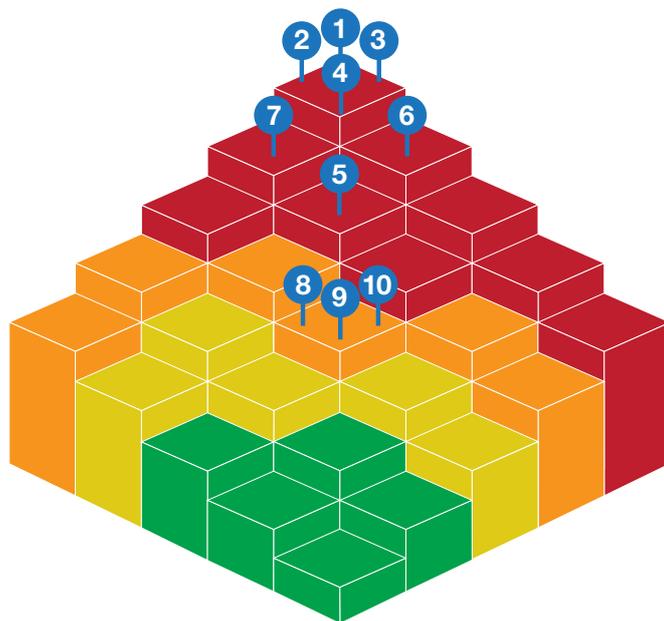
Ratings agencies determine an overall ESG score based on publicly disclosed information (such as annual reports, websites, media publications and social media). A significant number of ratings agencies each uniquely measure the performance of organisations in terms of ESG.

One of the most well-known and widely referenced ESG ratings agencies is FTSE Russell, which publishes the FTSE ESG Index objective rating per organisation. The FTSE ESG Index Series is designed to help investors align investment and ESG objectives into a broad benchmark while maintaining industry neutrality.

The FTSE ESG Index is structured logically as a set of global indicators, which are in turn collated into 14 main themes that form the well-known ESG pillars. The final outcome at the top of the pyramid is a rating out of a maximum of five points.

As part of this assessment, each company is measured in a global peer comparison with other companies operating in the same supersector. Of the 14 themes covered by the FTSE ESG Index, 10 apply to Exxaro (listed below).

### Themes applicable to Exxaro



- 1 Risk management
- 2 Labour standards
- 3 Water security
- 4 Human rights and community
- 5 Pollution and resources
- 6 Health and safety
- 7 Climate change
- 8 Corporate governance
- 9 Anti-corruption
- 10 Biodiversity

EXPOSURE	
3	HIGH
2	MEDIUM
1	LOW
0	NEGLIGIBLE OR N/A

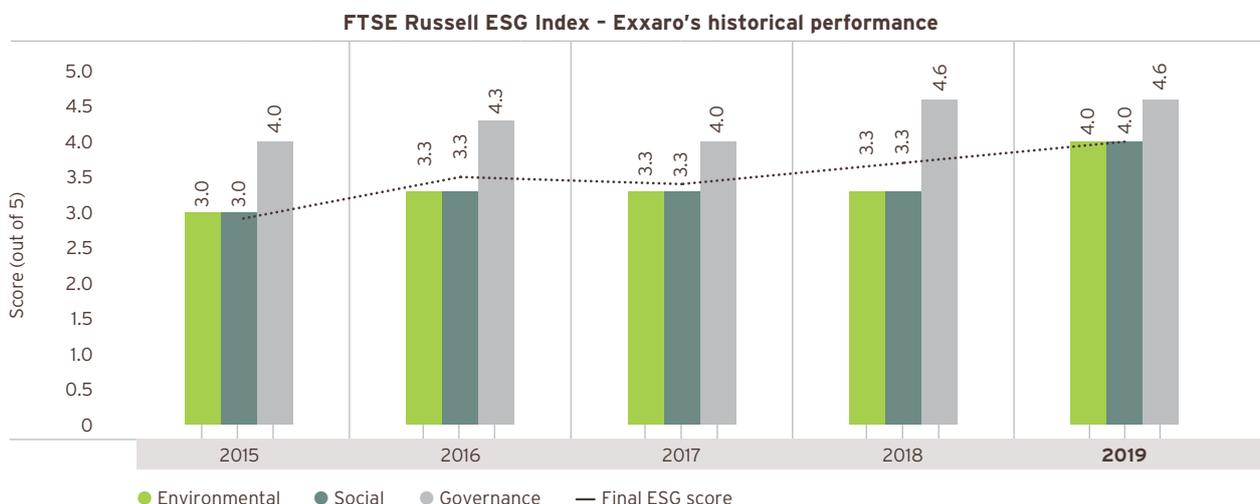
The concept of materiality is at the core of exposure measurement with exposure contextual to the industry in which a company operates. For example, a mining company has much greater exposure to impacting biodiversity than a company operating in the banking sector. Exposure is classified in terms of a four-point scale.

Our ESG report has been deliberately structured to respond to the three pillars of environmental, social and governance for ease of access to information. Within the three pillars our ESG report discloses performance against the majority of the indicators under each of the 10 relevant themes.

# Measuring our performance continued

## Our performance

Over the past five years, Exxaro's FTSE ESG Index score has improved steadily, moving into the top quartile of global performers in the basic resources supersector. Exxaro is currently in the top 22% of ESG performers. The steady improvement in the final ESG rating since 2015 is depicted below.



As seen above, governance has consistently been the best performing pillar – these scores are measured out of a maximum of five hence a score of four equates to 80%.

When measured against global coal mining participants, Exxaro again demonstrates superior ESG performance (as seen below).

	Year end 2019	
	Exxaro	Global coal subsector
<b>FTSE Russell ESG score</b>		
Environment score	4.0	1.6
Social score	3.6	1.1
Governance score	4.0	1.3
	4.6	2.6

Source: FTSE Russell Corporate Performance Results

## Looking ahead

We have taken note of the need to tirelessly strive to become better stewards of our resources, to minimise the impact we have on our environment, and to be mindful of the need to be a socially responsible organisation.

We have intentionally sought to better understand the levers to pull in order to maximise the positive impact we have on society with investors' search for a socially responsible mining company in mind. Investors want to see that sustainability is integral in the construction of their investment portfolios.

Companies operating in the fossil fuels sector are particularly subject to scrutiny. As such, we are aware of global sentiment towards fossil fuels and the need to make a just transition to cleaner energy. During the transition period, Exxaro will work towards achieving the highest possible performance in ESG.

We have taken the insights and formulated a more transparent ESG reporting strategy as we make progress towards improving our already highly commended ESG performance.



# Environment

## Highlights

- **Achieving a score of B in the 2019 CDP – two levels better than the coal industry in SA**
- **Received a management level score for taking coordinated action on climate change**
- **Carbon budget approved by government**
- **Climate change position statement published**
- **Compliance with environmental licences improved**
- **Water intensity targets achieved**
- **No environmental stoppage directives**
- **All mines have concurrent rehabilitation plans approved**
- **Environmental provisions have improved by over 200%**

## Lowlights

- **Two environmental pre-directives issued that were addressed – thus avoiding final directives**
- **Increase in level 1 environmental incidents pertaining to small oil spills on the ground**
- **Delays in obtaining Leeuwan OI West expansion project water use licence**
- **Delays in obtaining the Dorstfontein Pit 1 Expansion Environmental Authorisation and IWUL**
- **Delays in achieving rehabilitation targets – improvement plans in place**

We harness and steward natural resources – water, air, biodiversity and land – so that people can share the value of these assets for greater good.

We conserve natural resources and reduce the burden of pollutants on the environment by

- Ensuring all mining and related activities are appropriately authorised
- Complying with all statutory environmental requirements as a minimum
- Using energy and water as efficiently as possible
- Operating responsibly from the twin perspectives of compliance and natural resource use
- Actively participating in voluntary benchmarks such as the global carbon and water disclosure projects
- Developing innovative policies and programmes to address environmental impacts and the use of natural resources.

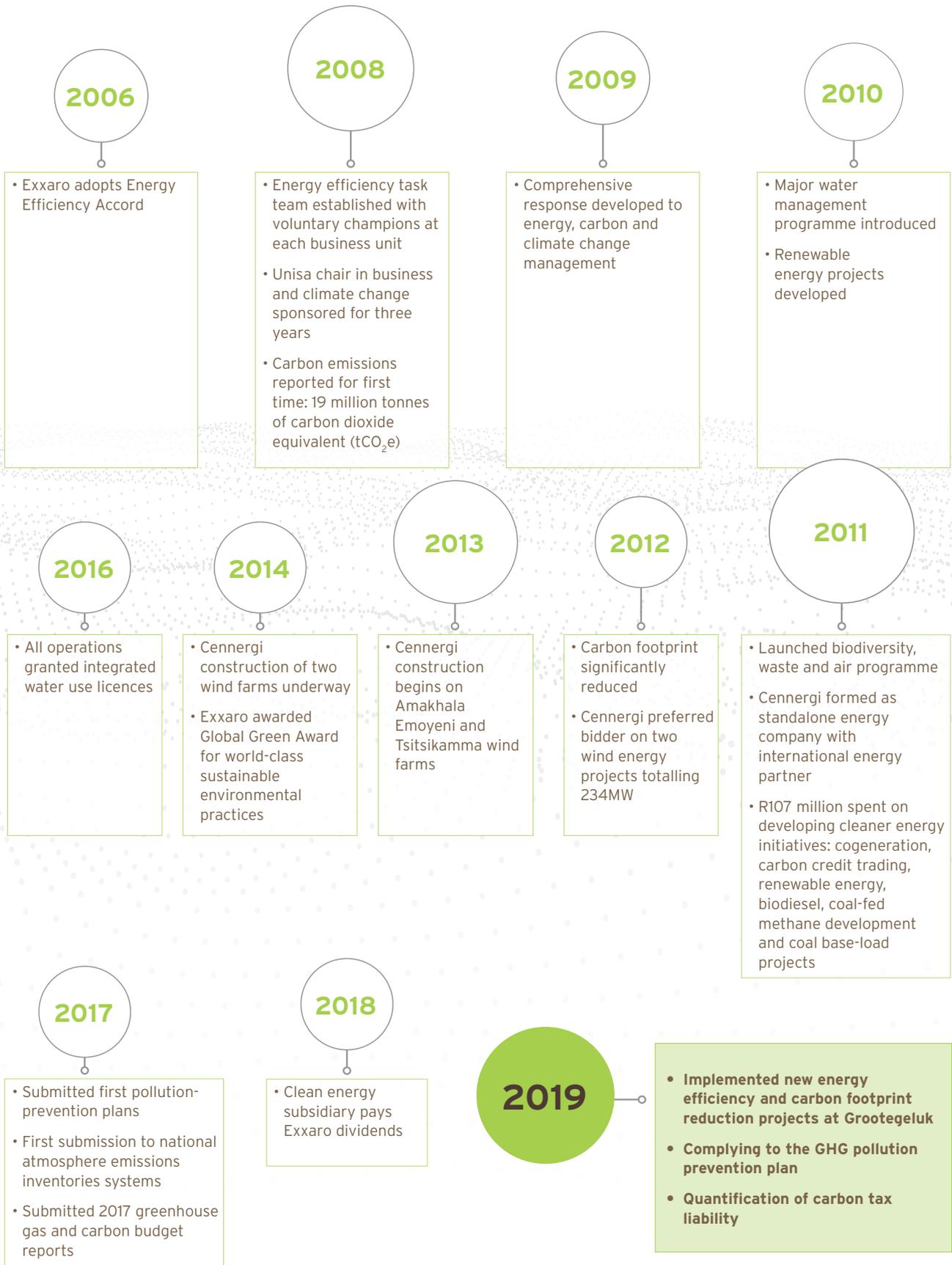
We have comprehensive group standards in place, which ensure that we comply with legal requirements and use natural resources responsibly, including management standards for air quality, water, energy, rehabilitation and mine closure, as well as environmental incident management and reporting. Furthermore, all our business units have ISO 14001 certification, which sets out the requirements for an effective environmental management system.

Our operations in South Africa all have environmental management programmes (EMPs), as required by the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA), which ensure our long-term sustainability. We also adopt the precautionary principle entrenched in the National Environmental Management Act in evaluating the environmental impacts of current activities and business opportunities. In addition, all our operations have integrated water use licences (most Exxaro business units need more than one licence).

## Outlook

The challenges we face in environmental management include the implementation of legislation, regulated by the Department of Mineral Resources and Energy in South Africa, which presents compliance risks and project delays as permits, including water use licences aligned with mineral rights and environmental licensing procedures, are not issued timeously. We also await the integration of complex proposed laws dealing with climate change, pollution prevention and carbon tax.

# Exxaro's green timeline



## Investment in research

### Case study: University of South Africa

In 2019, the Exxaro chair at the University of South Africa (Unisa) published leading academic publications. In addition, the Unisa SDGs Localisation Indaba in Higher Education was organised, as well as a research study by a PhD student on the impacts of climate change on tourism. The study was the first of its kind in Zambia and Zimbabwe.



### Case study: University of Pretoria

The Exxaro energy efficiency chair at the University of Pretoria worked on several novel research projects in 2019.

Projects researching energy efficiency and energy storage focused on hierarchical predictive control for super capacitor-retrofitted, grid-connected hybrid renewable systems as well as thermal management of hybrid energy storage systems based on spatial arrangement.

Another project focused on water efficiency and optimised use of water resources in arid and semi-arid regions.

An ongoing project is researching technologically advanced agricultural systems, including a greenhouse climate model for predictive control of energy costs.

Research also began during the year into unified electric vehicle energy management and speed control, including hybrid energy storage, which could be a breakthrough for manufacturers.



**Case study: University of the Witwatersrand**

The Global Change Institute (GCI) at the University of the Witwatersrand (Wits), which hosts Exxaro’s global change and sustainability chair, collaborated with the Australian National University in a training programme for 30 professionals across Africa on climate adaptation and resilience.

The institute has the only bespoke global climate modelling capability in Africa. The model has been under development for several years in collaboration with the Council for Scientific and Industrial Research in South Africa, the Commonwealth Scientific and Industrial Research Organisation in Australia, the Japan Agency for Marine-Earth Science and Technology. It has a number of unique features, which make it particularly suitable for fine-resolution simulation of current and future climates in Africa. Computation is performed on the supercomputer at the high-performance computing centre in Cape Town where GCI is one of the major users. Apart from crucial analyses associated with the Intergovernmental Panel on Climate Change (one of only three models based in the southern hemisphere), the system is simulating the formation of clouds and rainfall over the eastern escarpment where most of South Africa’s water originates. It is also simulating the climate in Africa millions of years ago.



## Our procedures



### Building blocks to exceed compliance levels

South African mining companies are heavily regulated with compliance aimed at receiving, converting and retaining all mining rights and environmental licences. Exxaro endeavours to exceed the minimum regulatory requirements relevant to our business. To this end, after a strategic review of key environmental risks, we identified the building blocks required to ensure consistent compliance over time.

At a minimum, to meet legal requirements, we monitor compliance across the group through two board-mandated entities: the sustainability, risk and compliance committee, and the social and ethics committee. Furthermore, as our business units operate in terms of approved environmental management programmes, which is additional assurance of sustainability and legal compliance. Some environmental management programmes are updated regularly to include new developments in our operations.

Notable achievements in 2019 included ministerial consent to transfer the Arnot mining right to a consortium of mainly former employees, as well as the Paardeplaats mining right to North Block Complex, and the granting and execution of the Tumelo mining right renewal.

We continuously and consistently engage with the relevant government authorities, agencies and other stakeholders throughout the application processes of various projects to expedite the required licences.

Exxaro did not receive any environmental stoppage directives in the review period and no fines were issued.

### Incident reporting

We use a standardised reporting system to ensure safer and more sustainable work environments for our employees. The system enables our business units to manage incidents more effectively and efficiently. All incidents and mitigation measures were reported to the relevant authorities before implementation. Please refer to the table below for details.

Environmental incidents: group	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
Arnot	0	0	0	0	0	0
Durnacol	0	0	0	0	0	0
Grootegeeluk	15	11	0	1	0	0
Hlobane	0	0	0	0	0	0
Leeuwpan	55	8	0	0	0	0
Matla	10	19	0	0	0	0
North Block Complex	0	13	0	1	0	0
ECC	293	28	0	0	0	0
Tshikondeni	0	1	0	0	0	0
Belfast	0	50	0	5	0	0
<b>Total</b>	<b>373</b>	<b>80</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>

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

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

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



# Air quality

## We uphold our licence to operate through

- Atmospheric emissions licences
- Air quality management procedures, impact assessments, management plans, monitoring and reporting
- Stakeholder forums
- Energy efficiency reports

Exxaro remains exposed to the risk of deteriorating air quality, which is affected by dust and other pollutants such as particulate matter (PM), including PM<sub>10</sub> and PM<sub>2.5</sub> from opencast operations. To mitigate this risk, we focus on

- Minimising our impact on the environment and communities surrounding our operations
- Adhering to all applicable legislative requirements
- Air quality management planning
- Risk management
- Monitoring, measurement and reporting.

During 2019, we focused on going beyond compliance and implementing our reviewed air quality management system at various business units. This process included air quality impact assessments and redesigning our air quality monitoring programmes at each business unit. Air quality awareness and educational campaigns were undertaken in our host communities with the objective of improving stakeholder awareness of air pollution. In 2020, we will continue improving and reviewing our air quality management systems to ensure compliance and a reduction in emissions.

### Air quality management initiatives

Objectives	Critical success factors	Method	Deadline
Reviewing and implementing air quality management systems	Reduction in dust fallout and PM <sub>10</sub> levels will be managed by dust fallout monitoring and PM <sub>10</sub> monitoring	Dust fallout levels and PM <sub>10</sub> concentrations will be reduced by applying best practice mitigation measures such as wet suppression and chemical suppression of dust including research and development of new dust suppression and air pollution mitigation technologies	Second quarter of 2020

### Long-term and short-term goals for air quality management

Goal	Target	Progress
Continuous dust fallout monitoring at all business units	Ongoing	Dust fallout monitoring undertaken as a priority at all business units including the Belfast project
Initiating and continuously monitoring PM <sub>10</sub> at all business units	Ongoing	PM <sub>10</sub> monitoring initiated at some business units and the Belfast project site
Meteorological monitoring to ensure availability of surface data for temperature, wind direction, wind speed, among others, for dispersion modelling, baseline characterisation, ambient monitoring, including dust fallout monitoring and reporting, among others	Fourth quarter of 2020	Meteorological stations installed at some business units
Ensuring compliance with South African dust fallout limits, air quality standards and guidelines	Ongoing	Most business units currently monitor dust fallout and PM <sub>10</sub> and results are assessed for compliance with National Dust Control Regulations and National Ambient Air Quality Standards for PM <sub>10</sub>
Air quality awareness and educational campaigns among various stakeholders	Second quarter of 2020	Stakeholder engagement on air quality undertaken in some communities

### Emissions from mining operations

Opencast mining activities, such as blasting, drilling, crushing and screening, vehicle convoys, materials handling and wind erosion of exposed operational areas, unavoidably generate dust. We consistently strive to enhance our mitigation measures for activities that contribute significantly to dust so that we reduce the impacts on sensitive receptors and the environment. The following mitigation measures are in place at our operations:

- Application of chemical dust suppressants on haul roads
- Wet suppression on sources such as open areas and secondary unpaved operational roads
- Vegetating topsoil stockpiles and overburden material
- Avoiding blasts during high wind conditions
- Blast design optimisation of the blast size
- Limited drop heights during offloading activities.

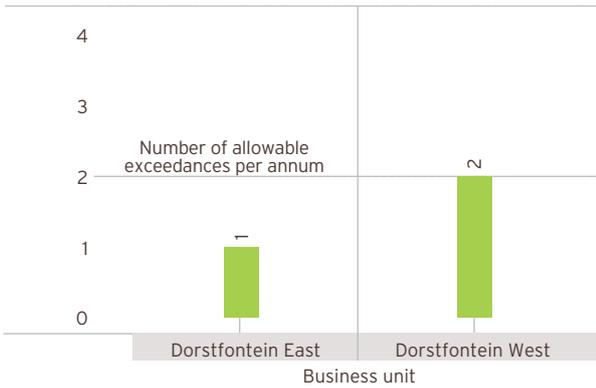
All our mining operations monitor dust fallout rates and the results are assessed against the residential and non-residential limits in terms of National Dust Control Regulations. While our operations are required to comply with non-residential limits, some are close to residential areas or sensitive receptor areas. The goal is therefore to minimise the impact of our operations on nearby residents. In 2019, the dust fallout rate at all operations complied with the regulated residential and non-residential limits.



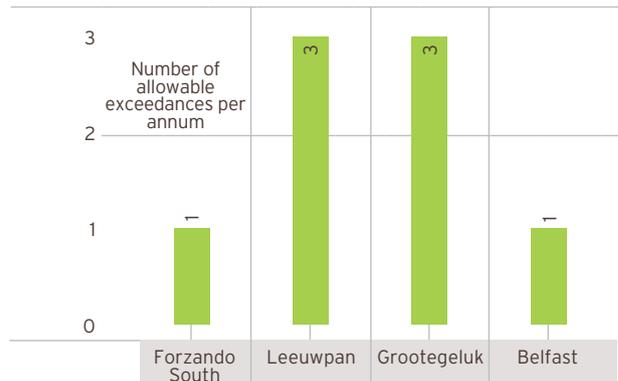
### Dust fallout

Target	2019	2018	2017
Coal: 300mg/m <sup>2</sup> /day	206	184	172

**Number of exceedances of the residential limit (January to December 2019)**



**Number of exceedances of the non-residential limit (January to December 2019)**



# Climate change and carbon footprint

A steering committee oversees energy management projects and activities, and ensures alignment with Exxaro’s carbon-emission reduction.

A clear understanding of the risks and opportunities is thus understood in the broader sense, and this enables operations to focus on managing energy consumption, carbon emissions and other climate change-related issues.

We continue to improve our energy and carbon measurement, data management, accounting and reporting in terms of the Greenhouse Gas Protocol, and reporting our scope 1, 2 and 3 emissions through the CDP. We have elected to use the operating control accounting approach in reporting emissions.

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

The Greenhouse Gas Protocol provides a common measurement platform to compare aggregate data nationally and internationally. South Africa, which has set arguably the most aggressive carbon abatement targets of any developing country, aims to reduce emissions by 34% below business as usual by 2020 and 42% by 2025.

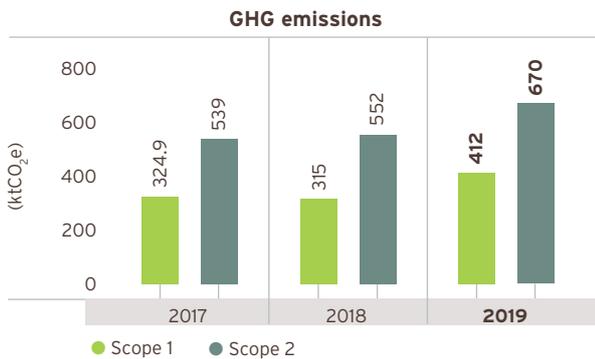
## Carbon footprint

### GHG emissions

ktCO <sub>2</sub> e	2019	2018	2017
Scope 1	412	315	324.9
Scope 2 <sup>1</sup>	670	552	539
Total scope 1 and 2	1 082	867	864
Year-on-year change (%)	24.8	0.4	4.9
Scope 3 <sup>2</sup>	70 947	72 928	76 462
Year-on-year change (%)	2.7	4.6	2.7

<sup>1</sup> Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa (1.06tCO<sub>2</sub>e/MWh)

<sup>2</sup> Scope 3: Reported emissions based on use of product sold by Exxaro (represent over 95% of Exxaro’s scope 3 emissions)



**Carbon emissions by source**

ktCO <sub>2</sub> e	2019	2018	2017
<b>Electricity</b>	670	552	539
Year-on-year change (%)	18	2.4	7.5
Source proportion (%)	61.9	64	62
<b>Diesel</b>	267.5	217.5	211.3
Year-on-year change (%)	19	2.9	25
Source proportion (%)	24.7	25	24
<b>Fugitive emissions</b>	135.9	93	94.6
Year-on-year change (%)	32	1.7	11
Source proportion (%)	12.6	11	11
<b>Other sources</b>	8.6	0.3	18.6
Year-on-year change (%)	96	74	80
Source proportion (%)	0.8	0.6	3

**Carbon disclosure**

The CDP is a UK-based organisation that runs a global environmental disclosure system. The data provides valuable insights into corporate strategies and the journey towards environmental leadership. Furthermore, this helps channel investment to companies adhering to sustainable carbon and emissions management.

Since 2008, Exxaro has participated in the CDP Climate Change programme. To support our reporting in terms of this programme, we manage a central data repository that records information on our energy consumption and intensity, carbon emissions measurement and cost performance at business unit and group levels. The database is audited and assured externally every year. We have also participated in the CDP Water programme since 2010.

Reducing our energy consumption and improving our energy efficiency remains top priority. To this end, we remain focused on lowering Exxaro's carbon footprint. Given the fast-changing legislative environment and the promulgation of the carbon tax from 1 June 2019, reducing GHGs is a business imperative as it could affect our financial performance.

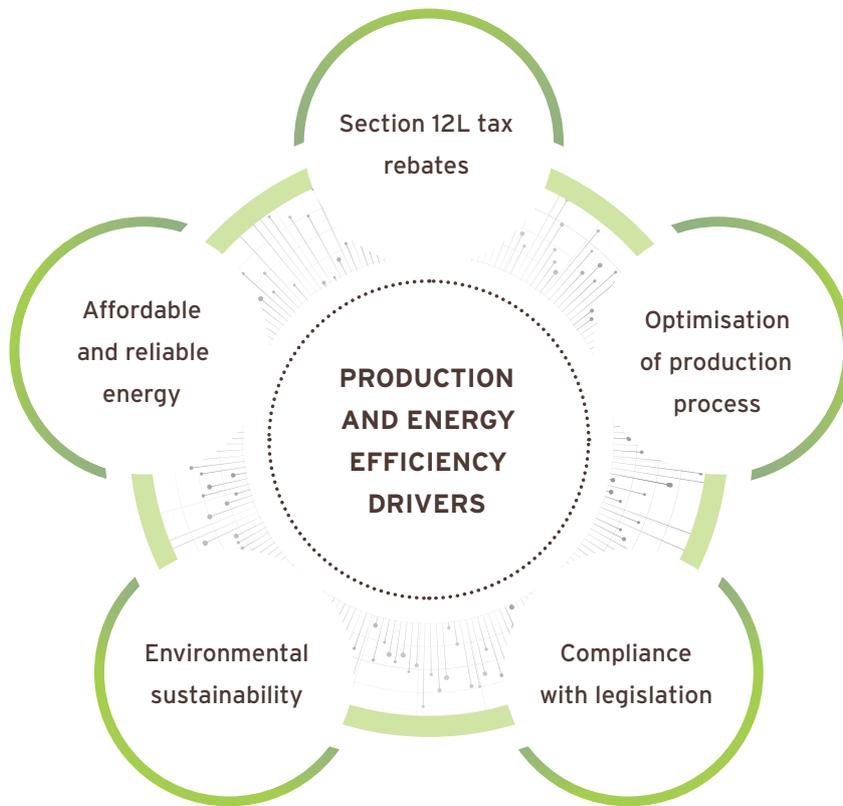
**GHG emissions (tCO<sub>2</sub>e) in 2019**

Business unit	Scope 1	Scope 2	Scope 3	Total
<b>Mpumalanga</b>				
Arnot	2.5	14.7	0	17.2
Belfast	19.7	0.032	156.4	176.1
Dorstfontein East	32.5	19.3	1690	1742
Dorstfontein West	8.9	19.1	487	515.6
Forzando North	5.1	50.4	0	55.5
Forzando South	10.9	0	301	312
Leeuwpán	84	28	6054.6	6166.7
Mafube	21.8	25.4	3119	3166
Matla	35.1	109.2	10894.5	11038.8
<b>Limpopo</b>				
Reductants	0	0	57.9	57.9
Grootegeeluk	191.3	394.5	48185.7	48771.5
Tshikondeni	0.04	1.96	0	2
<b>Gauteng</b>				
Exxaro Corporate Centre	0.001	3.3	0	3.3
FerroAlloys	0	4.3	0	4.3
<b>KwaZulu-Natal</b>				
Durnacol	0.042	0.082	0	0.12
Hlobane	0.15	0.015	0	0.16

# Energy management

## We uphold our licence to operate through

- Energy management
- Energy efficiency plans and reports
- CO<sub>2</sub> emission reports
- Responsive resource use
- Energy intensity target setting
- Climate change response strategy



Our primary sources of energy for our business units in 2019 were diesel (25%) and electricity (62%). In 2018, the primary sources of energy were also diesel and electricity (59% and 41% respectively). Total energy consumed increased by 4% in 2019 to 5 179 561GJ, compared to 4 977 270GJ in 2018. The increase was mainly due to the inclusion of our ECC operations in the 2019 reporting period.

As part of Exxaro's energy and carbon management programme, our coal operations have focused on reducing energy consumption, including projects to specifically increase the efficiency of diesel and electricity consumption. Our technology and engineering departments initiated projects to reduce diesel consumption at all our operations, including the use of fuel additives and payload management. Future projects include developing a consolidated dashboard for fuel and electricity at various business units.

We believe all of these initiatives will support the transition of our operations to greater energy efficiency, characterised by low carbon footprints and optimised energy consumption.

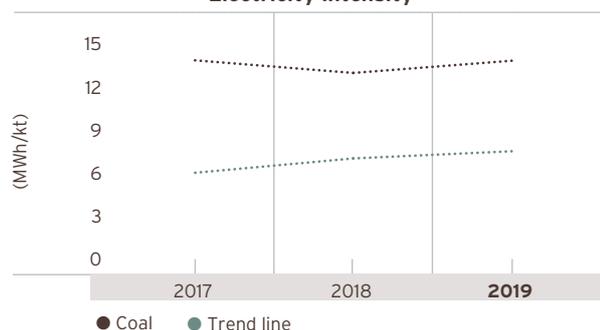
We set energy intensity targets every year, based on the performance of each operation over the previous two years, and these targets are monitored monthly. Following a review of the targets at the end of 2017, we proposed long-term (five-year) targets to facilitate our energy saving initiatives. Exxaro implemented these targets during the second half of 2019.

Electricity and diesel intensities increased in 2019, mainly due to the inclusion of additional operations such as Belfast and the Exxaro Coal Central (ECC) operations (Dorstfontein West, Dorstfontein East, Forzando North and Forzando South). Based on production tonnes in 2019, electricity intensity increased by 6% to 13.8MWh/kt while the diesel intensity increased by 19% to 2 183l/kt.

**Electricity consumption at coal operations**

	Electricity (MWh)			Production (kt)			Electricity intensity (MWh/kt)		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Coal</b>	<b>625 211</b>	<b>543 178</b>	<b>527 688</b>	<b>45 214</b>	<b>41 952</b>	<b>39 312</b>	<b>13.8</b>	<b>12.95</b>	<b>13.83</b>
Change (%)	15	3	1.8	7	6	6	6	7	7.5
Arnot	13 901	22 041	26 967	0	0	0	0	0	0
Reductants	0	0	0	0	0	86	0	0	0
Durnacol	76.9	107	99	0	0	0	0	0	0
Grootegeeluk	372 148.5	381 480	358 101	27 757	29 698	25 538	13.4	12.85	14.02
Hlobane	13.8	16	21	0	0	0	0	0	0
Leeuwpán	26 434.7	26 225	25 242	4 396	4 220	3 355	6	6.21	7.52
Matla	103 037.4	105 757	107 467	5 991	6 609	7 400	17.2	16	14.52
North Block									
Complex	0	6 000	7 757	0	1 425	2 665	0	4.21	2.9
Tshikondeni	1 849.2	1 550	2 034	0	0	0	0	0	0
Forzando North	47 510.6			402.8			23		
Forzando South <sup>1</sup>	0			1 671					
Dorstfontein West	18 013.2			816			22		
Dorstfontein East	18 254.2			1 345			13.6		
Belfast	30.1			1 029			0.03		

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

**Electricity intensity**

**Diesel consumption at coal operations**

	Diesel (kL)			Production (kt)			Diesel consumption intensity (L/kt)		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Coal</b>	<b>98 702</b>	<b>73 926</b>	<b>72 101</b>	<b>45 214</b>	<b>41 952</b>	<b>39 312</b>	<b>2 183</b>	<b>1 762</b>	<b>1 655</b>
Change (%)	25	1	10.8	7	6	6	19	6	(5.8)
Arnot	902	989	1 311	0	0	0	0	0	0
Reductants	0	118	79	0	0	56	0	0	1 411
Durnacol	13	27	25	0	0	0	0	0	0
Grootegeeluk	50 720	41 940	40 486	27 757	29 697	25 538	1 827	1 412	1 599
Hlobane	52	33	40	0	0	0	0	0	0
Leeuwpán	21 924	16 625	16 768	4 396	4 220	3 355	4 987	4 618	4 998
Matla	2 194	2 503	2 550	5 991	6 609	7 400	366	379	345
North Block									
Complex	0	8 609	10 462	0	1 425	2 962	0	6 041	3 956
Tshikondeni	13.7	8	22	0	0	0	0	0	0
Forzando North	813.9			402.8			2 020		
Forzando South	218.7			1 671			130		
Dorstfontein West	463.9			816			568.5		
Dorstfontein East	9 598			1 345			7 136		
Belfast	5 020			1 029			4 879		

# Water management

## We uphold our licence to operate through

- **Exxaro water management standard**
- **Water authorisation**
- **Site-specific water management plans:**
  - Water-related risk assessment
  - Water efficiency plans and reporting
  - Stormwater controls
  - Security of supply
  - Water monitoring
  - Water balance simulation

Water is a strategic natural resource for South Africa and key to our business. Our commitment to responsible and sustainable water use is enshrined in our water management policy, which focuses on efficient use through reuse and recycling. The policy is aligned with the legislative environmental framework governed mainly by the National Water Act. In support of the Act, the Department of Water and Sanitation has issued an integrated water resource management hierarchy that prioritises mine and waste management decisions and actions. The hierarchy informs our policy and strategy on mine and wastewater management:

- Pollution prevention
- Minimising environmental impacts
- Maximising water reuse and reclamation
- Responsible water discharge and disposal
- Water treatment.

We are committed to implementing this policy with a management standard on water for mining and industrial use that articulates an effective integrated water and waste management plan across the lifecycle of a mine, including planning, construction, operation, decommissioning, closure and rehabilitation phases. The standard further reflects management's vision to:

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

### Progress

Water management is essential in upholding our licence to operate. The group water strategy was approved in 2017, aiming for excellence in:

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

A comprehensive programme entrenches responsible and sustainable water management across Exxaro. It concentrates on relevant water use and related risks – from security of supply to water efficiency and cost management – in terms of current and anticipated regulatory compliance. It is supported

by continually enhancing our competence in water management issues through company-wide research and skills development. We also reinforce awareness of water issues through ongoing communication and training.

We manage water-related risks, minimise impacts and operate efficiently through reduction, reuse and recycling. Our water conservation plans support the national strategy to ensure equitable distribution of water resources that allows for business growth and sustainable consumption.

We are also committed to protecting and improving overall water quality by discharging treated water back into the system. Central to this is the reverse-osmosis water treatment plant at our Matla operation. The Matla plant, operating since 2015, can treat 10 megalitres of water per day.

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

The formation of the Mine Water Coordinating Body (MWCB) in 2017 further strengthens our public-private collaboration by providing a platform to align our mine water management plans with the National Water Resource Strategy (NWRS2) and to investigate regional solutions in the Olifants River catchment of Mpumalanga.

### Water use

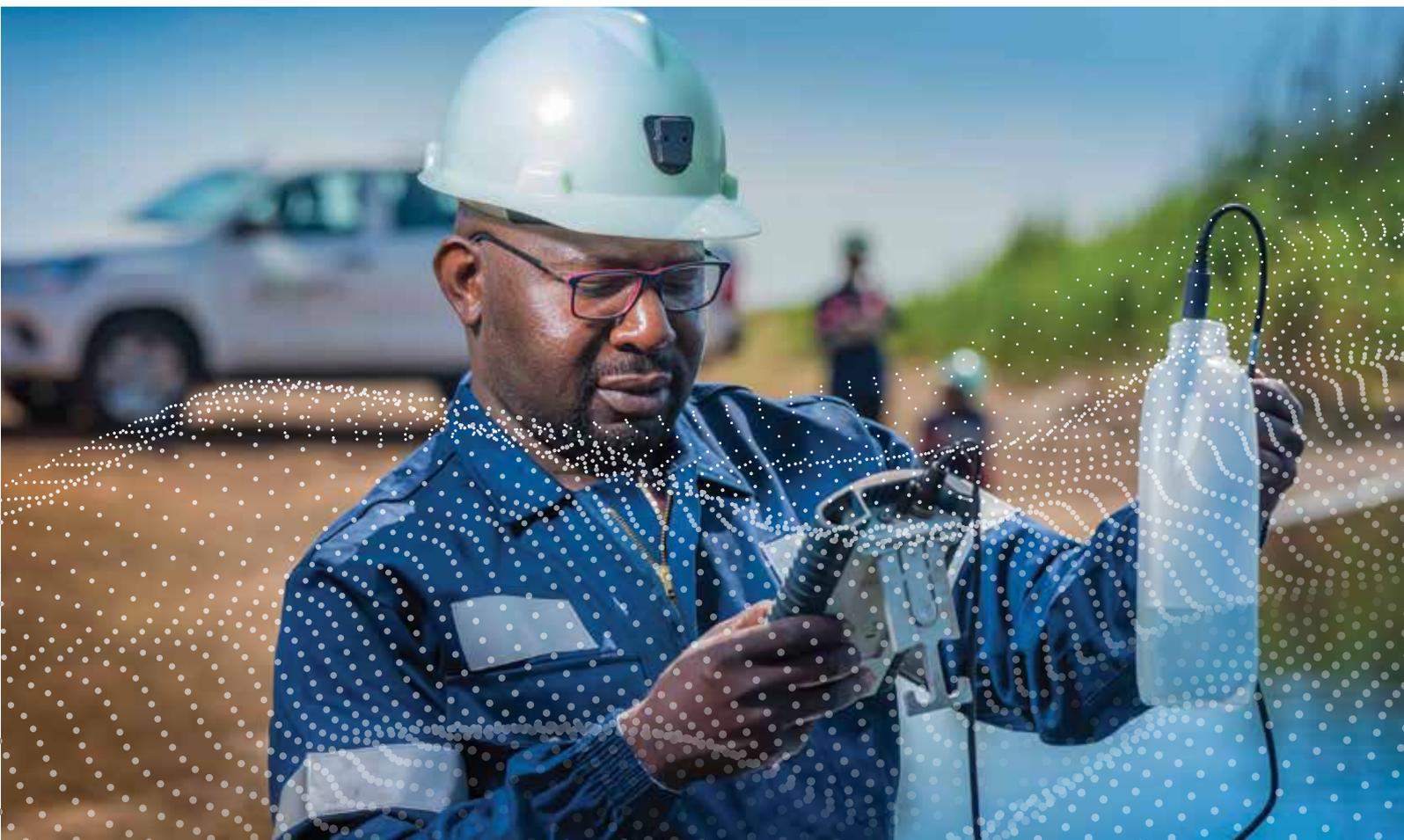
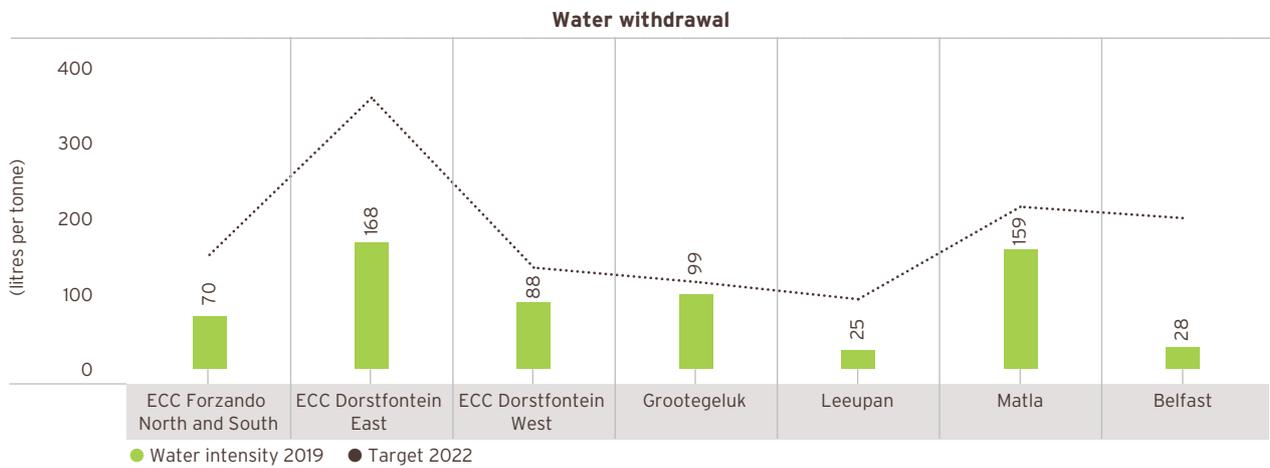
Water conservation measures and greater awareness have enabled all operations to reach the five-year target. The overall water efficiency rate improved by 9% from 2018, attributable to the sale of the North Block Complex (NBC) and the introduction of early run of mine (RoM) at our Belfast operation.

The hydrological years 2017/2018 and 2018/2019 recorded below-average annual rainfall with a sharp increase at the end of 2019.

Overall water intensity is expected to increase in 2020 due to various operational challenges, the Belfast ramp-up and forecast higher rainfall.

**Water withdrawal**

Business unit	Target (litres per tonne) 2022	Water intensity (litres per tonne) 2019	Water withdrawals (kilolitres) 2019
ECC Forzando North and South	151	70	281 797
ECC Dorstfontein East	360	168	383 541
ECC Dorstfontein West	134	88	112 009
Grootegeluk	115	99	5 364 282
Leeuwpans	92	25	165 241
Matla	215	159	950 292
Belfast	200	28	29 501



# Hazardous waste management

## We uphold our licence to operate through

- Management procedures (including waste classification and reporting)
- Authorisation (waste management licences)
- Waste handling, transportation and disposal methods
- Waste efficiency reports

Waste management is a critical factor in upholding Exxaro's social licence to operate. Our group standard enforces the use of a waste management hierarchy, which in turn promotes waste prevention or minimisation, reuse, recycling and energy recovery while ensuring safe disposal of waste in line with the National Environmental Management: Waste Act, 2008 (Act 59 of 2008) and supporting legislation. The mines receive a rebate for recycling all recyclable waste such as paper, used oil and scrap metals. Exxaro has developed a group environmental policy and waste management standard for hazardous and non-hazardous waste, which will introduce initiatives such as waste prevention, practice reuse, recycling, recovering energy and ensuring safe disposal of waste to reduce environmental and health risks, and contribute to the sustainability of the business units.

Recycling targets were set in 2013 to be business unit-specific requirements. The targets are aligned to the National Waste Management Strategy, which aims to achieve 25% of recyclable waste diverted from landfill through reuse, recycling and recovery. Exxaro recycles all recyclable waste (paper, cardboard, plastic and aluminium cans).

Each business unit has a training and awareness programme on responsible waste handling (generation, storage and disposal) aimed at continuous improvement and applying the cradle-to-grave principle.

Exxaro also participates in the Department of Environmental Affairs industry waste management forum initiatives to address waste-related issues, which are also addressed through Business Unity South Africa and the Minerals Council South Africa. Changes in waste legislation are tracked internally and communicated to the business units.

We are exploring opportunities with industrial partners and research institutions to use viable solutions for converting waste into renewable energy. Exxaro is in a process of appointing a contractor to present a solution for reprocessing all waste tyres in a responsible manner in order to reduce environmental liabilities.

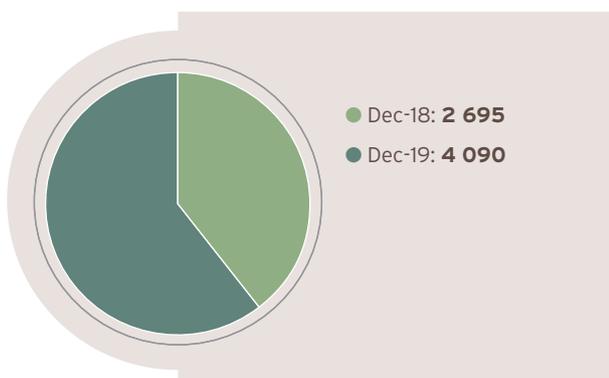
Our business units capture our hazardous waste volumes monthly. Any business units producing more than 20kg of hazardous waste daily – including used and contaminated soil, medical waste, PPE and sewage – are registered with the South African Waste Information System for compliance. Each business unit has its own registration certificate.

Our operations do not have processes for waste treatment on site. Oil or hydrocarbon spillages are addressed by external contractors, on standby, who clean the area and take the waste to a hazardous landfill. Medical waste at the Matla and Grootegeeluk on-site clinics is managed by medical professionals.

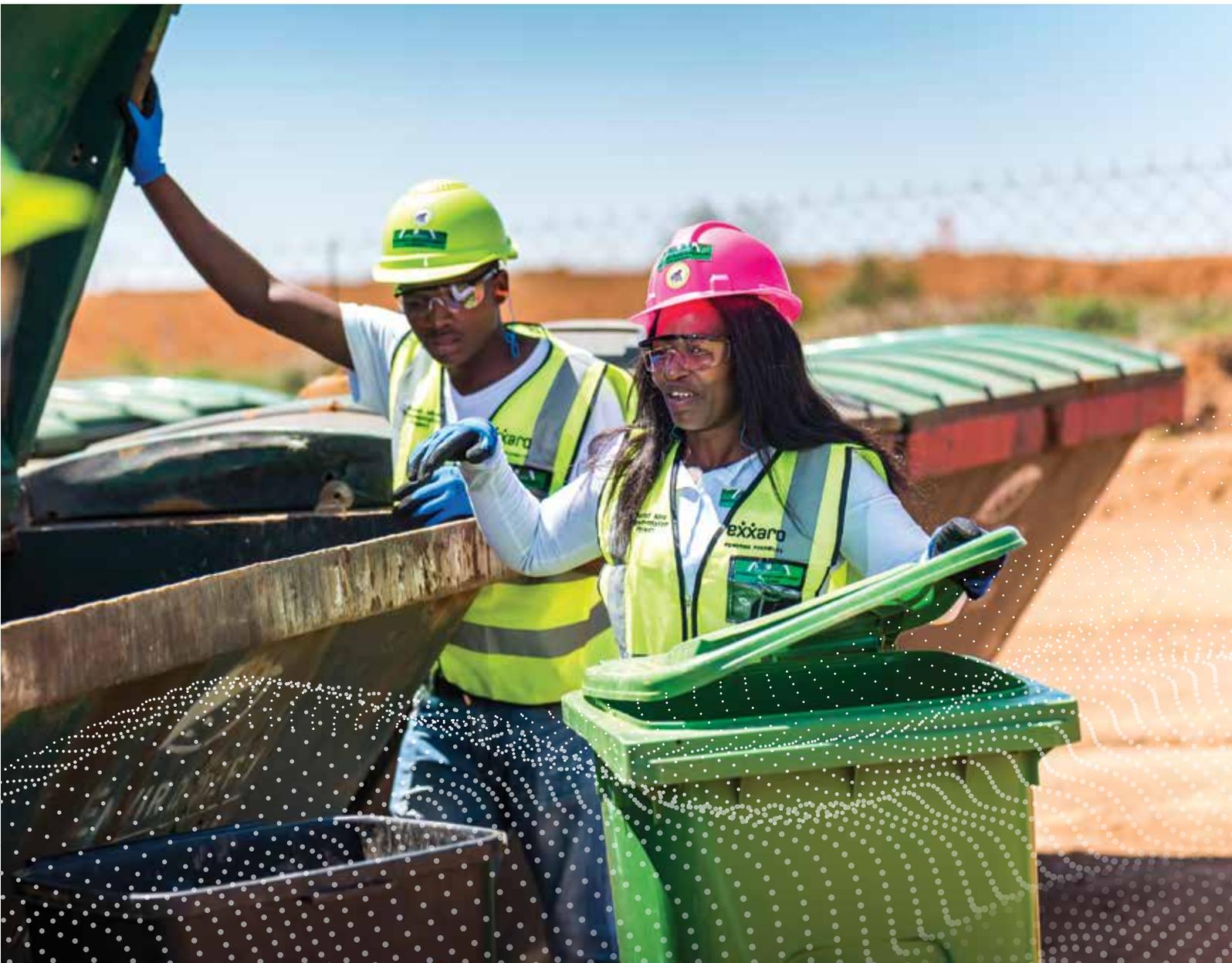
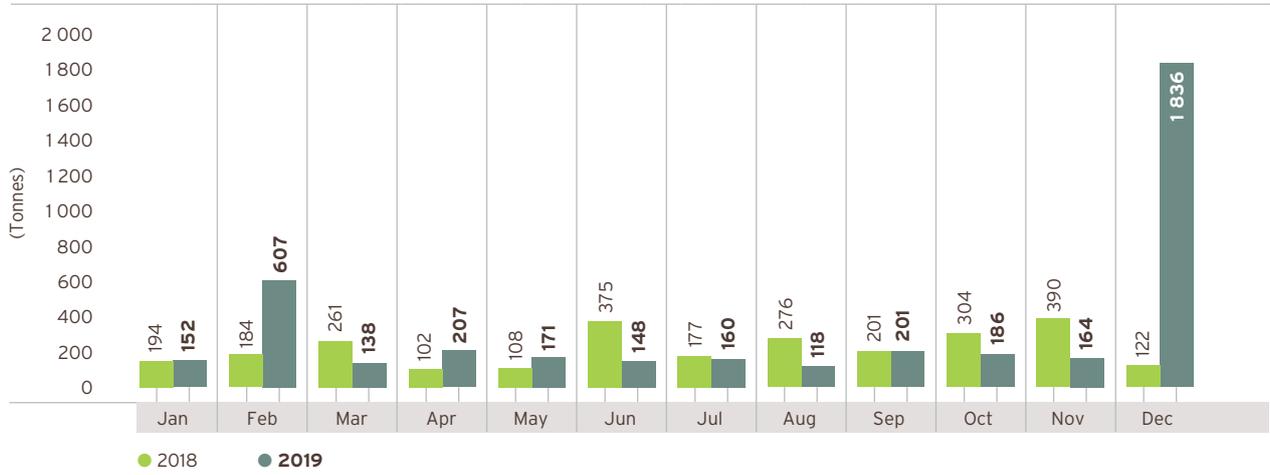
Exxaro is committed to diverting waste away from landfills towards reuse. The Grootegeeluk abatement plans for waste tyre stockpiles have been submitted as per requirements published by the Department of Environmental Affairs in September 2017.

The total weight of hazardous waste generated at our managed coal operations in 2019 increased by 34% to 4 090 tonnes (2018: 2 694 tonnes). Arnot contributed significantly (1 725 tonnes) in December 2019 to waste removed due to the clean-up operation, which required EnviroServ to remove silt from the pollution control dams for safe disposal to a registered hazardous landfill at Holfontein.

**2018 versus 2019 total waste volumes (tonnes)**



Hazardous waste sent to landfills



# Biodiversity

## We uphold our licence to operate through

- Biodiversity management plans, monitoring and reporting
- Ecological efficiency reporting
- Environmental research and authorisations

Exxaro is committed to environmental excellence, including the healthy co-existence of our operations and the natural environment. Projects in 2019 included an alien invader eradication programme, pan research, wetland rehabilitation and offset, and biodiversity relocation.

### Alien plant eradication

The purpose of monitoring, control and eradication of invasive alien plant species identified on Exxaro sites is to avoid the following:

- A decline in species diversity (biodiversity)
- Changes in fauna as indigenous birds, insects and other animals are not adapted to feed on or nest in alien plants and consequently leave the area
- Local or complete extinction of indigenous species (loss of genetic pool): pine, wattle and hakea trees have already caused total extinction of several fynbos species
- Ecological imbalance increases the risk of catastrophic events such as fire and flooding
- Lower productivity of rangeland when unpalatable or poisonous species are promoted by selective grazing, and lead to suffering or death of livestock as well as contamination and damage to the coats, feet and mouths of animals
- Soil erosion and consequent siltation of dams and rivers as invasive alien plants usually consume more water than the plants they replace (gum and wattle trees in catchment areas are often implicated in the drying up of rivers and the lowering of the water table)
- Natural soil becomes sandy and nitrogen-poor.

Exxaro is currently implementing alien management plans at Matla, Leeuwpán, Belfast and ECC. Grootegeeluk has developed a similar plan that will be implemented in 2020.

Our monitoring programme measures the success of control and eradication, and records the distribution of categories 1a, 1b, 2 and 3 listed invasive species on Exxaro sites.

### Pan research

Belfast is committed to environmental excellence as well as investment in environmental research, including independent scientific research of pans (depression wetlands) in close proximity to the operation. The Council for Scientific and Industrial Research has been appointed to determine the natural hydrological drivers and anthropogenic stressors of pans in the vicinity of the mine as part of continuous monitoring.

### Wetland rehabilitation

Exxaro has successfully rehabilitated the wetland on Arnot Mooifontein portion 5. The project, which began in September 2018 and was completed in June 2019, entailed re-establishment of the wetland and improvement of water quality in the system. It was undertaken by Ritluka Resources with supervision by GroundTruth.

Another wetland rehabilitation project is currently underway at Belfast where GroundTruth is providing ecological and engineering implementation support for the duration of rehabilitation activities on site.

The wetland rehabilitation plan is being implemented in two phases: the first focuses primarily on the Klein Komati River and proximal systems, and the second phase is in wetland systems closer to the edge of the Exxaro property boundary.

Wetland rehabilitation activities began in October 2019 and are due to be completed towards the end of 2020 or the beginning of 2021.

Grootegeeluk embarked on an offset study in 2019, including implementation and monitoring to reassess proposed offset areas. The second phase of the methodology for the proposed proof-of-concept study, aimed at determining the viability of recreating or relocating seasonal pans, also began in 2019. The outcomes of the study are expected to be implemented by mid-2020.

Leeuwpán has drafted an offset strategy as part of the Block OI project to be implemented in 2020.

A wetland offset strategy is planned for ECC as part of the Dorstfontein East expansion project due to be completed in 2020.

### Biodiversity relocation

Belfast has appointed GroundTruth to develop a biodiversity relocation strategy, and to implement the screening, relocation and monitoring of protected species. Four protected plant species will be relocated: *Brunsvigia radulosa*, *Dierama cf pauciflorum*, *Dierama sp* and *Watsonia cf pulchra*. Only one species of fauna is due to be relocated in 2020: the baboon spider (*Harpactira hamiltoni*).

Grootegeeluk received protected tree permits from the Department of Environment, Forestry and Fisheries in 2019 so that impacted protected trees could be removed from the site. The mine also purchased 200 trees for replanting.

# Environmental liabilities and rehabilitation

## We uphold our licence to operate through

- Mine closure and ongoing rehabilitation procedures
- Integrated mine closure plans
- Financial provision
- Closure objectives (management plans)
- Mine closure impact assessments
- Ongoing rehabilitation, monitoring and reporting
- Closure and ongoing efficiency reports

- Land management procedures
- Operational land management plan
- Land disposal strategy
- Land management efficiency reports

All business units review their financial provisions for mine closure and rehabilitation every year, and consider amendments to rehabilitation plans and closure objectives based on periodic environmental management programme performance assessments. The cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted where necessary. The provisions are audited twice a year by Exxaro's external auditors who visit sites and review documents.

In 2019, Exxaro appointed consultants to compile reports on financial provision for mine closure and rehabilitation in line with the regulation (GNR 1147) published in December 2015 and

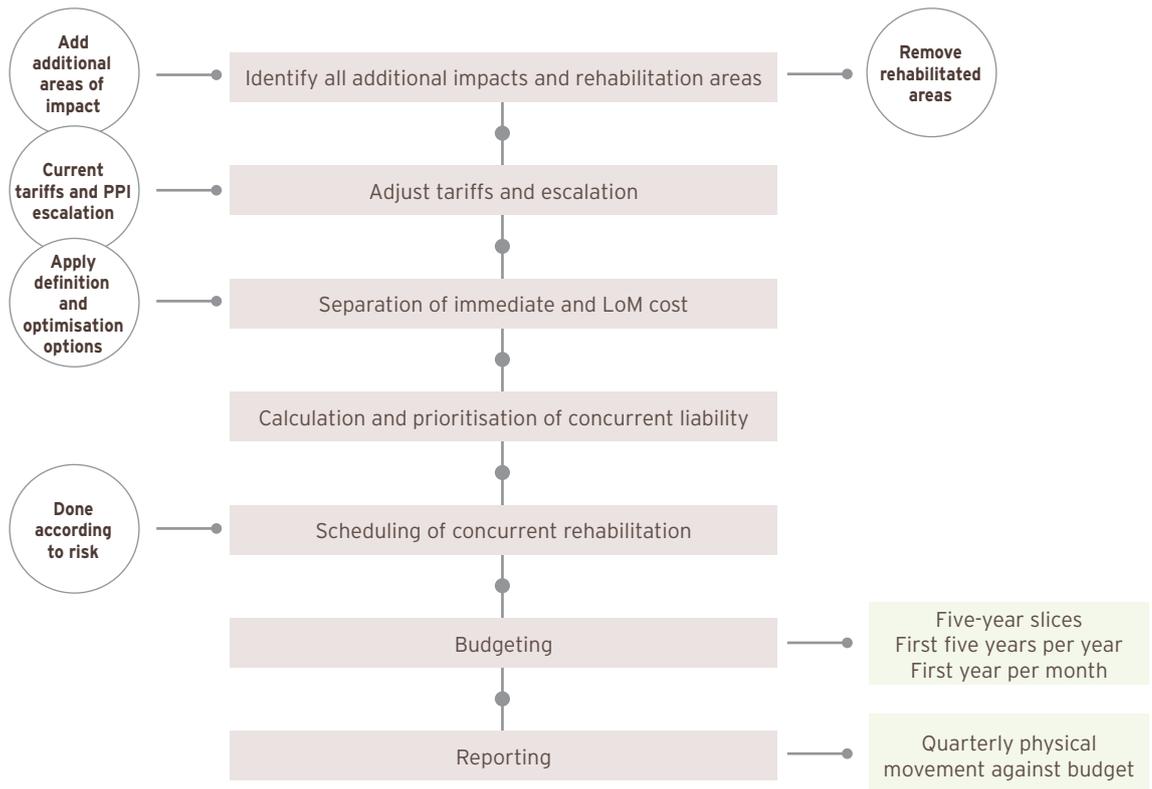
amended in September 2018 by the Department of Environmental Affairs, extending the transition period to February 2020.

### Concurrent rehabilitation plans

All business units have a five-year conceptual concurrent rehabilitation plan, schedule and associated budget in place:

- Setting measurable targets for each mine
- Avoiding backlogs and related liabilities
- Enabling managers to implement plans without cash flow constraints
- Including concurrent rehabilitation in operational tracking

## Annual process



## Environmental liabilities and rehabilitation continued

Land disturbed versus land rehabilitated (ha)	2019
<b>Total land disturbed</b>	10 325
<b>Total land rehabilitated</b>	2 277

Land disturbed versus land rehabilitated (ha)	Land disturbed	Land rehabilitated
Belfast	479	0
Grootegeeluk	3 677	0
Arnot	830	297
Matla	1 073	356
Leeuwpan	1 202	55.7
Strathrae	223	161
Tshikondeni	198	139
Hlobane	1 220	1 105
Durnacol	334	147
Forzando North	275	0
Forzando South	209	0
Dorstfontein East	544	17
Dorstfontein West	61	0
<b>Total</b>	10 325	2 277

### Liabilities

Exxaro is committed to effective and efficient rehabilitation beyond mere compliance. We believe it is a moral responsibility in the face of environmental liabilities, particularly concurrent rehabilitation within a changing regulatory landscape, inflation, a larger operating footprint and a backlog in rehabilitation against plans.

At 31 December 2019, total land disturbed was 10 325ha and total rehabilitated 2 277ha. The Exxaro Environmental Rehabilitation Fund (EERF) and ECC trust fund provide for a portion of these liabilities while additional bank guarantees provide for new developments and cover shortfalls in financial provisions.

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

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

Quarterly contributions to the trust are based on closure cost estimates at life of mine without considering any guarantees in place.

The trust funds earned R270 million in 2019, including cash contributions, interest on investments and fair value adjustments. The fund has recorded 15.1% growth from an opening balance of R1 782 million in January 2019 to R2 052 million in December 2019. In addition, the group had bank guarantees of R3 998 million in place at year end. Updating these provisions twice a year highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

### Estimated closure costs per mine

The quantum for environmental contributions is calculated, based on relevant legislation, by internal and external specialists. The Exxaro team includes members of our sustainability and finance departments with expertise and experience in environmental management. We also employ independent technical and financial specialists.

In 2019, the closure costs of all our operations were calculated as R9 536 million.

Mines as per annual financial statements at 31 December 2019	Department of Mineral Resources and Energy office	Estimated immediate closure cost (Rm)	Estimated residual liability (Rm)	Trust fund balance (Rm)	Guarantee (Rm)	Immediate shortfall to be covered over remaining life of mine (Rm)	Remaining life (years)
Grootegeeluk mine (including Reductants area)	Limpopo	3 332	393	500	1 226	2 000	38
Thabametsi	Limpopo	3	4	108	885	(987)	30
Paardeplaats	Mpumalanga				88	(88)	
Belfast	Mpumalanga	235	4		133	105	12
Leeuwpan MR 157 and 171	Mpumalanga	634	54	148	278	261	11
Dorstfontein East	Mpumalanga	870	39	251	239	396	14
Dorstfontein West	Mpumalanga	49	90	162			30
Forzando North	Mpumalanga	50	259	96	59	221	4
Forzando South	Mpumalanga	134	17	85			19
Tumelo	Mpumalanga	9	1	13	4	(6)	1
Operational mines		5 315	862	1 363	2 912	1 902	
Arnot	Mpumalanga	739	796	280	28	1 227	
Matla	Mpumalanga	533	602	85	972	78	19
Eskom-tied mines		1 272	1 398	365	1 000	1 306	
Durnacol	KwaZulu-Natal	254	16			270	
Hlobane	KwaZulu-Natal	129	90			219	
Tshikondeni	Limpopo	19	30	191	49	(190)	
Inyanda	Mpumalanga	5				5	
Strathrae	Mpumalanga	29	66	99		(4)	
Eerstelingsfontein	Mpumalanga				3	(3)	
Newcastle	KwaZulu-Natal	0	2			2	
Gravelotte	Limpopo	0			35	(35)	
Headquarters:							
Inactive sites		37	10	33		14	
Closed operations		474	214	323	87	278	
<b>Total Exxaro</b>		<b>7 061</b>	<b>2 475</b>	<b>2 052</b>	<b>3 998</b>	<b>3 486</b>	

### Mine closure

Exxaro had six operations in active closure in 2019: Arnot, Tshikondeni, Durnacol, Hlobane, Strathrae and Gravelotte. We understand that operational closure, concurrent rehabilitation and land management activities directly connect employees, communities, the environment, government and infrastructure.



## Environmental liabilities and rehabilitation continued

Our land management goals for 2019 included transferring 90% of post-mining land to emerging farmers in local communities by 2026 while creating strategic partnerships with farmers on the land to advance agri-economies in support of government's land redistribution policies.

### Closure planning process



### Integrated stages of mining and mine closure planning

Operational closure, concurrent rehabilitation and managing land where our operations are located is part of the operating philosophy and moral responsibility that drives us forward. We actively plan our operations with closure in mind and ensure we have adequate financial resources to meet our rehabilitation commitments.



We also strive to integrate land and liability management in day-to-day mine planning, aiming to minimise final closure costs for each operation and optimise final land use after closure.



### **Social closure principles**

The social aspects of mine closure are among the engineering and associated financial planning considerations, including elements such as:

- Equipping employees with portable skills to pursue alternative employment and participation in meaningful economic activity
- Developing and implementing a communication plan for employees
- Effective training of staff in their roles and responsibilities to implement and manage the mine closure plan
- Health and safety issues and potential employment opportunities for communities
- Socio-economic activities around the mine that must continue in its absence
- Assessments that identify the needs and expectations of all relevant stakeholders as well as socio-economic impacts
- Assisting members of host communities to acquire skills for commercial activities and to use infrastructure not needed by the mining operation
- Ensuring that communities have the opportunity to improve quality of life
- Aligning the closure process with community expectations so that the closure plan is in line with the requirements of the mine's SLP developed in terms of section 25 of the Mineral and Petroleum Resources Development Act
- Developing and implementing an engagement plan for all relevant stakeholders (community, government, NGOs and others)
- Assisting mine owners and operators to achieve liability-free closure within a reasonable time frame
- Committed management of effective implementation of the closure plan

## Social

### Highlights

- Fatality-free year and zero high potential incidents (HPIs)
- Sustainability Summit at Grootegeeluk
- Khetha Ukuphepha group-wide safety campaign
- Coal Safe Awards for Matla Mine 1 and Leeuwan mine for 40 fatality-free years
- Move to the conneXXion
- Health and wellness strategy approved
- Improved compliance training with multimedia-rich content
- Smart workforce programmes launched for future skills and competencies
- 372 employees trained in leadership and management programmes
- Silver Service Design Loerie award for MyNexxt employee upskilling platform
- Runner-up in South African Graduate Employers Association Employer awards
- Introduced digital interview guides at business units (paperless interviews and questionnaire preparation reduced from five hours to 20 minutes)
- Partnered with Biomimicry for Africa Foundation to produce online training programme for global audience (20 Exxaro graduates now biomimicry practitioners)
- Enterprise and supplier development initiatives improved B-BBEE enterprise and supplier development score by approximately 13%
- Disbursements of over R170 million to 31 enterprise and supplier development beneficiaries
- Absa Business Day Supplier Development Newcomer award
- Localisation and Enterprise and Supplier Development Recognition award at South Africa Investment Conference
- Small, medium and micro enterprise (SMME) ecosystem support study in Mpumalanga and Limpopo

### Lowlights

- Employee fatality in car accident near Leeuwan
- Section 54 issued by Department of Mineral Resources and Energy
- Poor response by employees to adult education/portable skills training
- Enterprise and supplier development committee revised loan terms of certain beneficiaries
- Delays in municipal approvals for infrastructure development

Our sustainability is founded on creative, mutually constructive relationships and values shared with our stakeholders. We are aware of the need to be responsible and accountable for our actions, and conduct our business activities with a view to support the development of society within our spheres of influence. We strive for operational efficiency, growth and regulatory compliance within a framework of responsible corporate citizenship.

### External economic, environmental and social standards

In consistently benchmarking our activities against global best practice, Exxaro endorses several voluntary external standards, charters and principles, including:

- UNGC (as a signatory)
- Sustainable Development Goals
- CDP carbon and water disclosures.

### Broader industry participation

As an active stakeholder in the mining industry, Exxaro participates in shaping appropriate policies for South Africa through many channels, including the Minerals Council and Business Leadership South Africa.

# Stakeholder review

Exxaro creates value in social and economic development through good corporate citizenship and stakeholder relationships, as well as alignment with the principles of the UNGC, employee relations, labour and employment matters, B-BBEE, equity, prevention of unfair discrimination, ethics, anti-bribery and anti-corruption, and many more human capital concerns

## Exxaro's stakeholder ecosystem

Exxaro's stakeholder ecosystem comprises a broad range of stakeholders.



# Stakeholder review continued

The nature and quality of relationships with key stakeholders are vital as value is not created by or within an organisation alone but through relationships with others. Engaging meaningfully with our stakeholders helps Exxaro to:



## Exxaro's approach to stakeholder management

Exxaro's approach to stakeholder management is informed by the AccountAbility 1000 stakeholder engagement standard as well as the key account management (KAM) model. Internally, it is referred to as the KAM approach to stakeholder management.

The stakeholder relationship maturity model refers to five stages of process and tool usage by an organisation in the management of stakeholder relationships. In the first, "ad hoc" stage, there is little use of process. At the "procedural" level, there is more consistent use of processes and greater use of tools. At the "relational" level, management recognises the usefulness of stakeholder management for competitor analysis and fully functional tools are applied. At the "integrated"

stage, there is full use of stakeholder management methods and tools and comprehensive reporting on stakeholder engagement and outcomes. At the final, "predictive" level, stakeholder management is used for health checks and predictive risk management.

The KAM value chain is based on the premise of continuously building and improving the quality of stakeholder relationships through proactive and intentional stakeholder engagement during the ordinary course of business and during crises or discourse. It is designed to ensure that relationships with stakeholders are purpose-driven and helps to move Exxaro along the maturity continuum towards predictive stakeholder risk management and proactive strategy management. We are thus able to meet overall stakeholder management objectives. The model has been rolled out at the business units and is currently being rolled out at head office.

## Overview of KAM approach stakeholder-management value chain





# People

An employee value proposition (EVP) is not simply the value offered to our employees, but includes the idea that this value is exchanged for the value our employees bring to Exxaro. It is the benefits and rewards offered to employees in return for their commitment, as well as the skills and capabilities they bring to the table.

## We support the business strategy through

- Our people strategy
- Diversity and inclusion
- Our employee value proposition

Our people strategy provides the foundation for Exxaro's approach to people and is founded on four strategic priorities:

- Focusing on the workforce of the future
- Creating sound people partnerships
- Ensuring employee engagement
- Supporting organisational transformation.

The four pillars are underpinned by a strong organisational commitment to sustain the values and behaviours of our new culture and thus enable our core purpose: to power better lives in Africa and beyond.

As the Exxaro growth strategy evolves, it is supported by embedding our organisational culture, which is the behaviour we expect from all employees. During 2019, we embarked on a rigorous implementation journey to ensure that our five culture themes and four associated values become a truly lived

experience for all employees. Adequate communication and change management relating to strategic issues are driven through the connext2NEXT platform, which supports positive employee engagement within Exxaro.



It is recognised that people are at the centre of Exxaro's success and it is critical that we harness value from the diversity of thinking emanating from our workforce.

The Exxaro diversity and inclusion strategy seeks to support Exxaro's employee value proposition, which is based on the co-creation of an innovative and agile work environment, which offers value-adding people solutions while affording employees a fulfilling work experience with growth and development. As the employee value proposition evolves with Exxaro's culture, the results of a baseline culture survey will be used to further refine its development.

Sustainable human resource governance at Exxaro is maintained through a comprehensive suite of policies that cover topics such as employment, labour relations, occupational health and safety, training and education.

We remain mindful of the safety and health of our employees, as well as the people who reside in our host communities. We tirelessly strive to achieve zero harm through collective responsibility, commitment and risk awareness.

We have adopted a phased approach to meeting the needs of our communities and employees, using learnings in each phase to accelerate the next.



## People continued

### Safety and health

#### We uphold our licence to operate through

- Safety strategy
- Health and wellness strategy

In line with Exxaro's zero harm vision, the group's approved safety strategy focused on achieving three key objectives in 2019:

- Zero fatalities
- Zero HPIs
- LTIFR of 0.12

To reach our goal, we review our LTIFR target annually, based on prior performance, and apply stringent management protocols, programmes and systems. The business unit management team investigates every LTI while all fatalities and HPIs are investigated by a skilled committee, headed by an independent chairperson. Findings are reported to the executive committee and the sustainability, risk and compliance committee, and escalated to the board. Each business unit tracks its adherence to standards and legislation through a safety improvement plan of self-assessments and corporate audits.

In risk-specific terms, the leading causes of injury remain trackless mobile machinery, fall of ground, energy and machine isolation, and lifting and material handling. While key risks differ by operation, our major challenges are vehicle incidents, energy and machinery isolation, as well as risk awareness and discipline at all levels. We concentrate on training-on-the-job to ensure sufficiently trained people are in the correct positions in our work areas.

Operating under the Mine Health and Safety Act, Exxaro has elected representatives on safety and health committees, from management and operator level, at all business units.

The group safety strategy was revised in 2017 and several focus areas were identified by leadership:

- Following the Global Minerals Industry Risk Management course for top and senior management two years ago, we implemented associated safety improvement plans
- Using visible felt leadership as a tool to increase management's presence in the workplace has improved communication with employees
- Safety communication, especially safety indabas at business units, as well as the Exxaro Group Safety Leadership Day
- Managing high-risk and non-routine tasks as well as working over weekends and holidays
- Using innovation and technology to improve safety.

#### Safety

In line with the approved Exxaro safety strategy, safety communication was identified to proactively manage safety risks and turn around Exxaro's safety performance. The strategy also affirmed the need to re-establish the Exxaro CEO Sustainability Summit.

In 2019, the CEO Sustainability Summit shared Exxaro's sustainability journey, particularly the importance of safety, with over 350 internal and external stakeholders in Lephalale. In addition to the CEO Sustainability Summit, safety indabas were held across the various business units with the aim of entrenching the safety conversation in the company culture every day. Our new safety campaign, Khetha Ukuphepha (choose to be safe) was also launched to communicate the fact that zero harm is possible, to achieve safety targets, and to set the company on track to reach the three-year and beyond fatality-free milestone.

The roll-out of the campaign has been mainly conducted through the various business unit safety indabas as well as the executive committee's group-wide Safety Leadership Day, which brought members of the executive committee together with safety specialists at all of our operations to drive the safety message and demonstrate leadership support.

In 2019, we heightened compliance audits through tier 1 audits. We conducted Ilima safety audits at Grootegeluk and Matla. The audits followed a two-pronged approach driven by two teams in two parts:

- Leadership engagement (top-down) focused on the implementation of safety processes by mine leadership
- Safety systems review (bottom-up) focused on technical aspects, practical use of safety tools and observation of safe work procedures by workers.

The audits identified areas that could be obstacles in achieving zero harm. Some of the emerging themes include limited practical knowledge of the Exxaro safety strategy and developmental gaps in line with management's safety leadership skills.

#### Safety performance in 2019:

- Zero fatalities: 33 months fatality-free
- Zero HPIs (2018: 0)
- LTIFR: 0.12 (target of 0.11 not achieved) (2018: 0.12) – 26 LTIs across group (2018: 23)
- Seven section 54 and four section 55 stoppages resolved amicably with Department of Mineral Resources and Energy
- Implemented internal management standard for stoppages and compliance instructions aligned with sections 54 and 55 of Mine Health and Safety Act and sections 29, 30 and 31 of Occupational Health and Safety Act, 1993 (Act 85 of 1993).

#### Health and wellness

The health and wellness strategy, approved by the executive committee and the board in November 2019, aims to achieve two main objectives:

- To shift our healthcare approach from curative and employer-driven to a preventative and employee-driven solution



- To align the health and wellness portfolios of the company for a holistic and integrated health and wellness management programme.

The strategy identifies occupational and non-occupational health risks affecting the company and their causes, our current health solutions to mitigate those risks, the impact of the risks on the business, and the best strategy to ensure Exxaro provides a conducive working environment for employees to feel empowered to manage and to safeguard their health.

For the strategy to deliver a comprehensive health solution to the people, there needs to be a seamless integration of health and wellness management with clearly defined employer and employee responsibilities.

The strategy rests on three pillars that will ensure an integrated approach in diagnosing, managing and preventing occupational and lifestyle diseases. Processes will be aligned throughout the business units to:

- **Diagnose:** Improve the medical surveillance programme by extending clinical tests conducted (heart disease and risk-based cancer screening) and ensuring all of Exxaro's employees receive a once-off DNA analysis assessment
- **Manage:** Improve healthcare management by ensuring that all employees with chronic conditions are part of a disease management programme
- **Prevent:** Improve preventative programmes through mandatory comprehensive wellness awareness programmes and healthy lifestyle coaching to be integrated with the certificate of fitness, and provide wearables to track and monitor health and fitness levels at all times.

Exxaro has begun advancing existing diagnostic programmes, and integrating health and wellness solutions available to employees. Wellness management will move beyond services currently offered (general and psycho-social counselling) to

include healthy lifestyle coaching such as physical and mind health management under one certificate of fitness awarded after routine tests.

**Occupational diseases**

Occupational diseases, understood as diseases contracted at work, can be categorised as communicable and non-communicable. Non-communicable diseases are not contagious and cannot be passed from one person to the other, including NIHL, COAD, silicosis, dermatitis, asbestosis and work-related limb disorders. Communicable diseases are contagious and can be passed from person to the other such as occupational TB.

Our occupational health programmes seek to prevent and mitigate related risks for all Exxaro employees (permanent and contractors). The programmes facilitate the analysis, monitoring and management of exposure, and provide preventative measures for a range of occupational health risks.

**Reported cases**

Reported cases are newly diagnosed and submitted to the authorities to confirm that they are work-related and eligible for compensation under related legislation.

In 2019, Exxaro reported 51 cases of occupational diseases (2018: 65), including 35 cases of occupational TB (2018: 42), 11 of NIHL (2018: 11), two of COAD (2018: 4), one of silicosis (2018: 0) and two of pneumoconiosis (2018: 8). The decrease in cases reflects an improvement in our occupational risk exposure profiles although we need to further reduce the incidence of occupational diseases.

**Accepted cases**

A total of 15 occupational disease cases (demonstrably work-related) were accepted for compensation in 2019 (2018: 12): 10 of TB (2018: 5), one of NIHL (2018: 0) and four of pneumoconiosis (2018: 7).

	2019	2018	2017	2016
NIHL	11	11	12	17
Pneumoconiosis	2	8	18	5
Silicosis	1	0	0	0
COAD	2	4	1	4
Occupational TB	35	42	26	26
Dermatitis	0	0	0	0
Asbestosis	0	0	0	0
Work-related upper limb disorders	0	0	0	0
<b>Total</b>	<b>51</b>	<b>65</b>	<b>57</b>	<b>52</b>

**Mining-sector targets for noise and silicosis**

We adhere to the mining-sector targets set in 2003 to eliminate silicosis and NIHL, as presented below.

Noise	Silicosis	Current status
<ul style="list-style-type: none"> <li>• Reduce NIHL to less than 10% per individual by 2008</li> <li>• Reduce noise from equipment to under 110dB(A) by 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• By December 2008, 95% of all exposure measurement results &lt;0.1mg/m<sup>3</sup> for respirable crystalline silica</li> <li>• Eliminate silicosis by 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• No cases of silicosis accepted for compensation</li> <li>• 11 cases of employees with hearing loss (including ECC) reported.</li> </ul>

We will continue to implement hearing conservation and dust control programmes to reduce the number of new occupational diseases, and thus continue to trend towards the 0% milestone target of the mining charter.

## People continued

### Safety and health continued

#### Non-occupational diseases

Non-occupational diseases, also referred to as lifestyle diseases, can be categorised as communicable and non-communicable. Lifestyle communicable diseases include cholera, malaria, typhoid, influenza, sexually transmitted infections and HIV/Aids. Non-communicable diseases refer mainly to diabetes, hypertension and cardiovascular ailments.

In a survey including the Exxaro group, in addition to HIV/Aids, diabetes, hypertension and heart disease were identified as the greatest health risks.

In 2019, medical surveillance identified 413 new diabetes cases (2018: 100), and 1 911 hypertensive employees and contractors (2018: 297).

The results of the survey have given the integration of our health and wellness programmes further impetus across our business units. In 2019, we also prioritised the alignment of health solutions across the business units, and integrated the prevention and control of chronic diseases into our workplace health programmes. Our initiatives were supported by case management and monitoring of individual progress in chronic disease management.

Awareness programmes continue to promote healthy living. We believe a concerted effort in this regard will help address the prevention and management of lifestyle diseases.

#### HIV/Aids and TB

In 2019, Exxaro employed 23 365 people (2018: 23 268) – 30% were full-time employees and 70% contractors. The prevalence of HIV/Aids across Exxaro, based only on tested full-time employees, is estimated at 24.7% in 2019 with 4 874 testing (2018: 9% with 3 840 testing), which is on par with the national rate of 20.8%. Shifting our healthcare solution to a preventative solution is therefore important so that employees are empowered to understand the importance of their health and wellbeing. Between 2014 and 2017, with appropriate education, counselling and support, 90% of our full-time employees voluntarily tested and 494 sought treatment.

We recorded a marginal increase in the number of employees and contractors enrolled in the HIV/Aids programme to 5 342 in 2019 (2018: 4 475) with 494 employees (2018: 675) and 4 848 contractors (2018: 3 800) on antiretroviral treatment (ART).

HIV/Aids awareness*	2019	2018	2017
Attended information session	30 403	18 657	16 788
Tested	12 679	9 492	3 512
% tested	54	77	0
Employees testing positive	578	356	188
Enrolled at December (cumulative)	5 342	4 475	350
On antiretroviral treatment	5 124	3 167	4 547

\* Includes contractors

#### TB and non-communicable diseases

In 2019, Exxaro reported an increase in TB cases, attributable to our health centres intensifying testing regimes, which resulted in earlier detection and treatment.

We are partnering with the Department of Health in managing TB, HIV/Aids and non-communicable diseases, including hypertension and diabetes.

In collaboration with the Department of Health through a public-private partnership, our health centres will act as facilities to monitor and manage employees and contractors who have been diagnosed with TB, HIV/Aids and non-communicable diseases, including hypertension and diabetes. The centres will also be used as collection points for medication distributed by the department's centralised chronic medicines dispensing and distribution programme. We thus plan to reduce the burden on clinic staff in terms of daily consultation numbers, and benefit our employees and contractors by reducing the need to travel to off-site clinics. Exxaro has successfully implemented this partnership in Lephalale, which has been identified as an area with a high TB prevalence.

On 24 March 2019, we hosted World TB Day with the Mine Health and Safety Council under the theme "end TB" at Matla in Mpumalanga. Services offered on the day included HIV counselling and testing, TB screening, blood pressure and blood sugar tests, medical male circumcision awareness and psychosocial counselling.

Efforts to ensure early diagnosis, prevention and management of lifestyle diseases would not be effective without Exxaro's employee communication. In addition to focusing on risk and prevention, we also provide rehabilitation and return-to-work programmes. We promote a healthy workforce through integrated health and wellness programmes, working in partnership with the Department of Health in terms of a memorandum of understanding.

Our approach is to embed our healthcare operating model, reduce health risks, provide access to healthcare, and educate, inform and empower employees to take responsibility for their wellbeing.

#### Employee wellness

Exxaro's employee assistance programme ensures that any of our people facing difficulties have access to an external counselling service as preventative measures help employees manage personal concerns and assists management in minimising productivity issues. Employees use the programme for personal and professional counselling, including:

- Psychosocial
- Legal
- Financial
- Emotional difficulties
- Family matters
- Work-related challenges
- Dependency on substances.

Our health and wellness strategy ensures that these programmes are part of mandatory comprehensive wellness awareness programmes with healthy lifestyle coaching integrated into the issuance of certificates of fitness across the



group. Other preventative initiatives include the development of a wellness tracking platform for employees and employer including wearables, vaccines, supplements and prophylaxes, and improvement of fitness programmes at all sites with access to gyms, sporting facilities and clubs, as well as closer collaboration with community health support programmes such as the programme driven by Exxaro in Emakhazeni (Belfast), Mpumalanga.

## Talent management

Our well-defined talent management strategies include strategic workforce planning, learning and development as well as strategic sourcing so that Exxaro is able to ensure a healthy pipeline of talent. Talent-planning initiatives are geared to provide a steady supply of competent individuals for specialist and leadership positions, and aim to balance internal placements with external sourcing, thereby maintaining the balance between internal succession and achieving transformational targets.

Talent management includes initiatives that focus on building leadership, management and technical competencies as well as broadening knowledge through a powerful learning journey. Programmes include leadership training, formal studies, mentoring, coaching, internships, learnerships, skills development, adult education and training and short courses. Development opportunities are available to all permanent employees at every level of the organisation. Exxaro also provides training to community members (in line with SLP commitments) including unemployed youth within our professional and technical pipelines.

Exxaro's current talent strategies mainly provide career and development opportunities designed to meet current business needs. The strategies are evolving to include learning opportunities that will grow new capabilities that support our digital and growth strategy.

We keep abreast of changes in our operating environment in order to secure the skills and capabilities the business may need in the future, especially for the fourth industrial revolution. We also recognise the value of intergenerational

training and development to ensure that the experience of established employees is passed on to younger employees through coaching and mentoring programmes.

To meet our skills requirements, we invest in existing and potential future employees as well as the communities that provide labour for our operations. At present, 99% of Exxaro's labour is sourced in South Africa. Our bursar, graduate, learnership and skills development initiatives are geared to empower local communities to compete for positions.

## Human resource development

Human resource development initiatives aim to reduce the shortage of skills within the mining industry, which is particularly challenging in South Africa. Exxaro's learning strategies are designed to accelerate the development of technical skills and leadership competence among employees, focusing on the development of black people, women and people living with disabilities. At the same time, we thus comply with training targets and goals prescribed by legislation. Further than compliance, learning programmes optimise individual potential, empower employees to grow and contribute, and nurture local talent within our stakeholder communities.

We invest an appropriate amount of annual salaries and wages in developing our people. In 2019, we spent R298 million on training and development or 6.52% of payroll (2018: 6.3% or R260 million), including:

- R103 million on job-related operation and technical training at business units, including operator training and mobile equipment licences (162 043 training interventions were completed using our e-learning platform)
- R78 million on bursaries, professionals in training, internships, learnerships and skills programmes to secure our talent pipeline (viewed from the perspective of outcomes, we examine key areas across the skills value chain to ensure the right skills are available at the right time) with over half of talent pipeline spend on artisan and miner learnership development
- R14 million on developing targeted employees through management programmes, leadership roles, postgraduate studies and support functions

Human resource development (Rm)	2019	2018	2017
Total training	298	260	224
Total training as % of total payroll	6.52	6.3	5.1
Black people training	219	211	185
Black people trained as % of total payroll	4.81	Only historically disadvantaged South Africans measured	Only historically disadvantaged South Africans measured

## People continued

### Talent management continued

#### Bursary and graduate programmes

Exxaro awards bursaries to school leavers from our communities to pursue careers in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, mining and civil), mine surveying, geology, electronics and computer science. Our bursaries cover fees for registration, tuition, books and residence, as well as meal and cash allowances. In 2019, we supported 39 bursars (2018: 59) studying at South African institutions at a cost of R3.7 million (2018: R4.5 million) – 82% black South Africans (2018: 75%) including 28% black women (2018: 25%).

Graduate bursars are our main source of talent, making up 70% of our pipeline, with 30% sourced externally.

Our three-year professionals-in-training (PIT) programme blends academic theory with hands-on experience in the workplace. Each graduate is paired with a technical mentor who supervises exposure to various operations as well as technical, leadership and management training. After 36 months, trainees who meet the requirements for accreditation are guided to become professional engineers.

In 2019, there were 74 professionals in training (2018: 75) at an annual cost of R34 million (2018: R29.3 million) – 72% were black people (2018: 67%) including 31% black women (2018: 29%). Of the 18 participants completing the programme in 2019, Exxaro placed 16 or just over 89% (2018: 73%) throughout the company. The remaining applications have been retained for placement as and when vacancies open.

#### Learnerships and skills programmes

Exxaro offers sponsored learnerships, mainly in engineering and mining disciplines at the acclaimed Grovos training centre in Lephalale and the Colliery Training College in eMalahleni, Mpumalanga. Learnership needs are determined through a comprehensive needs analysis that incorporates the business strategy, skills gap analysis, employee career progression, SLP commitments and employment equity targets. In 2019, 91% of learners in the pipeline were black people including 32% black women.

Exxaro's feeder schemes provide sponsored formal practical training in core skills, including operation and maintenance of plant and mobile equipment. Workplace training is conducted at Grootegeluk and Matla by service providers accredited by the Quality Council for Trades and Occupations. Exxaro pays for the training as well as a monthly allowance given to participants for the duration of the learnership.

Feeder schemes in 2019	Number in training	Black people	Black women
Engineering learners	494	422	127
Miner learners	31	31	12
Operator learners	275	262	88
Internships	141	140	64
Business administration learners	23	23	18

#### Adult education and training

Functional literacy is vital for our industry as safety training and communication is often written. As more than 90% of our workforce has a qualification of NQF level 1 and above, written communication is more effective, particularly on safety matters. For employees who are not functionally literate, classroom training is provided, under the guidance of a qualified instructor, with instruction in mother tongue.

Employees with qualifications below NQF level 1 are given the opportunity to become functionally literate through adult education and training (AET) programmes. Employees are encouraged to complete AET training in their own time although options for full-time study are available in numeracy and literacy as well as AET level 1.

We have accredited AET training centres at Grootegeluk (in partnership with an external service provider) and Matla. At the other Exxaro business units, accredited external service providers are sourced.

Although we strongly encourage employees to attend AET programmes at all operations, enrolments have declined gradually over the years. In 2019, we invested R1.4 million in AET compared to R1.7 million in 2018. In 2019, 19 employees and 49 community members were enrolled in AET programmes. In 2018, a total of 52 employees and community members enrolled in AET programmes. Since inception, more than 1 300 employees have passed one or more AET levels.

#### Leadership development

Developing future leaders is a critical pillar of our talent management strategy. Accordingly, we provide supervisory and leadership development from junior management to executive level. In addition, Exxaro provides full sponsorship for part-time undergraduate and postgraduate studies so that employees can attend courses and seminars as well as conferences locally and internationally. In instances where studies are not sponsored, Exxaro offers study loans for approved programmes.

In 2019, we trained 59 employees in basic management (2018: 100), 116 in first-line management (2018: 70) and 24 (2018: 26) in middle management. In addition, 48 employees (2018: 75) completed leadership programmes at first line, middle and senior management levels. Leadership programmes are customised to include Exxaro's culture and values-based philosophy with programmes incorporating the principles of self-awareness, mindfulness and systems thinking,

#### Mentorship and coaching programmes

In the interests of leadership development, Exxaro offers mentorship, coaching and fast-tracking programmes for employees aspiring for leadership positions. In 2019, seven employees (2018: 24) were placed in executive coaching programmes and 42 in mentorship programmes (2018: 34). Another 60 employees were identified to participate in the fast-tracking programme. Development plans for fast tracking high potential employees will be finalised in 2020.

Exxaro considers leadership development a powerful tool to grow the business, to enable change and transformation, and to foster a value-driven culture.

## Employee engagement

We foster a culture of adaptability to the ever-changing world around us, encouraging our employees to be willing to learn and improve in everything they do.

As we strive towards achieving our 2026 strategy, we continue to embrace opportunities that could lead us towards success. Our values and culture, which speak to the foundation of Exxaro and define us as employees, are embedded in our strategy.

Our connect2NEXT programme is a vehicle for communicating major shifts within Exxaro as we strive to achieve our strategy. Our focus is on building capacity for change, communication, alignment and integration while modifying behaviour and aligning our values through the following culture themes:



Responsible	Ownership	Diverse	Open and connected	Adaptable
Make Exxaro a positive place to be	Success lies with each of us	Our potential is in our differences	Working together will bring out the best in us all	We cannot move forward by standing still
Acting ethically, with accountability and against misconduct, while treating others with dignity, fosters a safe and healthy work environment.	Contributing to performance and innovation every day, building together, we can drive Exxaro to new heights.	Harnessing our unique individual skills and opinions enables us to achieve exceptional outcomes.	Achieving organisational excellence in an open and evolving ecosystem requires collaboration and teamwork.	Succeeding in the ever-changing world around us requires agility and willingness to learn and improve.

Our culture themes reflect behaviours expected of our employees every day – the simplest embodiment of our values. During 2019, by approaching our values with an innovative outlook, we integrated and activated five desired culture themes throughout the business.

Highlights of the connect2NEXT implementation process in 2019 included:

- **Culture:** We refreshed Exxaro's timeless values and developed culture themes to create awareness and communicate the desired behaviours. The process of embedding the new culture and supporting new ways of working in a practical and integrated way began with a clear roll out throughout the organisation.
- **Workplace:** We delivered and adopted new ways of working to shape our new culture, including a move to the conneXXion in July as a physical manifestation of our strategy. Employees were also empowered through various communication sessions to ensure a smooth transition into the new environment. Guidelines were shared and people were prepared with change enablement before the move.
- **Digital@Exxaro:** We introduced various digital technology solutions such as Signing Hub, integrated analytics, Microsoft Teams, ServiceNow, among others, to enable the organisation to work faster, collaboratively and efficiently.
- **Smart workforce:** To ensure that Exxaro's workforce is fit for the advancing digital economy, we introduced smart workforce training programmes to upskill and reskill people in digital technologies, design thinking and analytics at the conneXXion and business units.

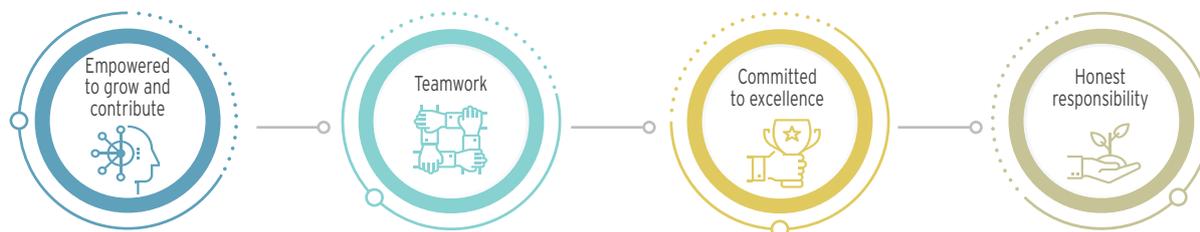
- **Partnering via ecosystems:** We worked to improve socio-economic conditions across all regions in Mpumalanga and Limpopo by collaborating in various partnerships with external stakeholders. Our efforts to uplift communities included the construction of houses, crèches and community halls as well as small business development. We focused firmly on youth and bridging the unemployment gap (➕ details on pages 51, 61 and 63).
- **Organisational excellence:** We upheld continuous improvement as a value-adding mechanism that benefits the entire organisation and our stakeholders. The focus was on enhancing integration, collaboration and driving efficient processes with various business stakeholders to solve bottlenecks and to effectively use tools and principles such as Lean, Agile and Startup Way methodologies.

Our values and empowered culture are at the core of our organisation and define us as employees in the way we work, interact, behave and respond to issues that arise. Furthermore, they filter into the work we do to better society. The themes have been broadcast to all business units, which will also roll out specific customised plans. Every employee is expected to demonstrate these values.

As our strategy evolves, our way of working needs to change to achieve our goals. Our connect2NEXT concept will power the change that we want to see, and it will guide Exxaro on the journey towards new ways of thinking and operating.

## People continued

### Employee engagement continued



We are also developing an employee engagement survey, which will be rolled out in the first quarter of 2020, to provide a baseline for our organisational culture, as well as the broader employee value proposition, which encompasses everything the company is doing to attract and retain talent.

### Employee-management relations

Collaboration and constructive engagement remains the cornerstone of our approach to organised labour. Our relationship with all our trade unions is based on the values of trust and integrity so that all our engagement structures function well as a vital conduit for managing issues. In addition, our employee relations strategy provides an effective framework for proactively maintaining a healthy workplace climate.

Our policies and procedures are aligned with sound labour relations practices and developed within the framework of relevant labour legislation. Our employee relations environment caters for the management of individual and collective employee issues.

In total, 5 087 of our employees (2018: 4 882) are represented by affiliated unions recognised by Exxaro subsidiaries, mainly the National Union of Mineworkers (NUM), Solidarity, Association of Mineworkers and Construction Union (AMCU), UASA (formerly United Association of South Africa), Food and Allied Workers Union (FAWU) and the National Union of Metalworkers of South Africa (NUMSA).

Union	Number of employees
AMCU	362
FAWU	44
NUMSA	48
NUM	4 094
Solidarity	470
UASA	69
<b>Total</b>	<b>5 087</b>

We concentrate on maintaining sound relations with employees in bargaining units by engaging with their representative trade unions where applicable, based on a pluralist approach to trade union recognition through formal agreements. Negotiations for wages and conditions of employment are conducted through company forums.

Our multi-year wage agreements for Exxaro Coal, Exxaro Coal Mpumalanga and Ferroland Grondtrust, concluded in 2017, are valid until June 2020. We will begin substantive negotiations towards the end of April 2020. In 2019, FerroAlloys concluded a two-year agreement with NUMSA, which is valid until June 2020.

Our disciplinary codes are based on the principle of fairness, as required by labour law, and our supervisors have the skills to implement the codes. Various skills workshops and training are conducted continuously with employee relations managers and line leaders, confirming the commitment of all parties to building solid relationships. We seek to broaden our employee relations capacity building processes to include an understanding of recognition agreements and their purpose, particularly in light of new recognition agreements concluded by Exxaro Coal Mpumalanga.

### Share ownership

In terms of the interim cash scheme, equivalent in value to a dividend payment, introduced by our remuneration and nomination committee in 2017, a qualifying employee in service on all two payment dates received a total of R9 264 in 2019 (2018: R10 925).

The base calculation used to determine the dividend payment is equal to 500 units (one unit representing one share) or less (depending on the employee's length of service).

Dividend payments in 2019	Number of active participants	Number of units	Payment before tax (R)	Payment (R)
June	6 235	2 890 900	16 044 495	12 835 596
November (including special dividend)	6 267	2 865 660	50 464 273	40 371 418

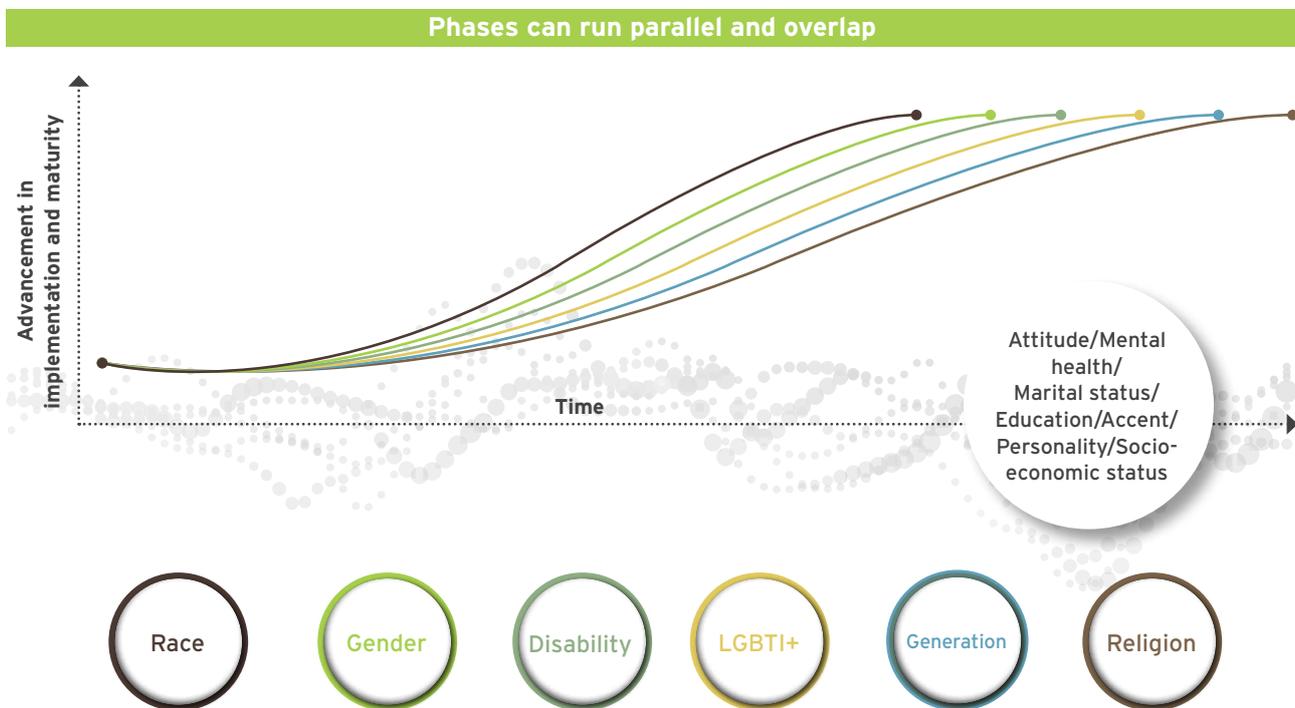
A new employee share ownership plan trust and scheme were developed for qualifying employees in 2019 and will be implemented in 2020. It is similar to the interim scheme and beneficiaries will benefit from dividend payments only for the duration of employment.

### Diversity and inclusion

As Exxaro continues on its transformation journey, we have developed and adopted a diversity and inclusion strategy as a key imperative for the business to derive value from the diverse talent and thinking we have at our disposal. The diversity and inclusion strategy is also a crucial enabler of the Exxaro growth strategy in that harnessing diversity is viewed at a competitive differentiator for the business.

The diversity and inclusion strategy is supported by a policy highlighting Exxaro's commitment to creating a diverse and inclusive work environment, and commitment to eradicating any forms of unfair discrimination in policies and practices. The journey towards greater diversity and inclusion is based on a phased approach, including organisational maturity and the achievement of key milestones, as highlighted in the diagram below.

#### Diversity and inclusion road map



Employment equity and skills development remain at the cornerstone of our commitment to meeting our transformation objectives through implementing appropriate affirmative action measures and human resource development. The transformation processes are also supported by continuous diversity and inclusion programmes as well as culture engagement at our business units and corporate office.

# People continued

## Diversity and inclusion continued

### Employment equity

Exxaro continues to make steady progress in its employment equity targets with detailed EE plans for each business unit, developed in consultation with employees and unions. Our affirmative-action measures are aligned to achieve these targets and focus on attracting, developing and retaining people from historically disadvantaged backgrounds.

Exxaro has achieved its employment equity targets for the past five years. Our targets for 2019 to 2022 have been set and are in line with the new mining charter promulgated in September 2018.

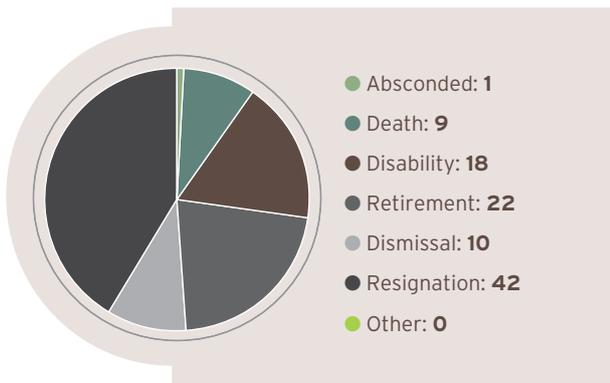
Our annual report on employment equity, as submitted to the Department of Labour, is illustrated below.

Management category	Male		Female		Total		% HDP* target	% HDP*	Number
	% black male	Number	% black female	Number	% black	Number			
Top management	33.33	1	33.33	1	66.67	2	50	67	2
Senior management	36.46	35	9.38	9	45.83	44	60	50	48
Middle management	35.54	231	20.46	133	56.00	364	60	68.77	447
Junior management	50.16	1 227	18.27	447	68.44	1 674	70	75.02	1 835
People with disabilities	0.8	12	0	0	12.00	0.8	0	0.80	12

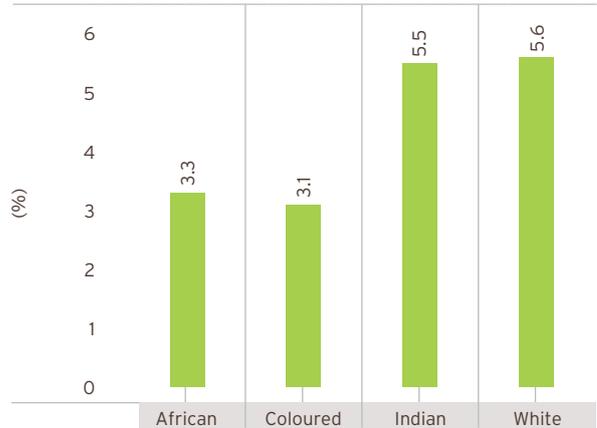
\* Historically disadvantaged people.

The Department of Mineral Resources and Energy disability target is 1.5% for the entire workforce.

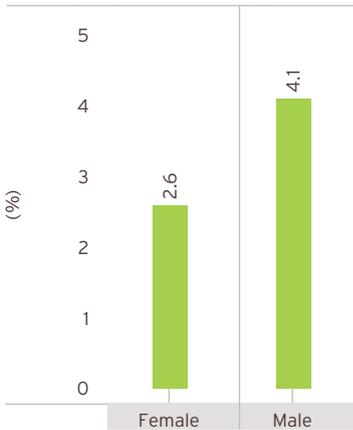
Reasons for terminations (%)



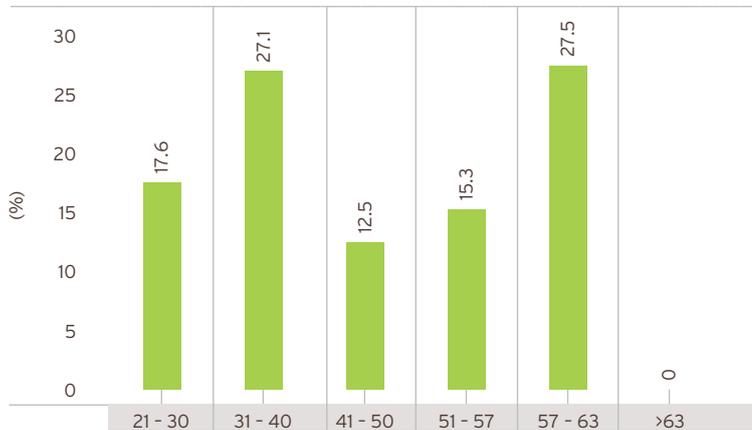
Ethnic group turnover



Gender turnover



Turnover per age group





Our staff complement was 6 812 in 2019 (2018: 6 648) with 81.5% employees (2018: 82%) in bargaining units and 18.5% (2018: 18%) in the management and specialist category.

Region	Bargaining unit				Total	Management and specialist				Total
	Male	% of work-force	Female	% of work-force		Male	% of work-force	Female	% of work-force	
Foreign	38	0.56	1	0.01	39	5	0.07	1	0.01	6
Gauteng	61	0.9	13	0.19	74	254	3.73	216	3.17	470
KwaZulu-Natal	35	0.51	15	0.22	50	2	0.03	1	0.01	3
Limpopo	2 406	35.32	642	9.42	3 048	377	5.53	98	1.44	475
Mpumalanga	1 874	27.51	468	6.87	2 342	213	3.13	92	1.35	305
<b>Total</b>	<b>4 414</b>	<b>64.8</b>	<b>1 139</b>	<b>16.72</b>	<b>5 553</b>	<b>851</b>	<b>12.49</b>	<b>408</b>	<b>5.99</b>	<b>1 259</b>

For 2019, Exxaro's average employee turnover rate was 3.8% (2018: 5.1%) due to death, resignation and dismissal. The turnover rate by employee group is shown below:

Breakdown of turnover by level	Terminations: January to December 2019	
	Number	% of workforce
Middle management	31	0.46
Junior management/skilled	98	1.44
Semi-skilled	108	1.59
Unskilled	18	0.26
<b>Total</b>	<b>255</b>	<b>3.74</b>

## Eliminating discrimination and resolving grievances

Our diversity and inclusion strategy signifies that Exxaro remains fully committed to the concept and practice of equal opportunity, irrespective of race, religion, gender, health status, sexual orientation or nationality. We believe that our potential is in our differences. We therefore embrace the diversity of our strengths and individual skills to enable exceptional outcomes and promote a culture of inclusivity across the group. We are guided by our values which, among others, prescribe behaviour that celebrates the power of diversity. Discrimination is not acceptable on any grounds, and managers and supervisors are continuously trained to appropriately apply disciplinary measures should the need arise.

In the review period, no cases of alleged discrimination or grievances were filed.

## Human rights

Exxaro complies with labour legislation in South Africa and International Labour Organisation guidelines. As a signatory to the UNGC, we encourage freedom of association and collective bargaining, and do not tolerate child labour and forced or compulsory labour.

The group's compliance with legislation and international conventions was audited by our internal auditors and confirmed in the prior period.

Our induction programmes educate employees about human rights. Policies on discrimination, harassment and racism are in place, as well as structures to protect employees' human rights in the workplace. Security personnel are fully trained in human rights aspects relevant to each operation. Refresher courses also cover human rights issues.

We are about to finalise a policy on gender equality. The policy aims to align Exxaro with the equality clause, as set out in chapter 2 of the South African Constitution, as well as the National Gender Policy Framework adopted by Parliament in 2000. It also seeks to align the practices and function of Exxaro with the UN convention on the elimination of all forms of discrimination adopted by the South African government in 1995.

Our employees have a right to freedom of association with six unions recognised as a collective bargaining agent of employees within the Exxaro group. Out of 6 812 employees, 5 087 are unionised, which is 75% of the workforce.

Exxaro encourages open and honest communication among employees, and between employees and supervisors. In our contracts of employment, employees are advised of their rights to lodge a grievance if they are dissatisfied.

Newly appointed employees are made aware, during induction, that Exxaro stands against discrimination. We are all equal at Exxaro and we must be respectful towards everyone, regardless of differences.

## People continued

### Women in mining



Exxaro continues to prioritise and empower female employees, who make up 22% of our workforce (2018: 22%). We aim to grow this talent pipeline through our professionals-in-training programme, which is 43% female (2018: 40%), 33% of bursaries are awarded to women studying full-time in engineering and mining disciplines at universities in 2019 (36% in 2018) and 35% of our learnership and internship feeder schemes comprises women.

We strive to uphold diversity and our brand is recognised as a leader in gender empowerment.

To achieve a more equitable gender balance, and develop relevant initiatives that align with our diversity and inclusion strategy, we first sought to understand the main barriers women face in the mining industry. It is against this backdrop that our strategy focuses on different methodologies to upskill and retain historically disadvantaged people and employment equity candidates with focus on women. The following initiatives are underway:

- Fast-tracking programmes and executive mentorship programmes
- Gender mainstreaming and sexual harassment awareness at all levels

- Encouraging and mentoring young women and girls in our communities to plan their careers and acquire skills to become independent and empowered
- Adoption of Exxaro's group gender policy.

Concerted efforts by companies to create an environment in which all employees are comfortable and proud to work has increased the number of women in the mining industry significantly since 2004. As we celebrate their growing influence, we must also recognise women's further aspirations for growth and education.

### Housing

In line with our mining charter obligations and our business needs, we address home ownership under our long-term housing strategy.

Since introducing a mortgage repayment subsidy for first-time home buyers who are permanent employees in 2009 – a period marked with an unprecedented scarcity of bank mortgage finance – a total of 625 employees have benefited (2018: 387).

The first-time home ownership capital assistance programme has proven to be a key enabler of home ownership among our employees. Our R125 000 capital assistance allows employees to reduce their mortgages significantly and improves affordability. To date, this has helped 845 employees in specific salary grades to become home owners.

As part of our housing strategy, Exxaro has converted all its hostels into single-quarter accommodation or family units, improving quality of life for over 920 employees.

While our housing policy focuses on home ownership, bargaining unit employees receive a housing or living-out allowance. In 2019, the housing allowance was paid to 1 652 employees (2018: 1 461) with a registered bond and the living-out allowance to 3 683 renting accommodation (2018: 3 727).

### Case study: the conneXXion

In the spirit of transformation, we looked at our workplace, as well as the way we work, to best achieve our business objectives.

Our Pretoria West office in the city of Tshwane is a symbol of our inception but, as we were evolving, we needed space that advanced our goals and reflected the essence of our organisation.

With our purpose, culture and strategic ambitions in mind, the conneXXion was born as our new head office in Centurion. The building has been designed for independent and interactive activity-based modes of working, advancing productivity and holistic wellbeing.



The open-plan design and intuitive technology encourage collaboration and knowledge sharing across all disciplines, stimulating inwardly led transformation, and attracting and retaining the best talent. It also reflects our culture of honesty, transparency, trust, empowerment, accountability, inclusivity and collaboration. The multi-functioning space promotes greener business practice, ergonomics, healthy food choices and greater ease of movement. Beyond creating a better connection with nature, it also promotes social experiences and thus unites us across our fields of expertise.

The conneXXion, awarded a five-star green rating by the Green Building Council of South Africa, honours sustainable practices and Exxaro's environmental commitment. The design incorporates many environmentally sustainable initiatives such as zoned lighting, waste management, energy efficient building services and systems, water efficient fixtures such as rainwater harvesting for use in toilets and landscape irrigation, and water-wise landscaping, as well as abundant fresh air and low-VOC interior finishes to ensure suitable indoor air quality.

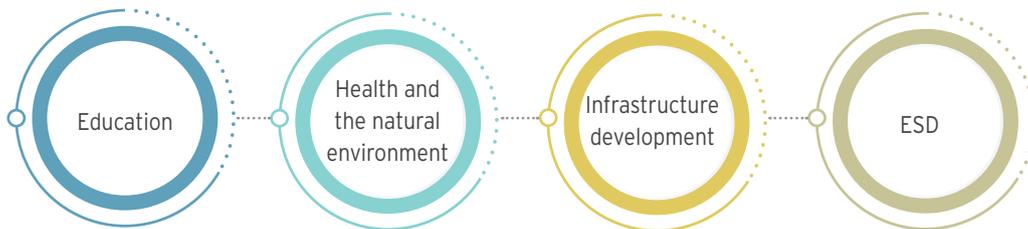


# Communities

Exxaro plays a significant role in South Africa as an employer, offering direct and indirect jobs, skills development, as well as enterprise and supplier development opportunities. Our socio-economic development strategy, including our approach to education, and enterprise and supplier development, is aligned with our vision to have a positive impact on society. We also consider the long-term perspectives of government strategies such as the 2030 National Development Plan, as well as integrated development plans of the local municipalities where we operate.

Exxaro remains committed to investing in initiatives that build sustainable communities. We do this through collaboration and partnerships, proactive engagements, cultivating a deeper understanding of societal needs, as well as better application of best practices in corporate citizenship. To ensure measurable benefits, our social return on investment methodology evaluates the impact of the initiatives implemented in the communities surrounding our operations.

We focus on the following socio-economic development areas to enhance value creation and self-empowerment for our communities:



## Education

Our Exxaro people development initiative governs and oversees education and skills development programmes that benefit our employees and communities in the areas around our operations. We developed this initiative to align with the national education strategy, outlined in the National Development Plan, which states that early childhood development (ECD) is critical to ensure that children reach their full potential.

In 2019, Exxaro spent a total of R28.23 million on education initiatives, including sponsorship of university research chairs, academic programmes and infrastructure development for basic education.

We collaborated with Seriti and Eskom to rebuild Bonginhlanhla Primary School in Thubelihle, eMalahleni. Seriti began the first phase of building construction in 2018 and completed it in 2019. Exxaro spent R7.4 million on the second phase, which included the construction, a block of three classrooms, a laboratory, a library and a computer centre. The project produced a social return on investment of 5.1.



In Tshikondeni, we spent R1.2 million on equipping three ECD centres with learner and teacher support material. Exxaro built the ECDs in 2018 for the benefit of 151 children.

Exxaro also supported seven schools with academic programmes at a cost of R3 million for 882 grade 11 and grade 12 learners who achieved an average 75% matric pass rate.

## Health and the natural environment

Prevailing socio-economic conditions and challenges expose disadvantaged communities to the risk of food shortages, inadequate access to energy, potable water and proper sanitation, making them particularly vulnerable to illness. By collaborating with other businesses, specialists and government, Exxaro leverages its business capabilities, applying appropriate technologies, to address the challenges faced by these communities.

Exxaro contributed R5.03 million towards the establishment of new healthcare units at Baragwanath and Tygerberg hospitals. We also supported people living with acquired brain injuries.

## Infrastructure development

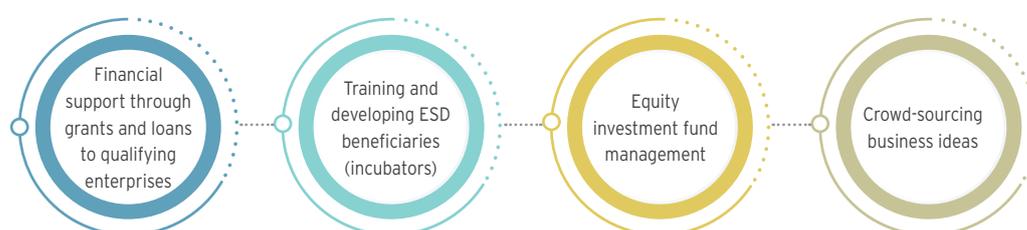
As prioritised in the integrated development plans of local municipalities to improve living conditions and social inclusion, Exxaro is committed to providing access to opportunities, and promoting individual and community involvement, through infrastructure development. To this end, local enterprises are contracted, and local people are employed and trained.

In 2019, Exxaro completed the upgrading of three residential roads from gravel to tar in Siyathuthuka (Belfast) for the Emakhazeni Local Municipality at a cost of R5.6 million in 2019, and created 118 jobs during the project.

Our Grootegeluk mine began the refurbishment of a water pipeline in 2019 to ease the pressure on ageing water infrastructure due to rapid growth in the surrounding area. Bulk potable water was supplied to the Marapong residential area by Eskom's Matimba power station, in terms of an agreement between the Lephalale municipality and Eskom, until the agreement lapsed. Water is currently supplied in terms of an extended year-to-year agreement between the parties. The supply pipeline infrastructure, servicing businesses and the community in and around Marapong, is inadequate.

Exxaro has committed to partner with the Lephalale municipality and the Department of Water and Sanitation to upgrade the pipeline.

Exxaro will implement the first phase of the project, which includes the refurbishment and conversion of the existing Department of Water and Sanitation-owned 10km pipeline from the Zeeland water-treatment works to the Matimba raw water distribution chambers and potable water pipeline. The total budget for this project is R58 million and Exxaro spent R2.52 million in 2019.



The value proposition of our enterprise and supplier development strategy articulates the programme beneficiaries, and prioritises implementation through our existing processes and procedures with the following solutions:

- Delivery channels
- Levers (supply chain management policy, supply chain sustainability policy and supplier code of conduct)
- Capabilities support and finance (grants, loans and early payments).

In 2019, 30 enterprises were granted loans and grant funding totalling R170.7 million. The following entrepreneurs were able to grow their businesses and create sustainable employment:

- Roclin Transport acquired a fleet to improve coal logistics capabilities
- Thabure has accelerated the roll-out of 16 telecommunication sites in Limpopo
- MB Resources will save R6.8 million over 48 months in asset purchases
- Seed Technical Services gained a majority shareholding in a business that provides rock drilling and boring equipment
- ZFGI Conglomerate increased poultry production and reduced costs by producing briquettes from waste to heat chicken coops.

Our financial support also includes restructuring loan payment terms for beneficiaries who are not able to honour their obligations due to, among other challenges, industrial action, inclement weather and project scope changes.

## Enterprise and supplier development

At Exxaro, we embrace and prioritise enterprise and supplier development as we strive to be a positive force for social change and economic empowerment. Through enterprise and supplier development, we aim to lead economic transformation by supporting black-owned, black women-owned and black youth-owned small businesses that will create jobs in our host communities, transform the supply chain and support Exxaro's growth aspirations.

Our enterprise and supplier development strategy intends to develop entrepreneurs and suppliers across priority investment areas, underpinned by the following four pillars:

The enterprise and supplier development centres in Delmas and Belfast began operating in 2019 while we continued to establish others, and provide non-financial support, including mentoring and coaching, to our communities. The enterprise and supplier development centre in Kriel, close to our Matla operations, is scheduled to open in March 2020 and another at Grootegeluk towards the end of 2020.

Over the past four years, Exxaro has spent over R20 million on SLP-related enterprise and supplier development initiatives (Delmas: R5.2 million, Belfast: R5.5 million, Grootegeluk R7.8 million and Matla R1.8 million). A total of 61 SMMEs are beneficiaries in the incubation process.

Our rural entrepreneurship development programme in Belfast and Lephalale has benefited 77 small enterprises (Belfast: 24 and Lephalale: 53) over the past two years.

During Global Entrepreneurship Week in November 2019, we sponsored the 67CEOs Foundation's local community SMME development programme on advancing market access in eMalahleni, Lephalale and Centurion. The 67CEOs Foundation hosts free entrepreneurship workshops for newly established businesses in partnership with CEOs and experienced entrepreneurs. In August 2019, the Ebonoko Foundation introduced female entrepreneurs in eMalahleni and Lephalale to opportunities presented by the fourth industrial revolution.

In the coming financial year, we plan to improve business development services for communities at the enterprise and supplier development centres.

### Investment per focus area

	Rm
Social infrastructure	11.89
Education (includes skills development)	28.23
Enterprise and supplier development (including agriculture)	15.94
Sport	0.81
Governance	0.17
Health and welfare	5.03
<b>Total</b>	<b>62.07</b>

## Communities continued

### Case study: Siza Labs

A R4.7 million interest-free loan from Exxaro's enterprise and supplier development programme has enabled Siza Coal Services Proprietary Limited, trading as Siza Labs, to decrease borrowing costs and thus improve profitability.



Founded in 2003 by Alexander (Alex) Masondo, the company employs 215 people full-time in its ISO 17025-accredited testing laboratories, which specialise in the analysis of coal, minerals, ore, soil and water.

Two commercial laboratories are located at Kinross and Middelburg, Mpumalanga, and another 10 are on-site facilities at various mining operations.

Significant achievements over the years include establishment of the first world-class accredited water testing laboratory in Middelburg, as well as multi-testing laboratories in Botswana and Zimbabwe.

Siza Labs is also a recipient of an inaugural Exxaro Supplier Excellence Award.



### Case study: Adonai Kitchen & Catering

Keagile Trading Enterprise cc, trading as Adonai Kitchen & Catering, has used R500 000 grant funding from Exxaro's enterprise and supplier development programme for working capital, and to purchase a delivery vehicle and catering equipment.



Exxaro has also provided coaching and mentoring in management, safety and hygiene.

Established by Ruth Mothapo, the company operates a restaurant at Exxaro's Grootegeluk mine in Lephalale, Limpopo, in terms of a three-year contract, and supplies other companies.

With 19 full-time employees, Adonai is now able to diversify its revenue streams to include the Overwacht Business Centre in Lephalale. Ruth has also applied for certification by the Food & Beverages Manufacturing Sector Education and Training Authority to provide training in food management and catering as well as hazard analysis and critical control points.



### Case study: Flashing Lites Photography

With development funding of R1.5 million from Exxaro's enterprise and supplier development programme, Flashing Lites Photography Proprietary Limited has purchased equipment to improve the company's capacity and service quality.



Established in 2015 by Hleku Maluleke, a professional mechanical engineer, who developed a keen interest in photography as a university student, the company produces photography, corporate films, animation and live streaming, among other audiovisual services, for various organisations.

Inspired to grow, Hleku has formed an advisory council of five industry experts who meet regularly to help him review the company's performance and chart a sustainable way forward. Flashing Lites plans to relaunch as a boutique brand communications agency in 2020.



**Contractor support**

<b>Project team demobilisation workshops</b>	As three projects near completion of construction and commissioning, team members are assisted by Exxaro with demobilisation workshops.
<b>Project internship programme</b>	An on-the-job training programme started in 2019 to create opportunities for an initial intake of 14 interns.
<b>CV database at Grootegeluk supports contractor recruitment process</b>	To ensure transparency, Samketsi (an independent service provider) is developing a recruitment database of candidates in Lephalale for the Grootegeluk complex and any other local companies.
<b>Organisational human factor benchmark</b>	The Afriforte organisational human factor benchmark assessment was extended to labour brokers and project teams in 2019. It measures people’s working conditions in the interests of employee safety, health and wellbeing.
<b>Local procurement: Leeuwpan relocation action plan</b>	Five construction packages were created so that local contractors could participate in the construction phase. All labour and materials have to be procured locally with an established contractor supervising work, including on-the-job training.

**Case study: YD<sup>x</sup>**

We believe that equipping the youth of our country with the skills they need to understand and use rapidly evolving technologies is critical. To this end, in partnership with the South African Digital Content Organisation, we are involved in the Youth Exponential Development (YD<sup>x</sup>) programme, which invites people aged 18 to 35, with interests in computers and technology, as well as a desire to start businesses, to learn about the fourth industrial revolution and digitalisation.

Exxaro has set aside R40 million to upskill 400 youth in our communities by exposing them to technology and innovation.

The applicants are drawn from eMalahleni, Victor Khanye, Emakhazeni, Steve Tshwete and Govan Mbeki in Mpumalanga, and Lephalale and Tshikondeni in Limpopo.

The programme has created co-operatives, that are taking advantage of networking and business opportunities.

“Our community projects address current socio-economic challenges and offer a solution beyond life of mine so that our communities become independent and sustainable,” says Tebogo Leepile, Exxaro’s community development manager.



**Supply chain sustainability strategy**

Exxaro’s supply chain sustainability strategy sets out to leverage procurement spend and thus meet our broad range of stakeholder expectations. The strategy commits Exxaro to ethically procure goods and services from historically disadvantaged SMME suppliers within our host communities.

Our ethical procurement programme also ensures that we source goods and services from companies that uphold our supplier code of conduct. We launched our supplier excellence programme in 2019 to acknowledge suppliers who demonstrate commitment in this regard.

Our employees also participate in an anti-corruption and anti-bribery programme, launched in November 2018, to understand best practice and associated risks, particularly fraud and corruption, bribery and conflicts of interest.

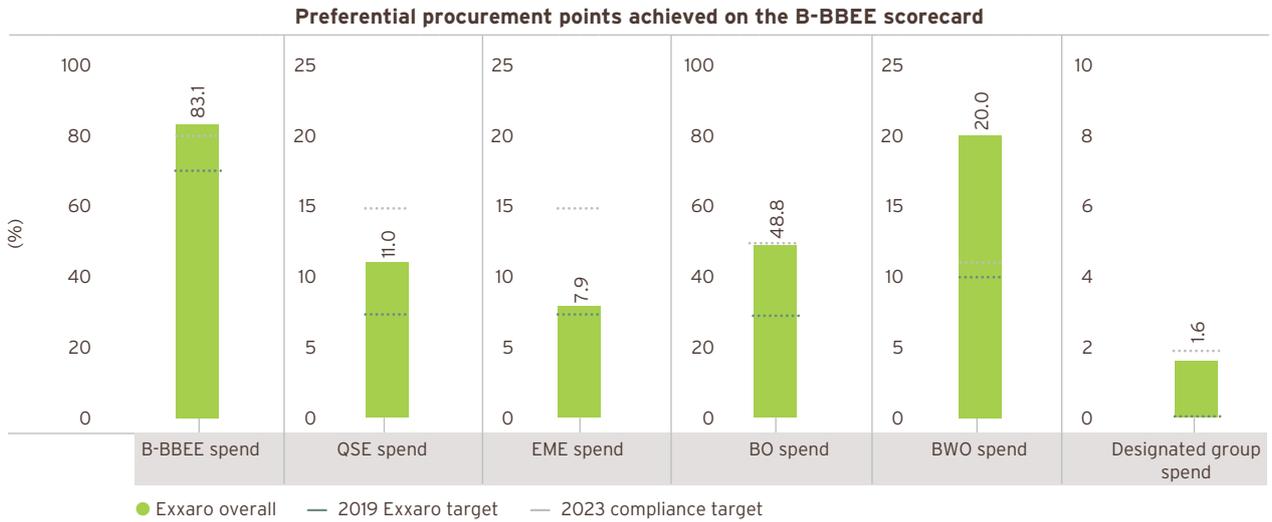
In addition, our green procurement programme ensures that sourcing, use and disposal of our goods and services adheres to world-class material stewardship standards. We plan to increase our investment in this programme.

# Communities continued

Our preferential procurement spend complies with the provisions of the B-BBEE codes (refer to graph below).

## B-BBEE preferential procurement performance in 2019

All of our business units are on track to be fully compliant with the revised Mining Charter by 2023 with particular focus on exempt micro-enterprises (EMEs), qualifying small enterprises (QSEs) and designated group-owned entities



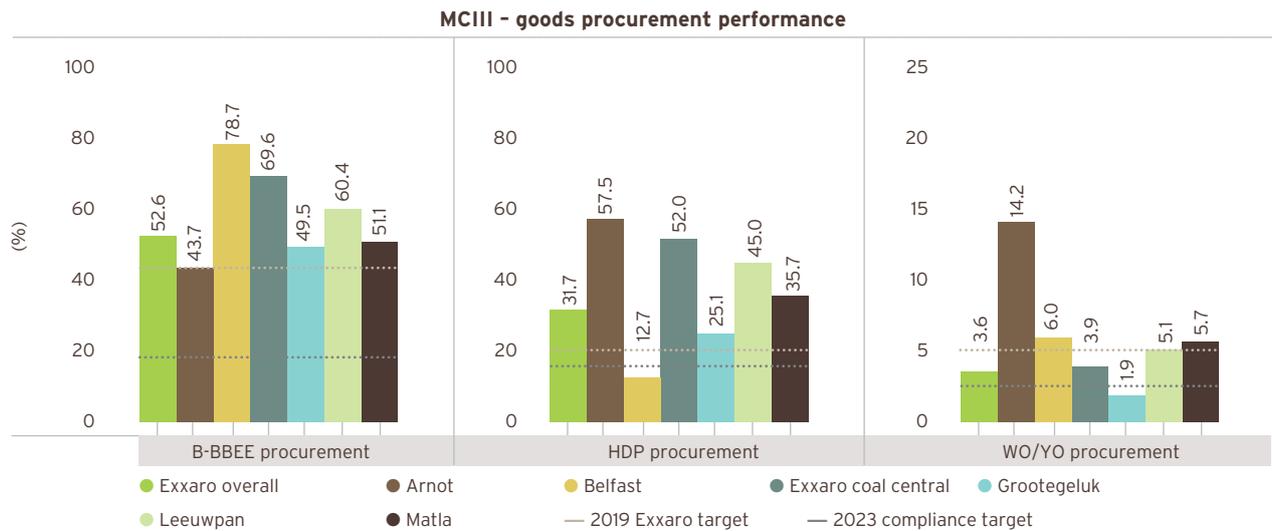
EME: Procurement from exempt micro-enterprises (entities with less than R10 million annual turnover).  
 QSE: Procurement from qualifying small enterprise (entities with R10 million to R50 million annual turnover).  
 BO: Procurement from suppliers that are at least 51% black owned.  
 BWO: Procurement from suppliers that are at least 30% black women owned.  
 DG: Procurement from suppliers that are at least 51% designated group owned (entities owned by black youth, black military veterans, black disabled people and black people living in rural areas).

## Mining Charter III compliance: Goods procurement

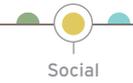
All business units have met B-BBEE procurement targets for 2019 although attention is needed at Grootegeluk to meet 2023 targets.

Historically disadvantaged individual (HDI) procurement of goods is on track to meet 2023 targets except at Belfast where it will have to be prioritised as the mine scales up.

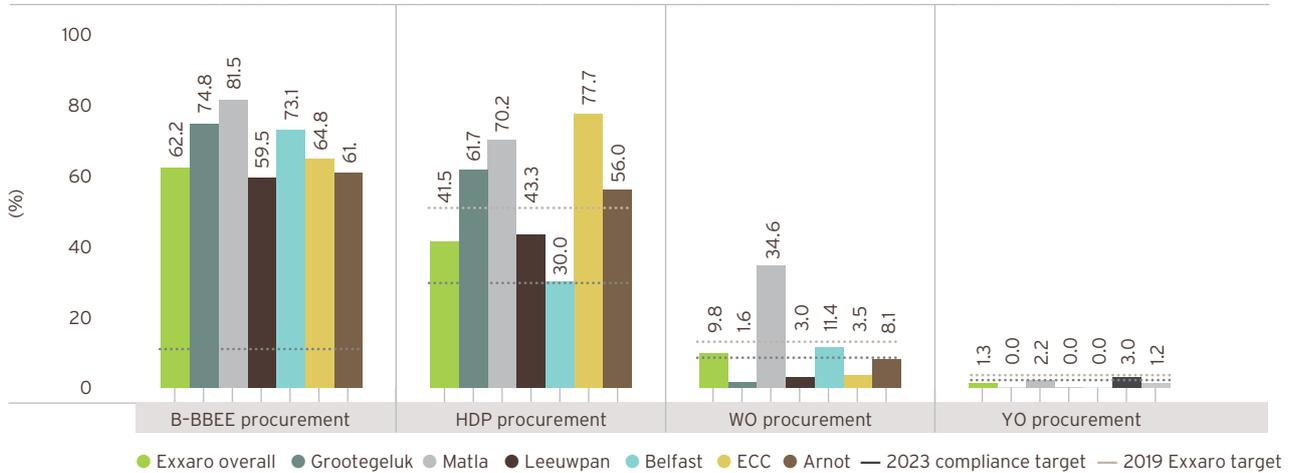
Women-owned (WO) and youth-owned (YO) procurement requires attention at Grootegeluk and ECC to meet 2023 targets.



HDP: Procurement from entities in which historically disadvantaged persons have majority ownership.  
 WO: Procurement from entities in which women have majority ownership.  
 YO: Procurement from entities in which youth have majority ownership.  
 B-BBEE spend: Procurement from entities that are more than 25% black-owned and at least level 4 in terms of the B-BBEE scorecard.



MCIII - services procurement performance



**Mining Charter III compliance: Services procurement**

B-BBEE procurement of services exceeds compliance targets across the business although HDI procurement of services requires attention at Grootegeluk and ECC. Attention to WO procurement of services is required at all business units, particularly Leeuwpán and ECC, to meet the 2023 target. YO services procurement is below target at all business units.

**Responding to community challenges**

It is critically important that we respond appropriately to challenges experienced by our host communities in order to uphold our social licence to operate and thus meaningfully address the concerns of people who reside in areas adjacent to our operations. Our goal is to have a positive impact on their lives and to leave a lasting legacy.

In 2019, Exxaro experienced 4.5 days of production stoppages due to community unrest compared to 22 in 2018.

During 2019, Exxaro continued to experience community protests at all business units. Incidents included protests at Grootegeluk by the Lephalale (Ellisras) local taxi association and former employees of Group Five with damage to the medical and induction centre in Marapong. At ECC, several protests occurred around the provision of opportunities to employees, farm workers who felt that they were not adequately represented by community forums, demands for business opportunities and complaints from neighbouring communities on the negative impacts of mining operations.

The local political landscape was particularly unstable in the second quarter of the year due to the national general elections on 8 May 2019. Government engagements in the first half of the year therefore focused on political party stakeholders to gain insight into policy thinking.

A highlight in 2019 was the 80% reduction in the number of production stoppages related to community protests at our operations. We attribute this to improved responsiveness to stakeholder needs and the number of engagements by our

business unit and head office stakeholder affairs teams with key local, provincial and national stakeholders, as well as the activities of the social facilitators appointed at all operations, and our local procurement strategy. The social facilitator’s role is to facilitate engagements and alignment between the mine, contractors and communities on recruitment, training and preferential procurement. The positive impact of social facilitators is particularly evident at Grootegeluk and Matla. At Grootegeluk, the partnership resulted in 17 engagements with municipal and local forums linked to the major political parties in the second quarter, which enabled the recruitment process around the finalisation of the Grootegeluk plant 6 (GG6) expansion project, following termination of the Group Five contract, to proceed with minimal disruption. Matla did not experience any community protests that were seen as major disruptions at other mines in the eMalahleni municipality.

In April, an alignment meeting between the acting municipal manager, Grootegeluk stakeholder affairs manager and Exxaro’s manager: community development resulted in the establishment of a working group to address key concerns. In June, the new general manager at Grootegeluk was welcomed by the Lephalale Local Municipality Council, and Ga-Seleka and Shongoane traditional leaders, who pledged their support. Grootegeluk is committed to re-establishing a stakeholder engagement forum to continue the dialogue and feedback on social initiatives.

Exxaro also met with the Municipal Infrastructure Support Agency (MISA) to understand how Exxaro could leverage MISA to fast track and widen our impact. As a way forward, it was agreed that MISA and Exxaro would further explore a pilot project to capacitate a municipality so that it could self-manage water rehabilitation. MISA is strategically positioned to assist Exxaro in unlocking opportunities at local level.

In June, the first of Matla’s biannual stakeholder engagement forum meetings was conducted to provide an update on business plans, SLP project progress, challenges and sustainability issues impacting on the future of Matla.

## Communities continued

At ECC, scheduled community engagements include stakeholder forum meetings and engagements with the eMalahleni, Steve Tshwete and Govan Mbeki municipalities about SLP projects and role clarification.

Belfast has established a monthly stakeholder engagement forum consisting of all community structures, each represented by two members, which must share information with community members outside the forum. Belfast has also engaged with surrounding farming communities on issues ranging from employment and procurement opportunities to dust suppression and skills development. A transitional engagement and crisis prevention plan has been developed to ensure a smooth transition from project to operations.

Exxaro has also secured a partnership with Brand South Africa, as custodians of promoting a positive narrative about South Africa within the country and the rest of the world, to disseminate information about our nation-building initiatives.

After implementing our enterprise and supplier development strategy, identified as areas of weakness in terms of the Department of Trade and Industry codes of good practice scorecard, we achieved level 2 B-BBEE contributor status.

Benefits for recipients of financial support (from Gauteng, Limpopo, North West Province, KwaZulu-Natal and Mpumalanga) include an increase in their asset base, refinancing assets at more affordable rates to ease cash flow, and an improvement in business operations. We expect these businesses to increase their turnover and employ more people in the medium term.

Our SLPs are five-year community investment programmes with annual initiatives for co-investing with local government and other social partners. In 2019, we focused on agriculture, education, enterprise and supplier development, infrastructure and skills development in the two provinces, Limpopo and Mpumalanga, where we operate, and achieved the following:

- Grootegeluk, Leeuwpán, Matla and ECC presented academic enrichment programmes at a total cost of R6.2 million
- We equipped ECD centres in Tshikondeni
- ECC completed the Kriel community hall
- The Belfast skills development project trained 54 surface machine operators
- Road upgrades in Siyathuthuka near Belfast empowered local contractors and created 118 jobs.

### Community benefit scheme

In 2019, we appointed a service provider to assist with designing an operational model for a community trust. A framework has been designed to ensure an effective and efficient transaction process in terms of the governance structure for the implementation of identified projects and their financing.

As part of Exxaro's replacement BEE transaction, in 2019, the new employee ownership plan and community benefit scheme were concluded for implementation in 2020.

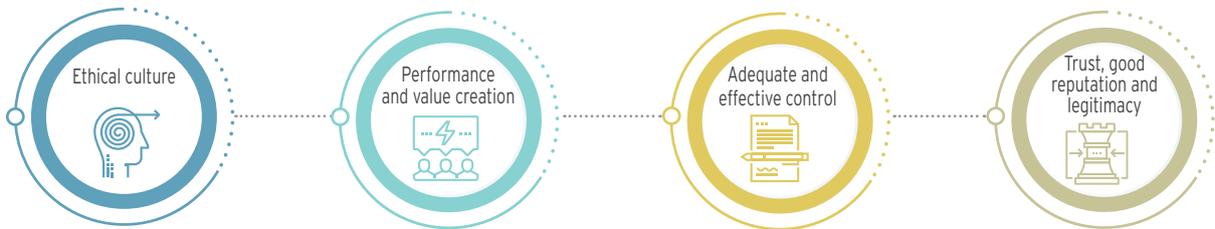
A 5% shareholding in Eyesizwe RF will be transferred to each of the schemes through a combination of free and vendor-funded shares.

The employee share ownership plan is similar to the interim scheme and beneficiaries will benefit from dividend payments for the duration of employment.

# Governance

## Corporate governance report

As the focal point and custodian of corporate governance in the group, the board of directors of Exxaro Resources Limited (the board) is fully committed to the 16 principles of good corporate governance as set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV™), and regard it as fundamentally important to create value through the application of good principles and governance outcomes through its own ethical and effective leadership, which are:



# Governance

Our detailed assessment of compliance to King IV™ is set out in the table below:

## King IV™ compliance

### Governance outcomes Status evaluation

	Number	Principles	Applicable policies and processes
<b>Ethical culture</b> 	1.1	The governing body should set the tone and lead ethically and effectively.	<ol style="list-style-type: none"> <li>1. Board charter (reviewed in 2019, addition of a board code of conduct in fourth quarter of 2019)</li> <li>2. Social and ethics committee terms of reference (reviewed in 2019 and first quarter of 2020)</li> <li>3. Appointment of directors after assessment of skills and competence as well as thorough background checks by remuneration and nomination committee</li> <li>4. Group-wide roll out of anti-bribery and corruption (ABAC programme)</li> <li>5. Group-wide roll out of the conflict of interest policy and system</li> </ol>
		The governing body should ensure that the organisation is a responsible corporate citizen.	<ol style="list-style-type: none"> <li>1. Sustainability KPIs are ranked equally with financial KPIs to track the achievement of strategic objectives</li> <li>2. KPIs are monitored quarterly by the board and respective board committees</li> <li>3. Sustainability KPIs include environmental, social, compliance and human capital</li> <li>4. The growth strategy of Exxaro includes social impact investments to ensure an equitable society is created</li> <li>5. A climate position statement has been formalised to articulate our aspiration of a Just Energy Transition</li> </ol>
<b>Performance and value creation</b> 	2.1	The governing body should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements.	<ol style="list-style-type: none"> <li>1. Strategy is reviewed and approved annually by the board</li> <li>2. Sustainability KPIs are reviewed and approved annually by the board</li> <li>3. Strategic deep dive is conducted every two years</li> <li>4. Strategic risks are assessed annually</li> <li>5. KPIs are linked to all materials issues and risk thresholds are attached to every KPI</li> <li>6. The performance against every KPI is tracked quarterly</li> <li>7. Enterprise risk management framework and risk appetite approved by the board</li> <li>8. Impact of external and internal events are monitored for effect on the strategic risk profile</li> </ol>
		The governing body should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.	<ol style="list-style-type: none"> <li>1. The integrated report is based on “integrated reporting” that happens throughout the year</li> <li>2. The integrated report sets out the strategic objectives, the business model, the material issues that impacts the business, the risks that prevents the organisation from achieving its objectives</li> <li>3. The sustainability, risk and compliance committee oversees the integrated reporting process</li> <li>4. Material issues are assessed annually and financial materiality is reviewed by the audit committee</li> <li>5. The integrity of the integrated report is reviewed by the audit committee</li> <li>6. The integrated report and the annual financial statements are approved by the board annually</li> </ol>

**Governance  
outcomes  
Status  
evaluation**

**Adequate  
and effective  
control**



**Number**

**Principles**

**Applicable policies and processes**

3.1

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

1. Corporate governance remains the accountability of the board as a whole
2. King IV™ gap analysis conducted internally in 2019
3. King IV™ internal audit review conducted in 2019, with no material findings
4. Governance is a standing agenda item at every board meeting
5. Corporate governance is entrenched throughout the organisation in all levels of decision making
6. Board charter reviewed annually
7. Board governance sessions are conducted twice a year and are mandatory for directors and executive management
8. Subsidiary directors receive formal training on an annual basis
9. ESG forms part of the executive management STIs and LTIs

The governing body should ensure, in its composition, a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.

1. The remuneration and nomination committee ensures that the composition of the board has the appropriate level of skills, experience, diversity and independence
2. Remuneration and nomination committee terms of reference reviewed in 2017 and again in 2019
3. An approved skills and experience matrix facilitates the appointment of directors
4. Race and gender targets are approved by the board
5. A formal appointment letter is given to the director on appointment
6. A declaration of outside interest is made on appointment and reviewed annually, and declarations are also made before any meetings commence
7. A lead independent director is appointed by the board
8. A formal division exists between the duties of the CEO and the chair as per the board charter
9. Board charter was reviewed in 2017 and again in 2018

The governing body should consider creating additional governing structures to assist with balancing power and effective discharge of responsibilities without abdicating accountability.

1. The board has delegated certain powers to the following committees: audit; social and ethics; sustainability, risk and compliance; remuneration and nomination; and investment
2. All board committees have formally approved terms of reference reviewed in 2017 and 2019
3. The composition of board committees is assessed annually
4. The composition of committees complies with the Companies Act, memorandum of incorporation, King IV™ and the terms of reference of every committee

The governing body should ensure that the appointment of and delegation to competent executive management contributes to an effective arrangement through which authority and responsibilities are exercised.

1. A clear division of power between the CEO and the chair as per the approved board charter
2. The performance of the executive is monitored by the board
3. Formal terms of reference exist for the executive committee
4. Delegation of authority is approved by the board and reviewed at least annually
5. The company secretary is appointed by the board
6. The performance of the company secretary is assessed annually

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members supports continuous improvement in its performance and effectiveness.

1. A thorough independent assessment was conducted in 2019 through questionnaires and one-on-one interviews
2. A formal assessment is conducted by the chair
3. A formal implementation plan to address potential short comings is overseen by the chair

## Governance continued

### Governance outcomes Status evaluation

#### Adequate and effective control

continued



3.1

The governing body should govern risk and opportunity in a way that supports the organisation in defining core purpose, and to set and achieve strategic objectives.

#### Applicable policies and processes

1. The enterprise risk management framework is approved by the board and periodically reviewed
2. Strategy, risk, risk appetite and performance are linked via the strategic performance dashboard
3. Independent assurance of the risk management process is conducted annually

The governing body should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.

1. IT governance is formally delegated by the audit committee to the IM steering committee
2. The IM steering committee has formal terms of reference and its scope includes review of IT strategy in support of the overall business, review of IT risks, IT audit findings and IT compliance
3. The IM steering committee reports quarterly to the audit committee

The governing body should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards.

1. The compliance policy is formally approved by the board
2. The compliance process is fully integrated with the risk process
3. Compliance awareness of high legal risks is conducted annually
4. The compliance process is independently assured annually
5. Control self-assessment questionnaires were developed to allow managers to assess compliance with licence to operate requirements

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the creation of value in a sustainable manner.

1. The remuneration strategy and policy is determined by the remuneration and nomination committee
2. The remuneration policy is voted on at the AGM
3. Formal engagement takes place with shareholders
4. The remuneration policy was independently assessed and the STI and LTI principles were changed after engagements with shareholders

The governing body should ensure that assurance results in an effective control environment and integrity of reports for better decision making.

1. The internal audit charter and plan is approved by the audit committee
2. The external audit plan is approved annually by the audit committee
3. The internal and external audit report is risk-based
4. Combined assurance, with formally approved terms of reference, ensures the coordination of all assurance activities
5. All findings are monitored by the audit committee
6. Internal audit performance forms part of the KPIs of every executive team member
7. A CAE is appointed internally, independent of management and chairs the combined assurance forum

#### Trust, good reputation and legitimacy

4.1

As part of its decision making in the best interests of the organisation, the governing body should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances legitimate and reasonable needs, interests and expectations.

1. A formal stakeholder policy is approved by the board
2. Stakeholder relations are monitored by the social and ethics committee
3. Stakeholder affairs is holistically managed by an executive that is adequately resourced
4. All operations have an approved stakeholder engagement plan
5. All directors attend the AGM

Our board assumes ultimate accountability and responsibility for the performance and affairs of the company and, in doing so, effectively represents and promotes the legitimate interests of the company while, as a responsible corporate citizen, also taking into consideration the legitimate interests and expectations of its material stakeholders and thereby making a positive contribution to society.

The board exercises its leadership role by:

- Steering the group and setting its strategic direction
- Approving policy and planning that gives effect to the strategic direction
- Overseeing and monitoring the implementation and execution thereof by management
- Ensuring accountability for performance by means of, among others, reporting and disclosure.

The board confirms that it has complied in all material aspects with the Companies Act, 2008 (Act 71 of 2008) (the Companies Act), the memorandum of incorporation and the JSE Listings requirements for the period under review.

## 1. Ethical culture

“Integrity is a key principle underpinning good corporate governance. Put clearly, good corporate governance is based on a clear code of ethical behaviour and personal integrity exercised by the board, where communications are shared openly.”

*Judge M Jajbhay in the case of South African Broadcasting Corporation Ltd and Another v Mpfu (A5021/08) [2009] ZAGPJHC 25; [2009] 4 All SA 169 (GSJ) (11 June 2009).*

The principle finds centre stage with our board and sets the tone for an ethical culture within the company and the group. The board monitors ethical culture within the group through its reporting structures, which include two board committees: the social and ethics committee and the audit committee, as well as the ethics committee which is a management committee.

Ethics involves applying moral standards – standards of good, right and fair conduct – which are supported by our values in order to shape the decisions and actions of individuals within the company in the pursuit of our business objectives. In pursuit of the company's vision to outperform the mining and mineral sector in creating value for all stakeholders through exceptional people and superior processes, the conduct of the company's businesses and its employees are characterised by the following fundamental values:

- Empowered to grow and contribute
- Team work
- Honest responsibility
- Committed to excellence.

The values have been developed for the benefit of the company and its employees to guide the moral way of acceptable and responsible behaviour without which business life cannot be sustained. Everyone within the group is therefore motivated to act ethically with accountability and against misconduct in order to build a safe and healthy working environment.

### Code of ethics

As the board assumes the responsibility for the governance of ethics, it also sets the direction for manner in which ethics should be approached and addressed by the organisation. Following a group-wide assessment, the board approved and endorsed a revised code of ethics in September 2018, which expressed the board's commitment to comply with the letter and spirit thereof. The revised code of ethics was rolled out within the group throughout 2019.

The code of ethics is read in conjunction with all the company's policies and procedures, with specific reference to the following policies that supports the establishment of an ethical culture:

- Exxaro anti-bribery and corruption policy
- Exxaro conflicts of interest policy
- Exxaro fraud prevention policy
- Exxaro fraud investigation process policy
- Exxaro fraud response policy
- Exxaro gifts and benefits from suppliers policy
- Exxaro recruitment and selection policy
- Exxaro whistleblowing policy.

### Fraud and ethics hotline

As part of our ethical culture, Exxaro encourages all employees and stakeholders to report any suspected fraud or corruption on its fraud and ethics hotline, which is managed independently and reported through the ethics committee to the social and ethics committee.

### Board charter and code of conduct

Our board charter and code of conduct (board charter) regulates the parameters within which the board operates and ensures the application of the principles of good corporate governance in all dealings by, in respect and on behalf of, the company and the group, and sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board. Our board charter is subject to an annual review to ensure it remains relevant to the business objectives of the company and aligned with best practice.

Due to the importance of our board charter, the chairman of the board requested the chairman of the audit committee and the chief executive officer to benchmark the governance responsibilities and adequacy of resources, including independence and objectivity of the risk and assurance functions in the organisation. This was done with a view to ensure that the risk management function is a robust second line of defence, overseen by a chief risk officer. Furthermore that the risk function should be separated from the assurance function, which should be independent and have a direct reporting line to the audit committee. The request culminated from the many corporate failures globally and locally as well as the associated risks. An amended board charter was subsequently approved by the board following the external review.

## Governance continued

The board charter requires that all members of the board must be individuals of calibre and credibility with the necessary skills and experience. In this regard, the remuneration and nomination committee (remco) must ensure continuity of directorships and undertake succession planning on behalf of the board, which includes the identification, mentorship and development of future candidates. Engagement with shareholders takes place regarding the required skills, competencies, gender and diversity targets required for the effective functioning of the board.

A formal succession planning process commenced during February 2020 where the skills, experience and independence of every board committee member were assessed against the specific requirements of every board committee. During the one-on-one interviews scheduled by the chairman with individual board members, it was confirmed that the vast majority of members would be available to act as board members for the foreseeable future.

Exxaro recognises that the skills complement needed to be reviewed continuously together with the annual review of the strategy, and frequently engaged with the broader stakeholder community in this regard.

The board charter also sets the requirement that new directors on appointment must undergo an induction programme to facilitate their understanding of the business and regulatory environments and markets in which the company and the group operates. This programme is facilitated by the group company secretary and includes, inter alia, information and guidance on:

- Group structure and business objectives
- Financial performance of the business
- Reciprocal expectations
- Familiarisation through site visits and consultation with senior management
- Corporate policies and procedures, information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice.

Furthermore, in terms of the board charter, all directors are required to undergo continuing professional development, as approved by the board, from time to time on recommendation by the remco, and to attend regular briefings as arranged by the company on changes in legislation, governance and the business environment. During the year under review, considerable emphasis was placed on training in the following roles of the board:

- Integrated reporting
- Strategy process and the introduction of foresight as a technique for scenario planning
- Climate change
- Social impact
- Management innovation.

### Avoiding conflicts of interest

In addition to the King IV™ principles, the Companies Act also places specific duties on directors and prescribed officers in relation to the disclosure of personal financial interests.

In order to give effect to ethical and responsible leadership as well as effective governance practices, a revised conflict of interest policy was adopted and rolled out within the organisation. This policy places a responsibility on directors, prescribed officers and employees to avoid conflicts of interest. The responsibility does not end with individual employees, prescribed officers and directors but extends to their close family and related parties as defined in the Companies Act.

Directors and prescribed officers are obliged to provide the group company secretary annually with a general declaration of all outside interests in accordance with the group-wide conflict of interest policy, which is aligned with King IV™ and section 75(4) of the Companies Act. In addition to the general declaration of outside interests, an item dealing with declarations of interests at the beginning of each meeting appears on every executive committee, board and board committee agenda at which time all attendees are required to formally declare (and recorded in the minutes as such) that none of them nor their related parties have any personal financial interests in any matter on the agenda. A director or prescribed officer is similarly required to indicate any personal financial interest in a matter that is to be decided by written resolution by informing the group company secretary.

### Supplier code of conduct

The group also has a supplier code of conduct that communicates standards that Exxaro regards as mandatory for its suppliers and requires all Exxaro suppliers to live up to this code. These mandatory standards are reflected in the code:

- (i) **safety, occupational health and hygiene:** ensure adequate compliance with safety, health and hygiene legislation and implement best practices to protect the safety, health and hygiene of their workforce and stakeholders
- (ii) **HIV/Aids and tuberculosis:** support the battle against HIV/Aids and tuberculosis (TB) by implementing programmes to improve awareness
- (iii) **environmental responsibility:** demonstrate compliance with applicable environmental legislation
- (iv) **transformation and empowerment:** strategies, action plans and systems for guiding, monitoring, reviewing and evaluating the progress of their transformation and empowerment programmes
- (v) **social:** contribute to the social development and improvement of the communities in which they operate
- (vi) **labour standards:** ensure that their businesses comply with all national statutory and regulatory requirements for labour and industrial relations management
- (vii) **business ethics and governance:** when conducting business dealings with the group, suppliers are obliged to report any suspicion of an act of fraud, corruption or embezzlement to the fraud and ethics hotline. Corruption, extortion or embezzlement, in any form, are strictly prohibited and will be investigated and appropriate actions will be taken
- (viii) **material stewardship:** collaborate with the company in implementing effective and appropriate value chain initiatives that ensure that all types of waste, water and energy are reduced or eliminated at source by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and reuse
- (ix) **value adding:** participate in continuous business improvement initiatives and suggest product improvements that contribute to Exxaro's operational efficiency goals
- (x) **service delivery:** suppliers are subject to ongoing performance assessments by monitoring, evaluating and providing feedback on supplier performance
- (xi) **access control and medical surveillance:** to ensure that their personnel who, in the course of their work, comply with the company's non-employee identification process when accessing any Exxaro premises.

### Responsible corporate citizenship

As the organisation is an integral part of society, the board assumes the responsibility for corporate citizenship by setting the direction and ensuring that the company's responsible corporate citizen efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading standards, and adherence to its own codes of conduct and policies. The board therefore has oversight of the organisation's strategy and conduct, and it ensures that these are congruent with being a responsible corporate citizen.

Continued training at strategic, tactical and operational level ensures that every director and employee understands the importance of good corporate governance and that all need to play a part in ensuring the group acts as a responsible corporate citizen.

## 2. Performance and value creation

### Strategy

The company's short, medium and long-term strategy, as formulated and developed by management, must be approved by the board. In considering a proposed new strategy for approval, the board would consider it with reference to, among others, the following:

- Timelines and parameters which determine the meaning of short, medium and long term respectively
- Risks, opportunities and other significant matters connected to the triple context in which the organisation operates
- Extent to which the proposed strategy depends on the resources and relationships connected to the various forms of capital
- Legitimate and reasonable needs, interests and expectations of material stakeholders
- Increase, decrease or transformation of the various forms of capitals that may result from the execution of the proposed strategy
- Interconnectivity and inter-dependence of all of the above.

In formulation of a new strategy for the company, the board engaged with the executive and senior management in several strategy sessions throughout the year. The board therefore appreciates that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. The insight that conditions are changing and that there is a need to become future-fit is used to drive decisions and measure transition going forward.

### Reporting

The board ensures the integrity of the company's integrated report as well as the alignment thereof with best practices in the area of integrated reporting, including any other reporting done by the company from time to time. The Exxaro sustainability key performance indicators are assured annually by PwC prior to publication.

The board also oversees and signs off on the full suite of Exxaro reports, which includes:

- Annual financial statements
- Integrated report
- ESG report.

Other online or printed information or reports are issued as necessary to comply with legal requirements and/or to meet the legitimate and reasonable information needs of material stakeholders. Reports issued by the organisation strive to enable stakeholders to make informed assessments of the organisation's performance as well as its short, medium and long-term prospects.

- Our climate change position statement is available on our website ([www.exxaro.com](http://www.exxaro.com)).

### Performance evaluation

The board of Exxaro requested that an independent evaluation be done in respect of the performance and effectiveness of the board, its committees and specific individuals. The purpose was to also identify and record possible areas for strengthening and/or refinement while taking into consideration internal and external dynamics, and factors that may positively or negatively impact on the board's ability to enhance its performance and effectiveness in these areas.

### Performance and transformation

The board leads the value creation process through strategy, risk and opportunity, performance and sustainable development. The following awards confirms the performance and value creation:

- The company qualified as one of South Africa's top performing companies in the mining sector in 2019. Top performing celebrates fast-growth organisations in the private and public sectors. The achievement is based on a variety of criteria including annual turnover, growth, competitiveness as a market leader, quality of operations and social economic development initiatives.
- The company also received a top empowered company certificate in recognition of the organisation's commitment to transformation during 2019. As transformation is a core focus of the company, Exxaro continues to lead the way with people development initiatives and strategic transaction decisions designed to make a meaningful contribution to the development of a prosperous South African society in its entirety.

## 3. Adequate and effective control

### Our corporate governance structure

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

As Exxaro recognises the integral link between strategy, operating model and the corporate governance structures, the company continuously evaluates and monitors these elements to ensure that it is fit for purpose and that it drives shareholder value.

# Governance continued

## Our corporate governance structure



✚ Detailed reports from each of the board committees are on pages 92 to 108.

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

### Group governance framework: Subsidiary companies

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

To the extent provided for in the formal delegation of authority framework, adopting and implementing policies and procedures of the company as holding company in the operations of the subsidiary company should be a matter for the board of the subsidiary company to consider and approve, if the subsidiary company's board considers it appropriate.

As part of the formal delegation of authority framework and its regular review process, the board shall consider and articulate the holistic group governance framework to effectively describe and give effect to its direction on relationships and the exercise of authority across the group.

The board has requested a phased review of the group governance framework in 2020 following the approval of a new strategy for the company.

### Delegation of approval framework

The Exxaro delegation of approval framework and policy are reviewed continuously to ensure agile decision making that provides direction and clear delegation of power to management. This framework is also adopted by our subsidiary company boards and implemented throughout the group.

The purpose of the framework is to:

- Ensure that the board's authority to exercise all of the powers and perform any of the functions of the company are appropriately delegated where required in terms of the Companies Act, King IV™ and the board charter
- Ensure, within the Group, that the delegations to management contribute to role clarity and the effective exercise of authority and responsibilities
- Empower individuals to create shareholder value
- Provide an efficient, effective, transparent and auditable set of rules of delegation for the individuals occupying specific positions.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

### Technology and information

Technology and information management are governed by the board in a way that supports the organisation setting and achieving its strategic objectives. As information management and the governance thereof form an integral part of the overall enterprise governance, the board adopted the following policies:

- Acceptable use of information, communication and technology (ICT) equipment policy in order to protect our employees, partners and the company from illegal or

damaging actions: This policy applies to the use of information, electronic and computing devices, and network resources to conduct business with internal networks and business systems

- Management framework for information and communications technology (ICT) governance: A formal framework, this provides structure to ensure IM investments support business objectives by aligning the IM strategy with the business strategy.

### Enterprise risk management

Exxaro's enterprise risk management provides a framework and process for all types of risk management, regardless of risk or impact type at all levels of the organisation. The same terminology and assessment mechanism are used for finance, projects, safety and operational risk management. One set of risk names are used, one impact scale and one likelihood that cut across all the different disciplines to ensure that management concentrate their efforts and resources on material activities.

The company has linked all assurance activities and material issues to ensure that the company reduces assurance cost and derives greater value from auditing controls. Exxaro currently uses a tracking and monitoring system to afford transparency of all audit findings that need to be closed out. The findings are reported by the chief audit officer directly to the audit committee.

The risk management function, through the combined assurance model, coordinates with internal audit to obtain evidence on the effectiveness of treatment/control activities in achieving the desired/planned risk treatments. Through the combined assurance model, assurance providers such as internal audit, sustainability KPI audits and 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 that the company has adopted as well as policies and procedures.

The board is satisfied that the company and group have a mature risk process that ensures identification of risks that may impact on the strategic objectives that management pursue in creating shareholder value.

- ✚ For more information on our material matters and risks, please see page 6 of this report. Alternatively, please see our integrated report at <https://www.exxaro.com/investor/integrated-reports2019/index.php>.

### Compliance

As an organisation, the group is committed to maintaining high standards of integrity, professionalism and ethical behaviour in all its relationships. While it is Exxaro's aim to comply with all relevant legal requirements in jurisdictions of its operation, it is equally important to stress that the law serves as a minimum standard of conduct. Beyond complying with the law, it is important that each director and employee is sensitive even to the appearance of improper conduct, asking first if our actions are honest and responsible.

The group's compliance philosophy is captured in a compliance policy that supports the organisation being an ethical and responsible corporate citizen, and seeks to create sustainable value for all stakeholders by striving for operational efficiency, growth and regulatory compliance within the framework of a responsible corporate citizen.

The regulatory environment within which the group operates are continuously revisited in order to assess the robustness of the regulatory universe, which has also been refocused to ensure that regulatory instruments are prioritised from a licence to operate risk perspective.

Electronic control self assessments have been created for prioritised legislation included in the regulatory universe. The control self assessments are high-level questionnaires that are utilised to provide a view on the level of compliance at functional and business unit level. The results of these assessments seek to provide a basis for the company's Compliance Assurance Plan as well as intervention efforts required to assist the functions and business units to improve the level of compliance.

The board is kept abreast of the latest national and international regulatory developments via formal reports presented by the legal department to ensure group-wide compliance.

### Strategic performance dashboard

We use a strategic performance dashboard to measure whether the company is on track to achieve its strategic objectives. This is a practical tool that was developed to add value and assist the company and the board in understanding the licence to operate requirements as part of the broader materiality concept and the development of KPIs to measure compliance with these requirements. Reporting on the status of the strategic dashboard is done at each of the board and the board committee meetings throughout the year to assist the board in tracking the achievement of the strategic objectives.

- ✚ See page 12 for more information.

## 4. Trust, good reputation and legitimacy

### Stakeholder engagement

In support of the company's purpose of powering better lives in Africa and beyond, the company continues to work towards improving the quality of our relationships with stakeholders and building long-term, stable and trusting relationships that will create shared value for all our stakeholders.

- ✚ More information on our stakeholder engagements can be found on page 43 of this report.

### AGM

The AGM minutes of the company can be made available on request.

### Apply and explain

As King IV™ has moved to "apply and explain" as a way of supporting a claim that good governance is practised, the table on pages 68 to 70 sets out each principle together with an explanation of steps taken as well as policies and processes relating to the principles supporting Exxaro's claim of practising good corporate governance.

## Governance continued

The board of directors is ultimately accountable for the governance and performance of Exxaro, balancing the interests of the company as a responsible citizen with the legitimate interests and expectations of stakeholders.

### Board of directors

**J (Jeffrey) van Rooyen (69)**  
Chairman  
*\* Nomination committee (chair)*

**PCCH (Peet) Snyders (59)**  
Independent non-executive director  
*\* Sustainability, risk and compliance committee (chair)*

**GJ (Geraldine) Fraser-Moleketi (59)**  
Independent non-executive director  
*\* Social and ethics committee (chair)*

**D (Daphne) Mashile-Nkosi (61)**  
Independent non-executive director  
(resigned 11 October 2019)

**A (Anu) Sing (48)**  
Independent non-executive director

**L (Likhapha) Mbatha (65)**  
Director (development practitioner)

**MW (Monhla) Hlahla (56)**  
Non-executive director  
(resigned 31 December 2019)

Please refer to [www.exxaro.com/about/leadership](http://www.exxaro.com/about/leadership)

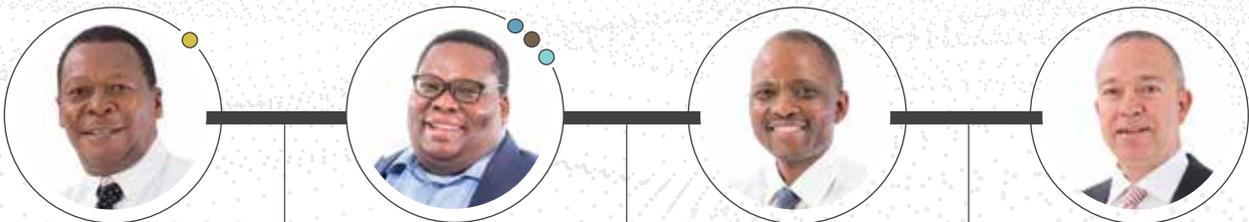
- Audit committee
- Investment committee
- Remuneration and nomination committee
- Social and ethics committee
- Sustainability, risk and compliance committee
- \* Committee chair



**V (Vuyisa) Nkonyeni**  
(50)  
Independent non-executive director  
*\* Audit committee (chair)*

**EJ (Ras) Myburgh**  
(61)  
Independent non-executive director  
*\* Remco (chair)*

**MJ (Mark) Moffett**  
(60)  
Independent non-executive director



**VZ (Zwelibanzi) Mntambo**  
(62)  
Non-executive director

**LI (Isaac) Mophatlane**  
(46)  
Independent non-executive director  
*\* Investment committee (chair)*

**MDM (Mxolisi) Mgojo**  
(59)  
Chief executive officer (CEO)

**PA (Riaan) Koppeschaar**  
(49)  
Finance director (executive director)

## Governance continued

### Our board of directors

*Ages as in the reporting year*

#### J van Rooyen – Jeff (69)

*Chairman of the board, member of the remuneration and nomination committee and chairperson of the nomination committee*

Director since 13 August 2008

BCom, BCompt (Hons), CA(SA)

#### Skills and experience:

Jeff is a director of various companies in the Uranus Group, non-executive director of Pick n Pay Stores Limited. He is a former chairman of the Financial Reporting Standards Council (FRSC), a former trustee of the International Accounting Standards Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner at Deloitte, chairman of the Public Accountants and Auditors Board, CEO of the Financial Services Board and advisor to the former Minister of Public Enterprises during the Mandela administration. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

#### GJ Fraser-Moleketi – Geraldine (59)

*Lead Independent non-executive director, member of the remuneration and nomination committee, chairperson of the social and ethics committee*

Director since 23 May 2018

DPhil Honoris Causa (Nelson Mandela University), Masters in Administration (University of Pretoria), Leadership Programme (Wharton), Fellow of the Institute of Politics (Harvard)

#### Skills and experience:

Geraldine was special envoy on gender at the African Development Bank from 2013 through 2016. She served as director of the United Nations Development Programme's Democratic Governance Group from 2009 – 2019. She served as member of the South African Parliament for three consecutive parliaments (1994 – September 2008). She was Minister of Public Service and Administration for two consecutive terms (1999 – 2008). She served as Minister of Welfare and Population Development (1996 – 1999), having occupied the portfolio of Deputy Minister of Welfare and Population Development. During her tenure as Minister of Public Service, she occupied the chair of the Pan African Ministers of Public Service for three consecutive terms. Geraldine serves on various boards across academia: she is the chancellor of Nelson Mandela University, previously member of the Institute for the Study of International Development at McGill University in Montreal, Canada, and chairperson of the Advisory Council of the Mapungubwe Institute for Strategic Reflection (MISTRA), chair of the Committee of Experts on Public Administration (CEPA) – an expert body of the United Nations Economic and Social Council (ECOSOC). She served on the Africa Advisory Committee on Women's World Banking until 2018. She is a non-executive board member of the Standard Bank Group and Standard Bank South Africa.

#### MW Hlahla – Monhla (56)

*Independent non-executive director*

Director since August 2015 and resigned with effect from 31 December 2019

MA Urban Planning, UCLA School of Architecture and Planning, Advanced Management Programme (INSEAD, France), Certificate in Accounting and Finance (Wits Business School)

#### Skills and experience:

Monhla spent the larger part of her career in the infrastructure sector, starting in 1994 at the Development Bank of Southern Africa, which seconded her to establish and lead the Municipal Infrastructure Investment Unit (MIU) as CEO. While with the MIU, Monhla was appointed non-executive chairperson of Johannesburg Water. In 2001, she was appointed managing director of Airports Company South Africa (ACSA) until she resigned at the end of 2011. Monhla is currently an executive coach, a director of companies

and a businesswoman. In 2011, Monhla was appointed chairperson of Royal Bafokeng Holdings (RBH) and the Industrial Development Corporation (IDC). She completed her three-year term with the IDC in 2015, and was appointed to the board of Liberty Holdings and its subsidiary Stanlib. As at April 2018, Monhla is chairperson of RBH and Denel SOC Limited.

#### PA Koppeschaar – Riaan (49)

*Finance director*

Director since July 2016

CA(SA), Advanced and Associate programmes in Treasury Management, Advanced Diploma in Taxation, Advanced Management Programme (INSEAD, France), Certificate in Theory of Accounting. Member of the Association of Corporate Treasurers of South Africa

#### Skills and experience:

Riaan started his career with Coopers and Lybrand. After completing his articles, he branched into the fields of treasury, investment management and corporate finance. He has held various senior management positions at Iscor, Kumba Resources and Exxaro until his appointment as finance director of Exxaro on 1 July 2016. He is a director of several Exxaro subsidiary companies, joint ventures and a trustee and investment committee member of the Exxaro Pension and Provident funds.

#### D Mashile-Nkosi – Daphne (61)

*Non-executive director*

Director since 7 March 2018 (resigned with effect from 11 October 2019)

#### Skills and experience:

Daphne is the executive chairperson of Kalagadi Manganese, a trustee and chairperson of the Women's Development Bank Trust and a chairperson of Women's Development Bank Investments Holdings. She has a strong development background, as an activist on gender issues, and encourages business to improve the quality of life of poor communities, and the nurturing of women entrepreneurs and business leaders. In 1993, she was nominated by the Women's Development Bank to study development economics in Nagoya, Japan. She is the founder and a director of Temoso Telecommunication. She represents shareholder interests as a director of various companies, including Exxaro, Eyesizwe Mining, Interfile, Kalahari Resources, Temoso Holdings, Traxys Africa and Kalagadi Manganese. She is chairperson of Bakhazi-Banalima. She is also a trustee of the First Rand Empowerment Trust.

#### L Mbatha – Likhapha (65)

*Independent non-executive director and member of social and ethics committee*

Director since 7 March 2018

BA LLB (University of Lesotho), LLM (University of the Witwatersrand)

#### Skills and experience:

Likhapha currently coaches National Movement of Rural Women (NMRW) coordinators in development methods and systems, project preparation, finance and management. She also supervises, monitors, and evaluates small and medium development projects. Likhapha understands that poverty, inadequate education, nutrition, poor health, government policies and/or the exploitative nature of humans are uncontrollable variables that can lead to poverty. She therefore focuses on development as an opportunity for affected individuals to lead equal and satisfactory lives within their communities despite their circumstances.

#### MDM Mgojo – Mxolisi (59)

*CEO*

Director since April 2016

BSc Computer Science, BSc (Hons)(Energy Studies), MBA, Advanced Management Programme (Wharton)

#### Skills and experience:

Previously at Eyesizwe Coal, Mxolisi was responsible for marketing and logistics. After Exxaro's formation, he managed the base

metals and industrial minerals commodity business before being appointed to head coal operations from August 2008. Mxolisi was appointed CEO designate on 1 May 2015 and CEO on 1 April 2016. Mxolisi is a director of Talent10 Holdings and Dynamo Investment Holdings. He was elected president of the Chamber of Mines (now Minerals Council South Africa) on 24 May 2017.

### VZ Mntambo – Zwelibanzi (62)

*Non-executive director and member of remuneration and nomination committee*

Director since 28 November 2006

BJuris, LLB (North West University), LLM (Yale)

#### Skills and experience:

Zwelibanzi is executive chairman of Moabi Capital. He was previously senior lecturer at the University of Natal, executive director of the Institute of Mine Surveyors of Southern Africa, director-general of Gauteng and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Main Street 333. He is also a director of Eyesizwe Holdings, Eyesizwe Mining and a trustee of the Paleo-Anthropological Scientific Trust.

### MJ Moffett – Mark (60)

*Independent non-executive director and member of the audit, investment and sustainability, risk and compliance committees*

Director since 18 May 2018

BCom, (CTA), CA(SA)

#### Skills and experience:

Mark has more than five years of public company board exposure and over 25 years of financial and commercial experience in the mining industry with a number of leading global mining companies. He has wide exposure to a number of commodities, including diamonds, thermal coal, ferrochrome and platinum group metals, and has a deep understanding of the South African mining landscape and the strategic imperatives going forward. He has held a variety of senior financial positions, operational and corporate, in a number of different countries with Anglo American/De Beers, as CFO of Xstrata Alloys and subsequently as group controller of Xstrata. He currently serves as an independent non-executive director of Royal Bafokeng Platinum as a member of its audit committee. He served as chairman of Fraser Alexander until his resignation from its board in March 2018.

### LI Mophatlane – Isaac (46)

*Independent non-executive director and chairman of investment committee and member of audit committee and social and ethics committee*

Director since 23 May 2018

#### Skills and experience:

He is co-founder, shareholder and director of Randvest Group with core focus on leveraged acquisitions and strategic investments mainly in technology companies. Isaac is chairman of Bothomed, which is currently a shareholder with the Public Investment Corporation in Dischem Pharmacies. He is also a member of the Black Management Forum, the Electronics Industries Federation of South Africa, the Black Information Technology Forum and non-executive deputy chairman of the Catholic Education Investment Company.

### EJ Myburgh – Ras (61)

*Independent non-executive director and chairman of remuneration and nomination committee member of audit committee and investment committee*

Director since 1 September 2016

BEng (Electrical) (Pretoria), BSc (Hons) (Energy Studies) (Johannesburg), MBL (Stellenbosch), Executive Programme (Virginia)

#### Skills and experience:

Between 1982 and 1996, Ras held various operational and executive positions in operating, maintenance, engineering and power station

management at Eskom. In 1997, he joined Iscor Mining where he led company-wide cost improvement, business re-engineering, and transformation and empowerment projects. He was appointed managing director of Kumba Resources' coal business in 2000 and headed the transformation unit from 2003 in managing the empowerment and mineral rights conversion of the company, including project managing the empowerment transaction and the unbundling of the company into Exxaro and Kumba Iron Ore. He was appointed as the first CEO of Kumba Iron Ore at the unbundling in 2006. Following the 2008 electricity crisis, Ras was seconded to Eskom to develop and implement a long-term coal supply strategy. In 2011, he co-founded Hindsight Financial and Commercial Solutions, a boutique corporate professional advisory firm, providing business development, specialist commercial solutions, and strategy and business improvement advisory services to the resources, energy and industrial sectors. He is a member of the Institute of Directors of South Africa and serves on the international advisory board of Unashamedly Ethical NPO.

### V Nkonyeni – Vuyisa (50)

*Independent non-executive director and chairman of audit committee and member of investment committee*

Director since 3 June 2014

BSc (Hons), Postgraduate Diploma in Accounting, CA(SA)

#### Skills and experience:

Vuyisa has over 20 years' experience in investment banking and private equity. He served his training contract as a chartered accountant with PricewaterhouseCoopers and then joined Deutsche Bank in 1997 where he gained investment banking experience, primarily in corporate and project finance advisory over four years. He serves on the boards of Emira Property Fund, and Momentum Metropolitan Holdings. He has served as financial director of Worldwide African Investment Holdings and director at Actis in the black economic empowerment funding units. He was appointed CEO of Kagiso Tiso Holdings in January 2012 and resigned on 31 December 2017.

### A Sing – Anuradha (48)

*Independent non-executive director and member of sustainability, risk and compliance and investment committees*

Director since 6 March 2018

BSc Eng (Mechanical) (University of Natal), MBA (University of the Witwatersrand), AMP (INSEAD, France)

#### Skills and experience:

Anuradha serves as non-executive director of the Development Bank of Southern Africa where she is the chairperson of the credit and investment committee and a member of the audit and risk committee. She was previously non-executive director on the boards of MTN South Sudan and MTN Guinea Bissau. Anu is currently at the MTN Group Executive Business Intelligence Competency Centre.

### PCCH Snyders – Peet (59)

*Independent non-executive and chairman of sustainability, risk and compliance committee and member of investment committee and social and ethics committee*

Director since 1 July 2016

BEng (Mining), Diploma in Marketing Management and MCom in Business Management, Mine Manager's Certificate of Competence (Coal and Metalliferous)

#### Skills and experience:

He has 40 years' experience in the mining industry, including employment at Sasol Coal, Amcoal, Iscor Mining, Kumba Coal, Anglo American Platinum, Riversdale Holdings, Continental Coal, Keaton Energy, Sable Mining Africa, Mmakau Mining and, most recently, Submex Investment. He also has over 10 years' board experience within the industry.

# Governance continued

## Board composition

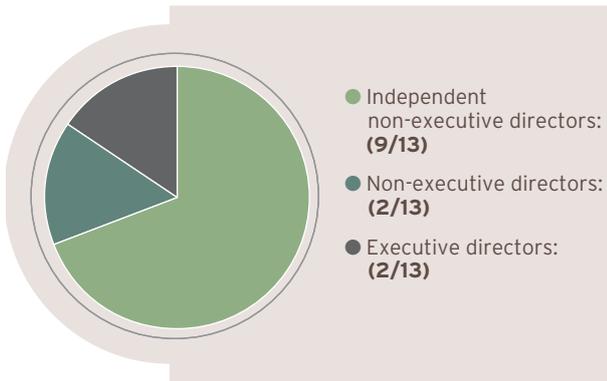
### Independence

In line with King IV™, non-executive members may be categorised as independent if the board concludes that there is no interest, position, association or relationship which, when judged from the perspective of reasonable and informed third party, is likely to influence unduly or cause bias in decision making in the best interest of the company.

Currently, one non-executive director, Mr J van Rooyen, has served on the board in an independent capacity for longer than nine years. In line with the company’s memorandum of incorporation and the board charter, a formal assessment regarding the independence of mind has been conducted annually since 2017. After in-depth deliberation, the remco, upon recusal of Mr van Rooyen, concluded that the member exercises objective judgement and that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making.

After a formal assessment, the board concluded that the majority of the directors are independent:

**Board composition (%)**



*Excluding Ms Mashile-Nkosi who resigned with effect from 11 October 2019.*

There has been a marked increase in the independence of our board since 2017, increasing from 50% to 76% independent non-executive directors in 2019.

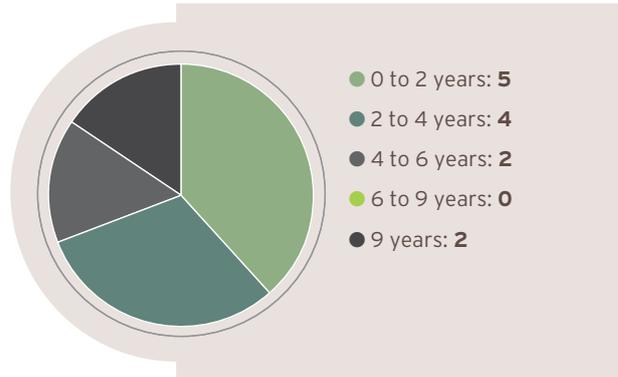
### Director tenure

The following directors resigned during 2019:

- Ms D Mashile-Nkosi resigned as a non-executive director of the company with effect from 11 October 2019
- Ms MW Hlahla resigned as an independent non-executive director of the company with effect from 31 December 2019

The period in office of our directors provides a proper blend of experience to the board. Our director tenures can be summarised as follows:

**Director tenure (%)**



*Excluding Ms Mashile-Nkosi who resigned with effect from 11 October 2019.*

### Diversity of our board

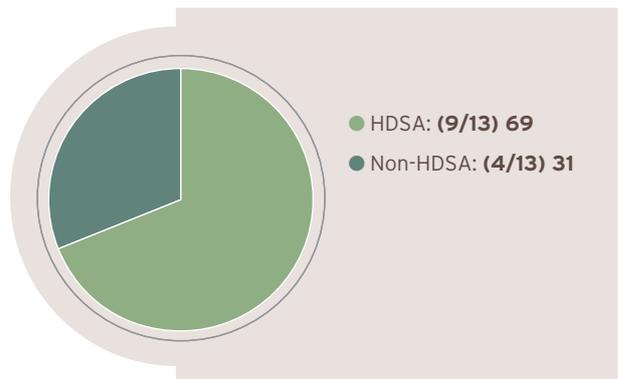
The importance and promotion of broader diversity at board level is recognised by the board. The board formally adopted a diversity policy in February 2018, focusing specifically on the diversity attributes of gender, race, culture, age, field of expertise, skills and experience. The new appointments to be made to the board following the resignations of two of our female directors will apply the policy of broad diversity in the nomination of new directors to the shareholders for appointment.

For the reporting period, our board of directors consisted of a truly diverse number of directors:

#### (i) Racial diversity

The board set a racial diversity target, at board level, of 50%, and we achieved the following:

**Racial diversity (%)**



*Excluding Ms Mashile-Nkosi who resigned with effect from 11 October 2019.*

There has been a marked increase in the racial diversity of our board since 2017, increasing from 50% to 69% in 2019.

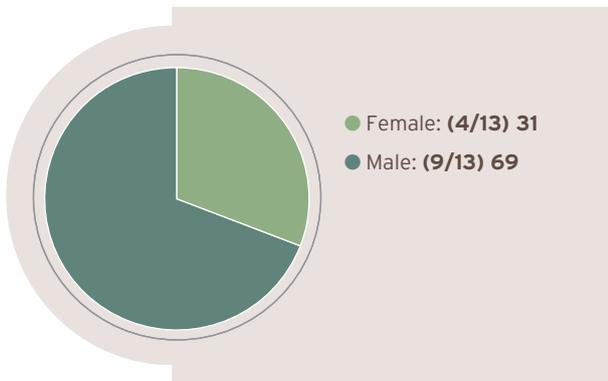
**(ii) Gender diversity**

In line with King IV™, the board set a gender diversity target in 2017 of 30% historically disadvantaged South African female directors to be achieved by 2022. The female representation on the Exxaro board achieved 14% in 2017 and increased to 35.7% in 2018.

The remco requested management to compile a gender charter and policy for implementation within the company, which will also be considered in any new appointment to be made on the board.

However, notwithstanding the resignation of Ms Mashile-Nkosi on 11 October 2019, we still achieved the board’s female representation target:

**Gender diversity (%)**



**(iii) Diversity of age**

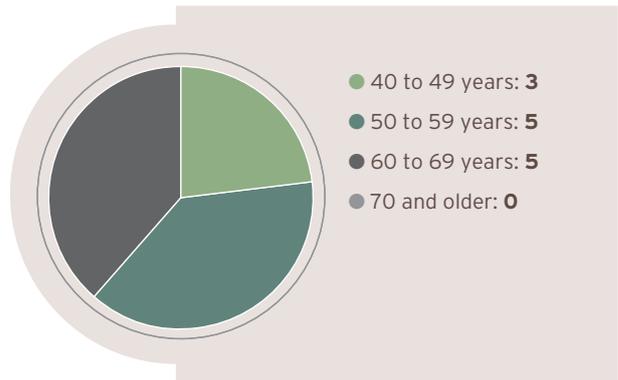
The retirement age for an executive director is 63 years and for a non-executive director 70 years. The board is entitled to recommend the re-election of a non-executive director who has passed the age of 70, provided that the remco and the board recommends to shareholders that the individual is suitable for re-election. Such re-election will occur on an annual basis once the director has reached the age of 70.

In line with the above, the chairman, Mr van Rooyen, is obliged to retire annually from 2020. The remco confirmed that Mr van Rooyen is available for re-election in 2020 and has, through a fit and proper assessment confirmed that he has the necessary depth of skills and experience. The remco’s assessment was confirmed by the board and it was stated that Mr van Rooyen steered the board with confidence, strength and conviction during the 2018 and 2019 periods, and that he therefore be recommended for re-election by shareholders. The abovementioned conclusion was also reached by the independent board evaluation process.

To ensure continuity of experience and knowledge, the company has adopted a process of staggered continuity and re-election of directors in terms of the memorandum of incorporation. After thorough deliberation by the remco about the members standing for re-election, it was confirmed by the board that they are recommended for re-election by shareholders.

The age of our directors for the period under review:

**Diversity of age (%)**



*Excluding Ms Mashile-Nkosi who resigned with effect from 11 October 2019.*

**(iv) Diversity in skills and experience**

Our directors are carefully selected to ensure a balanced amalgamation of expertise and experience for the board to be able to effectively fulfil its decision-making role on behalf of Exxaro. In accordance with King IV™, directors should be knowledgeable, skilled, experienced, diverse and independent enough to discharge fully their governance responsibilities.

Following the resignation of Ms Mashile-Nkosi on 11 October 2019, the remco has been working on a succession plan to source a new black director in order to meet the recommended gender diversity target as approved by the board.

Exxaro considers, over and above management experience, the following technical expertise when appointing directors:

- Mining industry
- Mining engineering
- Renewable energy
- Water technology
- Agricultural/food security.

The board is satisfied that it comprises the appropriate balance of knowledge, skills, experience, diversity and independence to enable it to discharge its governance role and responsibilities objectively and effectively.

## Governance continued

### Skills and experience matrix

Director's name	Qualifications	Diversity							
		Date of appointment	Tenure (years)	Date of birth	Age	Ethnicity	Gender	Experience as a director (years)	
<b>GJ Fraser-Moleketi</b>	DPhil Honoris Causa (Nelson Mandela University), Masters in Administration (University of Pretoria), Leadership Programme (Wharton), Fellow of the Institute of Politics (Harvard)	2018/05/18	1	1960/08/24	59	Coloured	Female		
<b>MW Hlahla</b> Resigned 31 Dec 2019	MA Urban Planning, UCLA School of Architecture and Planning, Advanced Management Programme (INSEAD, France), Certificate in Accounting and Finance (Wits Business School)	2015/06/04	5	1963/02/03	56	Black	Female	10	
<b>L Mbatha</b>	BA LLB (University of Lesotho), LLM (University of the Witwatersrand)	2018/03/07	2	1954/02/17	65	Black	Female	10	
<b>D Mashile-Nkosi</b> Resigned 10 Oct 2019	Small Business Management Diploma (Wits Business School)	2018/03/06	2	1958/07/02	61	Black	Female	10	
<b>VZ Mntambo</b>	BJuris, LLB (North West University), LLM (Yale)	2006/11/28	13	1957/09/17	62	Black	Male	17	
<b>LI Mophatlane</b>	BA (University of Pretoria)	2018/05/23	2	1973/05/12	46	Black	Male	1	
<b>M Moffett</b>	BCom, (CTA), CA(SA)	2018/05/18	1	1959/12/07	60	White	Male	25	
<b>EJ Myburgh</b>	BEng (Electrical) (Pretoria), BSc (Hons) (Energy Studies) (Johannesburg), MBL (Stellenbosch), Executive Programme (Virginia)	2016/09/01	3	1958/09/14	61	White	Male	10	
<b>V Nkonyeni</b>	BSc (Hons), Postgraduate Diploma in Accounting, CA(SA)	2014/06/03	6	1969/09/13	50	Black	Male	17	
<b>J van Rooyen</b>	BCom, BCompt (Hons), CA(SA)	2008/08/13	12	1950/02/18	69	Coloured	Male	12	
<b>PCCH Snyders</b>	BEng (Mining), Diploma in Marketing Management and MCom in Business Management, Mine Manager's Certificate of Competence (Coal and Metalliferous)	2016/07/01	4	1960/06/02	59	White	Male	14	
<b>A Sing</b>	BSc Eng (Mechanical) (University of Natal), MBA (University of the Witwatersrand), AMP (INSEAD, France)	2018/03/07	2	1971/03/12	48	Indian	Female	7	

Must have used the skills in the past 20 years.

● Significant skills and experience (10+ years, in depth, main focus area, weekly use of skills and "line" accountability).

● Average skills and experience (5 – 10 years, ad hoc but regular and fairly in depth exposure/use of skills monthly).

● Limited skills and experience (5 years, very irregular or superficial exposure/use of skills quarterly/biannually).

● No experience.



## Governance continued

### Board membership

#### *Appointment of directors*

It is a commitment in our board charter that all directors must be individuals of calibre and credibility with the necessary skills and experience. In this regard, the remco ensures continuity of directorships and undertakes succession planning on behalf of the board, which includes the identification, mentorship and development of future candidates. To ensure continuity of experience and knowledge, the board has furthermore adopted a process of staggered continuity and re-election of directors, in terms of the company's memorandum of incorporation.

Exxaro directors are appointed through a formal process with the remco responsible for identifying suitable candidates as independent non-executive directors and, on the board's recommendation, shareholders then consider the directors for approval. The remco is also responsible for overseeing that the required independent background checks are done and that proposed candidates provide the required information as recommended in King IV™.

The retirement age for an executive director will be 63 (sixty-three) years and 70 (seventy) years for a non-executive director. The board, on recommendation by the remco, will be

entitled to recommend for the re-election by shareholders a non-executive director who has passed the age of 70 (seventy), provided that the board formally motivates the recommendation for re-election to shareholders. Such re-election will occur on an annual basis at every AGM following the date on which the non-executive director has reached the age of 70 (seventy).

Details regarding the rotation and election of directors are contained in the notice of the AGM for 2020.

#### **Board leadership**

Our board continues to be led by an independent non-executive chairman, Mr J van Rooyen, in compliance with paragraph 3.84 of the JSE Listings Requirements and the recommended practices of King IV™, and Ms GJ Fraser-Moleketi continues to serve the board as the lead independent non-executive director.

The role of the chairman is separate and distinct from that of our chief executive officer and the separation of powers and responsibilities, as set out in the board charter ensures that no single person has unfettered decision-making powers and that the appropriate balance of power exists at board level.



**Roles and responsibilities of the chairman, CEO and lead independent non-executive director**

Functions	Responsibilities
<b>Chairman</b>	<ul style="list-style-type: none"> <li>• Is an independent non-executive director who will be responsible for setting the tone for an ethical culture at board level and for ensuring adherence to the rules of conduct and etiquette</li> <li>• Is responsible for representing the board to shareholders and indirectly to other stakeholders relating to performance.</li> <li>• Is responsible for ensuring the integrity and effectiveness of the governance process of the board</li> <li>• Is responsible for managing conflicts of interest at any meeting of the board in accordance with all applicable legal requirements and best practice</li> <li>• Is responsible for maintaining regular dialogue with the CEO over all operational matters and will consult with the remainder of the board promptly on any matter that gives him cause for major concern</li> <li>• Acts as facilitator at board meetings to ensure that no director dominates discussion, that appropriate discussion takes place and that the relevant opinion among directors is forthcoming and discussions result in logical and understandable outcomes</li> <li>• Plays a crucial role in ensuring the board is properly led and that the composition of the board is appropriate and adequate to enable the board to effectively fulfil its functions</li> <li>• Provides the necessary direction required for an ethical and effective board and should form the link between the board, the CEO and management</li> </ul>
<b>CEO</b>	<ul style="list-style-type: none"> <li>• Formulating and developing the company's short, medium and long-term strategy vision that will realise the company's core purpose and values while taking into consideration relevant risks and opportunities that will generate satisfactory levels of value creation as defined in King IV™</li> <li>• Leading the implementation and execution of approved strategy, policy and operational planning and shall be chief link between management and the board</li> <li>• Monitoring and managing the day-to-day operational requirements and administration of the company</li> <li>• Developing and recommending business plans, policies and objectives for consideration by the board and taking into consideration business, economic and political trends that may affect the operations of the company</li> <li>• Managing/ensuring the submission of reports, financial statements and consolidated budgets for consideration by the board</li> <li>• Overseeing the financial management of the company including financial planning, cash flow and management reporting</li> <li>• Involving himself in group affairs via the executive committee and acting as its chair</li> <li>• Not causing or permitting any practice, activity or decision by or within the company that is contrary to commonly accepted good business practice, good corporate governance or professional ethics</li> <li>• Ensuring that key management functions are headed by individuals with the necessary competence and authority and that they are adequately resourced and performance managed</li> <li>• Setting the tone at management level in providing ethical leadership and creating an ethical environment and culture and maintaining a positive ethical work climate that is conducive to attracting, retaining and motivating a diverse group of employees</li> <li>• Ensuring the implementation and execution of the company's codes of conduct and ethics policies</li> </ul>
<b>Lead independent non-executive director</b>	<ul style="list-style-type: none"> <li>• Leading in the absence of the chair</li> <li>• Serving as a sounding board for the chair</li> <li>• Acting as an intermediary between the chair and other members of the board, if necessary</li> <li>• Dealing with shareholders' concerns where contact through the normal channels has failed to resolve concerns or where such contact is inappropriate</li> <li>• Strengthening independence on the board if the chair is not an independent non-executive member of the board for whatever reason</li> <li>• Chairing discussions and decision making by the board on matters where the chair has a conflict of interest</li> <li>• Ensuring that the chair adheres to the rules of conduct and etiquette</li> <li>• Leading the performance appraisal of the chair</li> </ul>

## Governance continued

### Performance of our board

#### Board attendance

The attendance reflected below is based on four quarterly meetings, two governance sessions and six special board meetings calculated against the number of meetings the individual was required to attend.

Director	Designation	Attendance (%)
J van Rooyen	Independent non-executive director and chairman of the board	100
GJ Fraser-Moleketi	Lead independent non-executive director	100
**MW Hlahla	Non-executive director	50
PA Koppeschaar	Executive director: Finance director	100
*D Mashile-Nkosi	Non-executive director	71
L Mbatha	Non-executive director	83
MDM Mgojo	Executive director: Chief executive officer	100
VZ Mntambo	Non-executive director	83
MJ Moffett	Independent non-executive director	100
LI Mophatlane	Independent non-executive director	92
EJ Myburgh	Independent non-executive director	100
V Nkonyeni	Independent non-executive director	92
A Sing	Independent non-executive director	83
PCCH Snyders	Independent non-executive director	100

\* Ms D Mashile-Nkosi resigned as a director of the company with effect from 11 October 2019.

\*\* Ms MW Hlahla resigned as a director of the company with effect from 31 December 2019.



**Mxolisi Donald  
Mbuyisa Mgojo (59)**  
Chief executive officer  
(CEO)



**Pieter Adriaan  
(Riaan) Koppeschaar  
(49)**  
Finance director (executive  
director)



**Dr Nombasa Tsengwa  
(55)**  
Executive head:  
coal operations



**Mzila Isaac  
Mthenjane (49)**  
Executive head:  
stakeholder affairs



**Vanisha Balgobind  
(46)**  
Executive head:  
human resources



**Mongezi Vetu (56)**  
Executive head:  
sustainability



**Johan Gerhard  
Meyer (51)**  
Executive head:  
projects and technology



**Antonie Willem  
(Wim) Diedericks  
(52)**  
Executive head:  
business development



**SE (Saret) van  
Loggerenberg (44)**  
Group company  
secretary

## Our executive team

### MDM Mgojo – Mxolisi (59)

CEO

#### Qualifications:

BSc Computer Science, BSc (Hons)(Energy Studies), MBA, Advanced Management Programme (Wharton)

#### Experience:

Previously at Eyesizwe Coal, Mxolisi was responsible for marketing and logistics. After Exxaro's formation, he managed the base metals and industrial minerals commodity business before being appointed to head coal operations from August 2008. Mxolisi was appointed CEO designate on 1 May 2015 and CEO on 1 April 2016. Mxolisi is a director of Talent10 Holdings and Dynamo Investment Holdings. He was elected president of the Chamber of Mines (now Minerals Council South Africa) on 24 May 2017.

### V Balgobind – Vanisha (46)

Executive head: human resources

#### Qualifications:

BA (Hons)(Industrial Psychology), MA (Industrial Psychology), Management Development Programme (GIBS), Masters in Leadership (UNISA)

#### Experience:

Vanisha is a registered industrial psychologist with 20 years' experience in the mining industry. She joined former Iscor Mining in 1997 as a human resources graduate trainee. She was employed at Kumba Resources as a human resource business partner and within the talent management area between 1998 and 2006. Since then she has been appointed at Exxaro as manager of the talent management and staffing centre of expertise, manager of corporate projects and human resource optimisation, and group manager for talent and learning. She is chairperson of the Exxaro women in mining committee and serves on various other Exxaro subsidiary companies. Her passion is in education and women

empowerment as well as finding integration between work and quality family time.

### AW Diedericks – Wim (52)

Executive head: strategy and business development

#### Qualifications:

BEng (Mining) (University of Pretoria), Executive Development Programme (Darden, USA)

#### Experience:

Wim started his career as a bursar at former Iscor from 1986 to 1990 and was appointed as an engineer-in-training at Thabazimbi mine in 1992. He was further employed at Iscor's Durnacol, Tshikondeni, Sishen and Rosh Pinah, as well as the Kumba Resources head office and Thabazimbi mine. Since Exxaro's formation, he has held senior leadership positions at KZN Sands, Grootegeluk, Mpumalanga Coal Commercial Region and corporate office.

### PA Koppeschaar – Riaan (49)

Finance director

#### Qualifications:

CA(SA), Advanced and Associate programmes in Treasury Management, Advanced Diploma in Taxation, Advanced Management Programme (INSEAD, France), Certificate in Theory of Accounting. Member of the Association of Corporate Treasurers of South Africa

#### Experience:

Riaan started his career with Coopers and Lybrand. After completing his articles, he branched into the fields of treasury, investment management and corporate finance. He has held various senior management positions at Iscor, Kumba Resources and Exxaro until his appointment as finance director of Exxaro on 1 July 2016. He is a director of several Exxaro subsidiary companies, joint ventures and a trustee and investment committee member of the Exxaro Pension and Provident funds.

## Governance continued

### JG Meyer – Johan (51)

*Executive head: projects and technology*

**Qualifications:**

BEng (metallurgy), MBA, Advanced Management Programme

**Experience:**

Johan started his career in production management at Iscor Pretoria Steel Works. He has worked at KZN Sands, headed the research and development in Kumba Resources, part of the leadership team at Mineral Sands (Tronox), and has been business unit manager of Zincor and Exxaro corporate office. His current role as executive is focused on delivering the coal growth projects of approximately R20 billion and developing integrated resource and reserve life-of-mine plans. He is passionate about leading people and powering better lives.

### MI Mthenjane – Mzila (49)

*Executive head: stakeholder affairs*

**Qualifications:**

BSc (Eng)(Mining), Senior Management Development Programme (GIMT), Executive Development Programme (EDP), Advanced Management Programme (INSEAD, France)

**Experience:**

Mzila is a mining engineer with more than 25 years' combined experience in mining, investment banking and sustainability. This includes seven years in precious metals in deep-level gold mining at AngloGold Ashanti and Gold Fields in senior mine production management and corporate development roles, and six years in the platinum sector as senior investment manager and executive: business sustainability at Royal Bafokeng Holdings and Royal Bafokeng Platinum, respectively. His tenure in investment banking included four years at Rand Merchant Bank and two years at Deutsche Bank in various roles, including corporate and project finance. Mzila has been with Exxaro, in his current role, leading our stakeholder management and communication portfolio, since May 2013.

### N Tsengwa – Nombasa (55)

*Executive head: coal operations*

**Qualifications:**

PhD (Agronomy) (University of Maryland, College Park, US), Executive Development Programme (INSEAD, France)

**Experience:**

Dr Tsengwa has more than 18 years of executive management and board experience in the public and private sectors. In 2003, she

joined Kumba Resources as general manager: safety, health and environment. In 2007, she became executive general manager: safety and sustainable development. In 2010, she became directly involved with the management of coal operations, as general manager of captive mines and general manager of Mpumalanga operations. In 2015, she was appointed acting executive head of coal operations and then executive head of coal operations in July 2016. She is the 2017 winner of the Standard Bank Business Woman of the Year award and the 2018 winner of the Pan African Award for Africa's most influential woman in business and government within the mining category. An avid long-distance runner, she has completed nine Comrades marathons.

### M Vetri – Mongezi (56)

*Executive head: sustainability*

**Qualifications:**

National Higher Diploma in Metalliferous Mining and Coal Mining (Technikon Witwatersrand), MBL (Unisa), Advanced Management Programme (Wharton), Mine Overseer's Certificate and Mine Manager's Certificate of Competency for Fiery Mines

**Experience:**

In the early 1980s, Mongezi worked for AngloGold at Western Deep Levels. He joined Sasol Mining in 1994. In 2002, he became mine manager at Arnot, and was appointed general manager: Area 2 in Exxaro soon after the merger, before assuming his current role in February 2010. Mongezi was later, in May 2015, appointed as executive head: sustainability at Exxaro.

### SE van Loggerenberg – Saret (44)

**Qualifications:**

BLC, LLB (Pretoria) Eur Int (cum laude), LLM (Eur) (European Institute, University of Saarland), Certificate in compliance risk management (Johannesburg), Certificate in mining law (Witwatersrand), Advanced certificate in corporate and securities law (Unisa), Fellow of Institute of Chartered Secretaries, Member of International Institute of Risk Management

**Experience:**

Saret joined KPMG in 2002, advising clients on the legal aspects of information security, privacy and data protection.

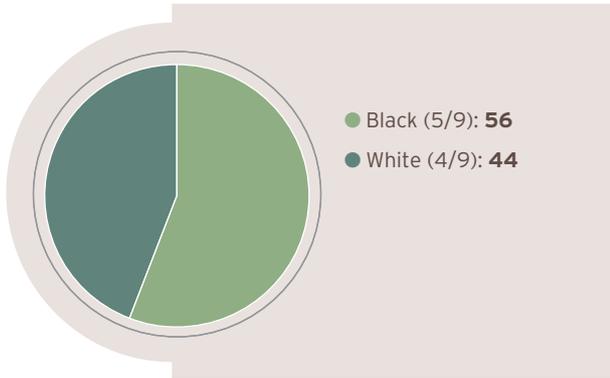
She joined Exxaro in 2008 as assistant company secretary, becoming manager: risk and compliance in 2012, security, privacy and data protection. As senior manager of the regulatory and compliance services team, she advised clients on compliance programmes and reviews as part of internal and external audit.



**Diversity of our executive team**

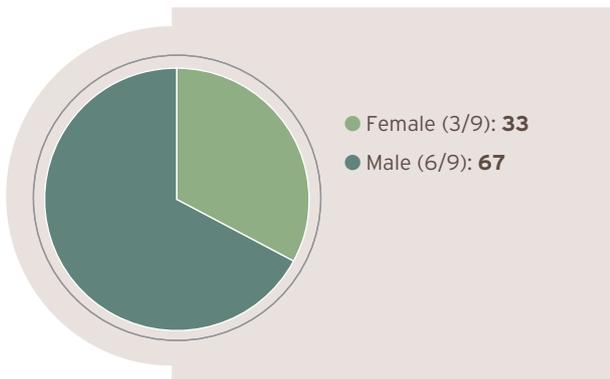
**(i) Racial diversity**

**Executive - racial diversity (%)**



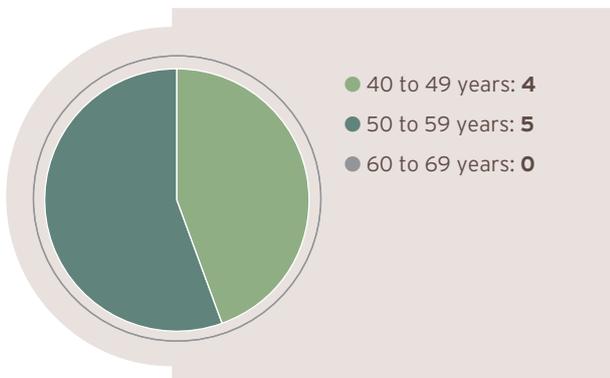
**(ii) Gender diversity**

**Executive - gender diversity (%)**



**(iii) Diversity of age**

**Executive - age diversity (%)**



**Role and responsibility of the executive committee**

The executive committee assists the CEO in acting for the board in managing the business of the company when the board is not in session, subject to the statutory limits and the board's limitations on delegation of authority to the CEO and the executive committee specifically. The executive committee, in carrying out its duties, has due regard to the code of governance principles in the King IV and the memorandum of incorporation of the company.

The board therefore reserved overall responsibility for establishing the business objectives and targets of the company as well as the strategic direction and control of the company's business activities. Between meetings of the board, the executive committee is authorised, subject to the powers delegated to it and subject to reporting its significant decisions to the next available meeting of the board, to take on behalf of the board whatever management action it considers to be necessary to safeguard the interests of the company and to further the strategy, business objectives and targets established by the board.

Within the authorities delegated to it by the board, our executive committee is responsible for:

- overseeing the financial, operational and sustainable performance of the company
- guiding the company in its relations with shareholders and other key stakeholders, including staff, regulators, politicians, environmental interests and the media
- developing and recommending group strategy for board approval
- reviewing the strategic KPIs approved by the board
- overseeing the implementation of board strategy within the risk appetite approach by the board
- keeping under review the adequacy of reporting arrangements and the effectiveness of internal control and risk management
- approving expenditure and other financial commitments specified in the delegations of authority framework
- making recommendations to the board seeking the necessary approvals where expenditure and other financial commitments are above the authorities delegated to the executive committee
- recommending memoranda, that require formal recommendation in terms of the delegation of authority framework, to the board committees and/or board as the case may be
- memoranda to be noted by any board committee and/or the board loaded into the Diligent reading room at least seven working days before the board committee or board meeting to allow members and standing invitees to ensure that they are au fait with the contents and that the documents are of the required standard
- performing such other functions as shall be determined by the board from time to time
- reviewing and approving terms of reference of the coal executive and investment review committees

## Governance continued

### Attendance

The executive team had four executive committee meetings and four special executive committee meetings in the reporting period. The high level of attendance is testament to their commitment to managing the business.

Executive committee member	Designation	Attendance (%)
MDM Mgojo	Chief executive officer and chairman	75
V Balgobind	Executive head: human resources	100
AW Diedericks	Executive head: business development	100
PA Koppeschaar	Finance director	100
JG Meyer	Executive head: projects and technology	75
MI Mthenjane	Executive head: stakeholder affairs	88
N Tsengwa	Executive head: coal operations	88
M Vetu	Executive head: sustainability	75
SE van Loggerenberg (ex officio)	Group company secretary	88

### Group company secretary

Ms SE van Loggerenberg was appointed as the group company secretary from 1 October 2017. The board recognises the pivotal role that the group company secretary plays in the establishment of effective processes and systems to ensure that good corporate governance forms part of the fibre of the organisation and is entrenched in the organisation's culture.

The role and responsibilities of the group company secretary are to:

- Guide the directors collectively and individually in their duties, responsibilities and powers
- Make directors aware of any law relevant to the company
- Report any failure on the part of the company or a director to comply with the memorandum of incorporation or the Companies Act
- Ensure the governing body procedures are followed and reviewed regularly
- Ensure compliance with applicable rules and regulations for conducting the affairs of the governing body
- Facilitate a programme for the induction and ongoing development of all directors, including subsidiary companies within the group
- Maintain statutory records in accordance with legal requirements
- Guide the governing body in the proper discharge of its responsibilities in the best interest of the company
- Keep abreast of, and inform, the board of current and new developments regarding corporate governance thinking and practice
- Fulfil all other functions assigned to the position by the Companies Act and any other legislation

In compliance with paragraph 3.84(i) of the JSE Listings Requirements, an annual evaluation of the incumbent company secretary was carried out to consider and satisfy itself of Ms van Loggerenberg's competence, qualifications and experience.

The formal evaluation confirmed:

- competence score of 86%
- suitability of qualifications
- experience of over 12 years in the mining industry and 19 years in various capacities in the fields of governance, risk and compliance

The board is comfortable that she maintains an arm's length relationship with individual directors and confirms that she is neither a director nor a public officer of the company or any of its subsidiaries.



## Governance continued

### Audit committee report



**Mr V Nkonyeni**  
Chairman: audit committee

Dear shareholders,

I am pleased to present the audit committee report for the year ended 31 December 2019

#### Role and purpose

The audit committee is constituted as a statutory committee in terms of section 94 of the Companies Act with additional duties assigned by the board to the committee. In terms of the Companies Act, this committee has an independent role with accountability to the board and the company's shareholders.

The committee therefore plays an essential role in providing independent oversight over the following:

- Quality and integrity of the company's financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of the company's internal controls and internal audit function
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over the system controls and policies in place.

The committee has in compliance with section 3.84 (g), performed the following duties:

- Considered and satisfied the committee of the appropriateness of the expertise and experience of the financial director

- Ensured that the issuer has established appropriate financial reporting procedures and that those procedures are operating
- Requested from the audit firm, in its assessment of the suitability for appointment of the current or a prospective audit firm and designated individual partner, when they are appointed for the first time and thereafter annually, for every re-appointment as well as for an applicant issuer prior to listing
- Ensured that the appointment of the auditor is presented and included as a resolution at the AGM of the issuer pursuant to relevant sections of the Companies Act.

#### Composition

The committee members are elected annually by shareholders at the AGM of the company on recommendation by the board (via the remuneration and nomination committee). The board ensures, through its recommendations, that there is a balanced blend of skills and experience, with specific focus on financial literacy, to enable the committee to discharge its functions.

For the period under review, the committee, at all times, consisted of a minimum of four independent non-executive directors. The board is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

A standing invitation to meetings of this committee is issued to the:

- Chief executive officer
- Finance director
- Chief audit officer
- Chief risk officer
- Representatives of the external auditors and internal auditors.

## Meetings

Four quarterly meetings were held by the committee during 2019. The committee attendance of almost 100% throughout the year illustrates high levels of engagement by our committee members.

The following table provides an overview of designations and attendance since appointment:

Name	Designation	Attendance (%)
Mr V Nkonyeni	Independent non-executive director and chairman	100
Mr MJ Moffett	Independent non-executive director	75
Mr LI Mophatlane	Independent non-executive director	100
Mr EJ Myburgh	Independent non-executive director	100

Annually, two additional sessions (aligned with approval of the interim and annual financial results) are held with the independent external auditors and internal auditors, respectively, where management is not present to facilitate an exchange of views and concerns to further strengthen the independent oversight by the committee.

## Statements

### Finance director and finance function

The committee has reviewed an internal assessment of the expertise and experience of Mr PA Koppeschaar, the finance director, and is satisfied that he has the appropriate expertise and experience to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

### External auditors

The group's independent external auditor is PwC. Fees paid to the auditors are disclosed in note 6.1.3 to the annual financial statements for the year ended 31 December 2019. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditors, which differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R36 million (2018: R32.5 million/2017: R36 million), which included R28 million (2018: R26 million/2017: R26 million) for statutory audit and related activities as well as R8 million (2018: R6 million/2017: R10 million) for non-audit services, mainly for tax advisory and tax compliance services, management accounting services, assurance, other advisory services and agreed upon procedures mainly in respect of sustainability assurance. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The committee annually assesses the independence of PwC and completed this assessment at its meeting on 6 March 2020. PwC was required to confirm that:

- It is not precluded from reappointment due to any impediment in section 90(2)(b) of the Act
- It remains independent, as required by section 94(7)(a) of the Act and JSE Listings Requirements.

Included in its assessment of the suitability of the independent external auditors, PwC was also requested to provide the company with its accreditation information, as detailed in the JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for the year ending 31 December 2020. Due to the importance of this appointment,

shareholders will therefore be requested to re-elect PwC in this capacity for the 2020 financial year at the AGM on 28 May 2020, which is contained in the notice of the AGM for 2020.

Mandatory audit firm rotation will only become effective on 1 April 2023 in terms of section 10 of the Auditing Profession Act, 2005 (Act 26 of 2005). Notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of audit services being rendered by PwC, the board, through this committee, decided to undertake a formal process to appoint a new firm of independent external auditors who are accredited on the JSE list of auditors.

Following an assessment process, this committee, with the endorsement of the board of directors, will recommend the appointment of new independent external auditors to the shareholders, as contained in the notice of AGM for 2020. The appointment will be in respect of the financial year ending 31 December 2021 and will be effective from the conclusion of PwC's external audit responsibilities for the financial year ended 31 December 2020.

### Internal auditors

The company's internal audit function is outsourced to EY and its responsibilities are detailed in an internal audit charter approved by the committee, which is reviewed annually. Its main function remains to express an opinion on the effectiveness of risk management and the internal control environment within the group. The committee is satisfied with the overall performance of the internal audit function provided by EY.

To allow for audit firm rotation and, notwithstanding the fact that the board is satisfied with the independence, conduct and quality of internal audit services being rendered by EY, the committee also recommended the appointment of new independent internal auditors through a formal process in the first quarter of 2020, and will propose the appointment of a replacement internal audit function with effect from 1 January 2021.

### Annual financial statements

The committee reviewed the company and group annual financial statements and accounting practices in detail, and is satisfied that the information contained in these statements, as well as the application of accounting policies and practices, are appropriate.

### Statement on effectiveness of internal financial controls

The committee, with input and reports from the independent internal and external auditors, reviewed the company's system of internal financial reporting procedures, as underpinned by the enterprise risk management framework, during the year.

## Governance continued

### Audit committee report continued

This included consideration of all Exxaro entities within the consolidated group IFRS financial statements, to ensure that the committee had access to all the financial information of the company to allow for the effective preparation and reporting on the annual financial statements. Informed by these reviews, the committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective and that the reporting procedures are operating.

#### Combined assurance

In terms of King IV, assurance has been broadened to cover all sources of assurance – including external assurance, internal audit, management oversight and regulatory inspectors. The combined assurance model has been expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and also support the integrity of information used for internal decision making by management, the governing body and its committees, and of the organisation's external reports.

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. This committee ensures alignment of the combined assurance plan, internal audit and external audit plans. New protocols have also been adopted dealing with risk acceptance, level one finding disclosure process and risk extension requests.

The combined assurance forum has been constituted as a working group coordinating the assurance activities within the group in compliance with no less than the enhanced requirements of King IV™. The forum implements and embeds the combined assurance framework principles, as approved by the audit committee, within the organisation. This is a management meeting and permanent invitees include representatives from the external auditors, internal auditors, other major assurance providers, as well as members of the audit committee, and the sustainability risk and compliance committee of the board.

The committee is satisfied with the arrangements in place for ensuring an effective and efficient combined assurance model within the group.

#### Subsidiary companies

The committee is aware of the subsidiary companies included in its mandate, and is comfortable with its oversight of these entities and its financial statements.

### 2019 in overview

#### • Implementation of IFRS 16

The process to implement IFRS 16 was proposed to the committee, providing for a phase 1 and phase 2 approach to ensure appropriate execution of each implementation phase with phase 1 focusing on group reporting and phase 2 focusing on standalone reporting for subsidiaries.

#### • JSE thematic review

The outcome of the thematic review by the JSE was presented to this committee with regard to Exxaro's adoption and disclosure of IFRS 9 and IFRS 15. The committee was informed that Exxaro's disclosure in this regard was regarded as best practice.

#### • Tax compliance status and reporting

Reporting to this committee includes reporting on all tax matters, including tax audits, returns and payments. The committee was also apprised of the carbon tax implications for Exxaro during phase 1.

#### • Internal audit report

A quarterly internal audit report is submitted to this committee, detailing progress made on the approved internal audit plan, audits being conducted, tracking of findings marked ready for audit as well as the close out of any findings.

#### • External audit report

The external auditors submitted quarterly reports to this committee dealing with various financial, tax and compliance matters as well as the implementation of IFRS 16. In addition, feedback was provided on an internal review that was conducted in accordance with the International Standard on Review Engagements 2410.

Other key issues that received attention during the year:

- Going concern statement and solvency and liquidity assessment
- Financial results and dividend declaration
- Trading statement
- Information management steering committee report
- Mine closure cost calculations
- Valuation of various investments
- Progress of divestments
- Audit of the annual resource and reserve statement.

## Key performance indicators

KPIs in 2019	Evaluation	KPIs in 2020
Review audit committee KPIs (including the new rand/tonne KPI) quarterly and understand management plans for out of appetite KPIs and periodically review management plans	Achieved	Review audit committee KPIs quarterly and review management plans for out of appetite KPIs
Oversee the splitting of the audit and risk functions to ensure the enhancement of corporate governance in Exxaro	Achieved	Review the strategy in relation to deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy
Review the macros to be used for budgets	Achieved	Ensure alignment of the combined assurance process, internal audit and external audit plan based on a risk-based approach
Review the IT strategy and ensure alignment with the Exxaro strategy	Achieved	Taking into account global resistance to thermal coal and the impact on insurance markets, review Exxaro's future strategy in relation to insurance cover and self-insurance
Approve the levels of materiality to be used for internal and external audit (including the audit protocols and the classification of findings)	Achieved	Track the closing of level 1 findings and understand the root causes of level 1 and repeat findings
Ensure alignment of the combined assurance plan, internal audit and external audit plan	Achieved	Oversee the assurance process associated with disclosures in the integrated report
Ensure that there is a link between internal audit findings and the Exxaro risk profile	Achieved	Oversee project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with TCFD
Track the closing of level 1 findings and understand the root causes attached to level 1 findings and repeat findings	Achieved	Guidance and assistance to chief audit officer specifically in relation to internal and external audit tender processes
Sign-off on the integrity of the integrated report	Achieved	Ensure alignment with JSE proactive monitoring framework for financial reporting Benchmarking and measurement of the effectiveness of assurance spend Proactive influencing rather than mere reporting of tier 3 assurance at business units

## Performance assessment

The effectiveness and performance of the committee was independently evaluated during the reporting period. The general outcome of the assessment that the overall performance of the committee is more than satisfactory. The evaluation concluded that the committee was satisfied with the committee's overall responsibilities and there were only a few areas that warranted consideration and attention to further strengthen the performance and effectiveness of the audit committee.

Herewith the themes that formed part of the assessment (four being the highest rating representing "In line with best practice" and one "needs significant improvement") and the ratings achieved.

Highlights of the assessment were:

- The committee and the group CEO and group FD have created a relationship that promotes open and frank discussion between the committee and management (average rating of 3.67)
- Relationships and communication within the committee are constructive and built on mutual trust and respect (average rating of 3.67)

The recommendations made as well as points to ponder will be included in the annual work plan for 2020.

## Conclusion

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

On behalf of the committee



**Mr V Nkonyeni**  
Chairman: audit committee

Pretoria

20 April 2020

## Governance continued

### Investment committee report



Mr LI Mophatlane  
Chairman

Dear shareholders,

I am pleased to present the investment committee report for the year ended 31 December 2019

#### Purpose

The committee has an independent role in terms of which it operates and makes recommendations to the company's board, monitors on behalf of and reports to the board on material acquisition, merger/investment or disposal opportunities and ongoing material transactions and matters related thereto in the scope of Business of Tomorrow. Investments that relate to coal operations and materials of the future are not reviewed by this committee.

It also has an oversight role over the Business of Tomorrow steering committee, being a management committee, where that committee is required to report on its portfolio to this investment committee on a quarterly basis.

#### Composition

Members of the committee are appointed by the board, on recommendation of the remuneration and nomination committee. The board ensures there is a balanced blend of skills and experience to enable the committee to discharge its functions and will consider the need for ad hoc invitees with the necessary technical experience to assist members in their technical deliberations. The committee may therefore, in the execution of roles and responsibilities, co-opt third-party advisers to assist members in their deliberations and decisions.

The committee, at all times, consisted of five independent non-executive directors for the review period. In addition, the chief executive officer, finance director, general manager: Business of Tomorrow are permanent invitees to meetings.

## Meetings

Three meetings were held by the committee, one being a special meeting. Our committee attendance of 100% for the period illustrates a high level of commitment and engagement by our committee members.

The following table provides an overview of designations and attendance since appointment.

Name	Designation	Attendance since appointment (%)
Mr LI Mophatlane	Independent non-executive director and chairman	100
Mr MJ Moffett	Independent non-executive director	100
Mr EJ Myburgh	Independent non-executive director	100
Mr V Nkonyeni	Independent non-executive director	100
Ms A Sing	Independent non-executive director	100
Mr PCCH Snyders	Independent non-executive director	100

## 2019 in overview

### Cennergi offer

The committee considered and provided strategic guidance regarding the proposed acquisition of the 50% equity stake of Tata Power in Cennergi, an incorporated joint venture, following an indication from Tata Power that the company wished to dispose of its interest in Cennergi.

### Independent review of Business of Tomorrow

Independent experts were appointed to conduct a review of the company's Business of Tomorrow strategy and, in particular, the company's execution capabilities in fulfilling its mission, which was to meaningfully diversify Exxaro beyond mining. Following an in-depth review of the Business of Tomorrow strategy, and the amendment of the current mandate, the current activities of the investment committee were suspended on 27 May 2019.

### Key performance indicators

KPIs in 2019	Evaluation
Track the Business of Tomorrow investment portfolio and the achievement of milestones	Achieved
Approve a risk appetite for Business of Tomorrow investments in line with the group risk appetite	Achieved
Recommend investment decisions to the board in line with the Exxaro strategy	Achieved
Review the risk profile of the Business of Tomorrow function, the risk profile of proposed investments as well as the risk profile of operations such as Aquicure	Achieved
Track the Business of Tomorrow investment portfolio and the achievement of milestones	Achieved
Approve a risk appetite for Business of Tomorrow investments in line with the group risk appetite	Achieved

## Conclusion

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

On behalf of the committee



**Mr LI Mophatlane**  
Chairman

Pretoria

20 April 2020

## Governance continued

### Remuneration and nomination committee report



Mr EJ Myburgh  
Chairman

Dear shareholders,

I am pleased to present the remuneration and nomination committee report for the year ended 31 December 2019

#### Role and purpose

The remuneration and nomination committee is constituted as a committee of the board of directors of the company in terms of section 72 of the Companies Act, the company's memorandum of incorporation, the JSE Listings Requirements and King IV™.

The role of this committee is to provide an independent and objective oversight to assist the board in ensuring that the group remunerates fairly, responsibly and in a transparent manner so as to promote the achievement of the company's strategic objectives and positive outcomes in the short, medium and long term.

The remuneration and nomination committee is responsible for determining the specific remuneration packages of executive directors of the company and the group company secretary, based on the principles of the approved remuneration policy. It furthermore considers the results of the performance evaluation of the chief executive officer and the finance director, as directors and as executives, as well as that of the group company secretary, in determining their remuneration.

It is also this committee's responsibility to annually review the board structure, size and composition, and to make recommendations to the board with regard to any adjustments that are deemed necessary based on King IV™ as well as the targets set for race and gender representation. It has a similar responsibility in respect of the composition of all committees of the board.

#### Composition

The board ensures that members of this committee have a suitably balanced blend of skills and experience to enable the committee to discharge its functions. The committee consists of a majority of independent non-executive directors. Attendees include the chief executive officer, finance director, executive head: human resources and other individuals with specific skills and expertise to assist members in their deliberations.

## Meetings

Four meetings were held by the committee during 2019. Committee attendance throughout the year illustrates high levels of commitment and engagement by our committee members. The following table provides an overview of member designations and attendance since appointment.

Name	Designation	Attendance (%)
Mr EJ Myburgh	Independent non-executive director and chairman	100
Ms GJ Fraser-Moleketi	Independent non-executive director	100
Mr VZ Mntambo	Non-executive director	100
Mr J van Rooyen	Independent non-executive director	100

## 2019 in overview

### Supporting value creation through the following strategic focus areas:

#### • Nomination responsibilities

As part of the annual review of the board composition, this committee considered the rotation of directors as well as the succession plan for key positions on the board and the company's executive directors. In addition, the committee also conducted formal assessments of all independent non-executive directors who have served for longer than nine years and reported to the board on the outcome of such assessment.

The board has recognised the importance and promotion of broader diversity at board level, specifically focusing on the diversity attributes of gender, race, culture, age, field of expertise, skills and experience. The new appointments to be made to the board, following the resignations of two of our female directors, will apply the policy of broad diversity in the nomination of new directors to the shareholders for appointment.

#### • Remuneration responsibilities

Throughout the year, various matters were considered by the committee relating to its remuneration responsibilities, which included non-executive director remuneration review, adjustments of guaranteed remuneration of the chief executive officer, vesting of share incentive scheme, reward allocations, payment of short-term incentives, special performance awards and wage negotiation agreements.

#### Remuneration policy review

The Exxaro remuneration philosophy and policy were submitted for an independent review, following which the committee considered the recommendations and implementation plan. The committee also considered the feedback from the investor roadshow on the remuneration philosophy and policy as well as the implementation plan.

### Chief executive officer and finance director performance assessment

The committee considered the results of the performance evaluation of the chief executive officer and the finance director, as directors and as executives, as well as that of the group company secretary, in determining their remuneration. Details of the assessments are included in the  remuneration report on page 110.

### Other key issues that received attention during the year

#### • Workforce transformation journey

The company recognises that employment equity is an important part of its implementation plan to achieve new targets set by the Mining Charter, 2018 and B-BBEE Act, 2003 (Act 53 of 2003). The committee, together with the social and ethics committee, provided inputs and supported the organisation's workforce transformation journey.

#### • Targeted voluntary packages

Additional targeted voluntary packages were offered to white male and female employees at the company's head office, and white male employees at the mining operations, with the objective of closing the gender gap as well as to achieve new transformation targets. The process was monitored by this committee.

In addressing the workforce demographic representation, management has been requested to ensure that the skills loss risk is mitigated across the organisation. A total of 225 targeted voluntary package applications were approved, based on the availability and readiness of employment equity successors in the internal pipeline and external market, the exit date and level of criticality of the position.

#### • Gender charter and policy

The committee took note of the findings and recommendations made in terms of gender mainstreaming and gender transformation, as contained in the report by the Commission for Gender Equality. In this regard, management was requested to formulate a gender equality charter and policy to guide senior managers and other responsible officials in driving gender mainstreaming and the transformation process. Over and above other actions, to also develop programmes of education, awareness raising and training of employees regarding their responsibilities in promoting gender mainstreaming and transformation.

#### • Remuneration philosophy and policy

Feedback was given to this committee following on the engagement with institutional investors to understand and address their concerns regarding the Exxaro remuneration policy. The committee requested management to re-visit the remuneration policy and implementation plan to include KPIs to address social impact within the various areas of responsibility and also requested that performance criteria in respect of ESG be highlighted in the strategic performance dashboard.

## Governance continued

### Remuneration and nomination committee report continued

This was done after a remuneration governance roadshow was convened (following the vote at the AGM of 2019) with institutional investors during the month of October to ensure that shareholder concerns were incorporated into the revised remuneration philosophy and policy of Exxaro.

- **Diversity and inclusion strategy and implementation plan**

Management submitted a diversity and inclusion implementation plan aimed at a more flexible workplace, which allowed for a thriving workforce and communities where everybody was treated equally and respected for their contribution. The diversity and inclusion implementation plan addressed a business imperative, moral imperative and, at the same time, achieving the compliance targets as set by the Department of Trade and Industry and the mining charter. The committee supported the diversity and inclusion strategy implementation plan over the period 2019 to 2022 as an integrated approach and inclusive framework, which supports the business strategy.

- **Wellness**

Employee wellness is recognised as being essential to the group's success as it impacts on culture, resources and productivity. As the focus was shifting from training and awareness on financial literacy to general wellbeing, the committee requested management to introduce a counselling component to employees.

- **Terms of reference**

The committee's terms of reference were reviewed by external assurance providers to benchmark the governance responsibilities and adequacies in terms of independence and objectivity due to the many corporate failures globally and locally. The recommendation to closer align the terms of reference of all the board committees was executed and submitted to the board for approval.

#### Key performance indicators

##### KPIs in 2019

##### Evaluation

Review remuneration and nomination committee KPIs quarterly and understand management plans for out of appetite KPIs and periodically review management plans	Achieved
Review the remuneration philosophy and policy and ensure implementation of the Deloitte recommendations, including whether Exxaro's employees are remunerated adequately	Achieved
Review whether a gender-based disparity gap exists	Achieved
Review the Exxaro people strategy and ensure alignment with the Exxaro strategy (including workforce of the future strategy)	Achieved
Review whether FullCo (full calendar operation system shift) is achieving the desired objectives	Achieved
Review the employment equity plan in support of the overall Exxaro strategy	Achieved
Track the implementation of the new Exxaro culture journey	Achieved

##### KPIs in 2020

##### Remuneration committee

##### Nomination committee

Review whether the current remuneration and nomination committee KPIs are still relevant and in line with the new approved strategy and consider new ESG targets for STI and LTIP	Consider skills and experience requirements of the board in light of the proposed new strategy
Once approved, review remuneration and nomination committee KPIs quarterly and understand management plans for out of appetite KPIs and periodically review management plans with enhancements requested in 2019	Consider the size of the board and capacity of board members
Oversee the review of the remuneration philosophy and policy for adoption by the board and ultimate adoption by shareholders and consider the recommendation by investors as solicited in the 2019 remuneration roadshow	Consider the independence of board members
Review non-executive director remuneration, especially the gap between the current committees	Consider nominees for appointment to the board in light of the vacancies
Review the Exxaro people strategy and value proposition	Conduct the required fit and proper assessment of board members for approval by shareholders
Review workforce transition requirements to support the new Exxaro strategy	Conduct board succession planning

## Performance evaluation

The effectiveness and performance of the committee was independently evaluated during the reporting period. Generally, the committee seems to be satisfied with its performance and effectiveness.

Herewith the themes that formed part of the assessment (four being the highest rating representing "In line with best practice" and one "needs significant improvement") and the ratings achieved.

Highlights of the assessment were:

- Reviewing the KPIs quarterly, understanding management plans for out of appetite KPIs and periodically reviewing management plans (including the mining charter and B-BBEE targets): average rating of 3.33
- Not only is this the highest rated theme but the lowest rating received for this theme is 3.25 – it is evident that the members are very satisfied with the culture in this committee, which is evident as:
  - relationships and communication within the committee are constructive and built on mutual trust and respect (average rating of 3.75)
  - all members freely speak their minds on key points (average rating of 3.50)
  - there is a sufficient level of independence in the deliberations and decision making in meetings of the committee (average rating of 3.50)
  - the committee and the CEO have created a relationship that promotes open and frank discussion between the committee and management (average rating of 3.50)
  - members are generally independent, enthusiastic, informed and fully committed to serving on the committee (average rating of 3.25).

The following matters were noted as those which the committee conducted correctly during the period under review:

- Remuneration review
- Executive succession
- Gender equality action plan and targeted voluntary package employment equity plan
- Conducting an extensive investor roadshow arising from investor concerns at the 2019 AGM and taking investor inputs into consideration in revising the remuneration policy
- Follow through on the remuneration strategy
- Attention should be given to the remuneration policy and philosophy.

It was specifically recommended that the committee, under the leadership of the committee chair and in consultation with management, interrogated the items that received ratings below 3.00 with a view to identifying interventions that will assist the committee in strengthening its performance and oversight role in the relevant areas. All the recommendations made, as well as points to ponder, will be included in the committee's annual work plan for 2020.

## Conclusion

The company was voted as the second-most popular employer of choice in the mining and resources sector by successful job seekers, which was announced at the annual employer awards by the South African Graduate Employers Association. The accolade was regarded by the committee as a validation of the fulfilment of its responsibility to the board.

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV and discharged its responsibilities in accordance with its terms of reference. The committee is furthermore satisfied that it has fulfilled its mandate in terms of the regulations to the Companies Act, and that there are no material instances of non-compliance to disclose and, if any material non-compliance existed, that it was duly considered.

On behalf of the committee



**Mr EJ Myburgh**  
Chairman

Pretoria

20 April 2020

## Governance continued

### Social and ethics committee report



Ms GJ Fraser-Moleketi  
Chairperson

Dear shareholders,

I am pleased to present the social and ethics committee report for the year ended 31 December 2019

#### Purpose

The social and ethics committee performs a vital function within the company's governance structures. As a statutory committee of the company, it has oversight of the group's organisational ethics, responsible corporate citizenship, sustainable development, development of transformation objectives, and it ensures that the organisation's culture is supportive of its transformative approach and monitors performance against the approved transformation objectives.

The committee confirms, in accordance with the JSE Listings Requirements, that it has executed its mandate in line with the Companies Regulation issued pursuant to the Companies Act.

#### Composition

The committee consisted of a majority of independent directors throughout the period as per the recommendations of King IV™, which ensures independent judgement within the committee deliberations and decisions. The chairman of the board is a standing invitee to all committee meetings, including the chief executive officer, finance director, executive head: stakeholder affairs, executive head: sustainability, executive head: human resources and the chief risk officer. Other individuals with specific skills and expertise are also invited to assist members in their deliberations.

The composition of this committee is considered annually and nominations for new members were adopted at the AGM held on 23 May 2019 with the changes in membership taking effect from that date.

## Meetings

Four meetings were held during 2019. The committee attendance throughout the year illustrates high levels of engagement by our committee members.

The following table provides an overview of member designations and attendance since appointment.

Name	Designation	Attendance (%)
Ms GJ Fraser-Moleketi*	Lead independent non-executive director and chairperson	100
Ms D Mashile-Nkosi**	Non-executive director	100
Ms L Mbatha	Non-executive director	100
Mr LI Mophatlane	Independent non-executive director	100
Ms A Sing***	Independent non-executive director	50
Mr PCCH Snyders	Independent non-executive director	100

\* Ms GJ Fraser-Moleketi was elected as chairperson on 1 August 2019.

\*\* Ms D Mashile-Nkosi was appointed as a member from 23 May 2019 and resigned as a member of this committee and director of the company with effect from 10 October 2019.

\*\*\* Ms A Sing was not available for re-election and retired as a member and chairperson of this committee on 23 May 2019.

## 2019 in overview

### Transformation strategy

In execution of its mandate and to achieve workforce transformation, the committee considered and recommended to the board for approval a revised five-year employment equity plan to progressively achieve the mining charter 2018 targets.

It also focused on the percentage of women in order to close the gender gap, especially at senior management level and women in engineering. The committee requested that the challenges facing women in mining be investigated to ensure the environment was conducive to attract and retain women. In support of gender equality, the committee requested that a gender charter and policy be formulated. The committee thus confirmed its positive willingness to achieve workforce transformation targets with determination and to lead in an inclusive manner.

### Enterprise and supplier development

The implementation and progress of the Exxaro enterprise and supplier development programme is monitored by this

committee, and reported that, through Exxaro's financial support by way of grants and loans, the enterprise and supplier development programme showed success in terms of compliance and social impact.

### Fraud prevention, anti-bribery and anti-corruption

During 2019, the company implemented the following:

- Compulsory online anti-bribery and anti-corruption training for some 3 176 employees
- Implementation of continuous monitoring of potential conflicts between the employee and vendor database through the use of an electronic enabler
- Completion of an ethics survey to determine if there were additional areas to focus on to improve the overall anti-bribery and anti-corruption programme.

The table below discloses the forensic investigation activity over a comparable period for the past three years following the 2018 approval by the committee of a fraud prevention, anti-bribery and anti-corruption programme implemented in 2019.

		2019	2018	2017
Investigations	Number	410	482	330
Hotline calls				
Disciplinary enquiries	Number	245	185	96
Criminal cases registered	Number	124	42	35
Arrests	Number	86	49	45
Copper theft		32		
	Number of cases	57	54	23
	Value (R)	3 541 404	3 245 438	563 255
	Recovered (R)	295 397	911 148	254 082
<b>Total value (including copper)</b>	<b>Value (R)</b>	<b>5 898 067</b>	<b>7 197 338</b>	<b>4 208 451</b>
<b>Total recovered (including copper)</b>	<b>Value (R)</b>	<b>591 654</b>	<b>1 868 459</b>	<b>1 442 337</b>

## Governance continued

### Social and ethics committee report continued

Notable conclusions are that the programme contributed to greater awareness and is a necessary deterrent to would-be perpetrators.

Since 2012, Exxaro's fraud prevention and anti-bribery and anti-corruption programme has matured significantly to the point of receiving a 98% ISO 37001 assessment by ENS (not certification) and should be able to withstand scrutiny in terms of the UNGC principle on corruption, the OECD guidelines on corruption, the South African Prevention of Corrupt Activities Act, the UK Bribery Act, the Foreign Corrupt Practices Act of the US, as well as the South African Companies Act.

#### Other key issues that received attention during the year

- Integrated socio-economic development strategy**  
 The committee requested the development of an integrated socio-economic development strategy as part of the overarching Exxaro strategy to ensure social impact with regard to powering better lives in Africa and beyond. Emphasis was to be placed on transformation and employment equity with timelines to ensure implementation by 2026.
- Social investments**  
 The mine invasions and community unrests in many areas were highlighted as a real concern to the mining industry as

well as government. The committee recognised the need for better communication within Exxaro's host communities to ensure transparency of investment contributions made by Exxaro and to communicate opportunities within procurement, enterprise supplier development, skills development and training.

- Sustainability**  
 Under the guidance of this committee, the company achieved a level two status with the best performing elements being ownership, enterprise and supplier development and socio-economic development. The committee confirmed that the economic upliftment of communities surrounding the Exxaro mines remains a key priority to ensure sustainability.
- Holding statements**  
 Throughout the year, the committee considered holding statements issued against various service providers, which expressed the seriousness of corporate South Africa addressing the root causes of irregularities and its strong commitment to ethics.
- Terms of reference**  
 The committee's terms of reference was reviewed by external assurance providers due to the many corporate failures globally and locally. The recommendation to closer align the terms of reference of the board committees was executed and submitted to the board for approval.

#### Key performance indicators

KPIs in 2019	Evaluation	KPIs in 2020
Review social and ethics committee KPIs quarterly and understand management plans for out of appetite KPIs and periodically review management plans (including the Mining Charter and B-BBEE targets)	Achieved	Transformation: Diversity and inclusion strategy, enterprise and supplier development, communities and land management (farming land) to outline all elements relating to transformation including regulatory requirements which are already measures through the strategic performance dashboard
Review the transformation strategy in support of the overall Exxaro strategy	Achieved	Stakeholder management: focus on employee and union engagement, customers and suppliers, investors, media and NGOs
Review the enterprise and supplier development strategy including the targets	Achieved	Culture journey: embedding the current culture and considering changes emanating from growth strategy
Review the stakeholder engagement strategy and plan	Achieved	Ethics: Anti-bribery and corruption interventions and awareness
Review the ethical culture of the organisation	Achieved	Employee wellness: health and safety strategy
Review the anti-bribery and anti-corruption programme implementation including the rolling out of the conflict of interest programme	Achieved	Environment strategy (non-regulatory)

## Performance assessment

The effectiveness and performance of the committee was independently evaluated during the reporting period. The general outcome of the assessment was that the overall performance of the committee is more than satisfactory.

Herewith the themes that formed part of the assessment (four being the highest rating representing "In line with best practice" and one "needs significant improvement") and the ratings achieved.

Highlights of the assessment were:

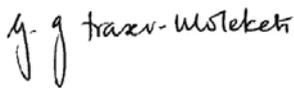
- Members are generally independent, enthusiastic, informed and fully committed to serving on the committee (average rating of 3.67)
- Members met their responsibilities in terms of the committee terms of reference and the key performance areas (average rating of 3.33).

The recommendations made as well as points to ponder will be included in the annual work plan for 2020.

## Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV™ and discharged its responsibilities in accordance with its terms of reference. The committee is furthermore satisfied that it has fulfilled its mandate in terms of the Regulations to the Companies Act and that there are no material instances of non-compliance to disclose and, if any material non-compliance existed, that it was duly considered.

On behalf of the committee



**Ms GJ Fraser-Moleketi**

Chairperson

Pretoria

20 April 2020

## Governance continued

### Sustainability, risk and compliance committee report



Mr PCCH Snyders  
Chairman

Dear shareholders,

I am pleased to present the sustainability, risk and compliance committee report for the year ended 31 December 2019

#### Role and purpose

The sustainability, risk and compliance committee assists the board in its oversight of three important aspects influencing the company's strategy and long-term viability, being sustainability, risk and compliance, which is done within the context of the remit of other board committees. The sustainability, risk and compliance committee also coordinates all risk and compliance activities for the company and group, and leads (on behalf of the board) a coordinated approach to the company's long-term sustainable development philosophy, policies and performance management.

The committee is responsible for:

- **Sustainability:** The review of the company's performance on sustainability by reviewing significant sustainability incidents and KPIs as well as other relevant data trends, considering actions to address areas of concern, and the consequences of decisions and management actions on the environment, community, health and safety of employees. It reviews the six capital model to support the Exxaro strategy and ensure that performance indicators are determined for every capital, and receives and reviews integrated reports to track the company's progress against performance indicators and advise the board on progress in achieving targets for sustainability issues.

- **Risk management:** In doing this, the committee exercises ongoing oversight of enterprise risk management on behalf of the board and, in particular, oversees that it results in an assessment of enterprise risks and opportunities emanating from the triple context in which the company operates and the capitals that the company uses and affects, as well as assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving the company's objectives.
- **Compliance:** The committee reviews policies and activities designed to promote a compliance culture in the company while, at the same time, ensuring that compliance is understood not only for the obligations it creates but also for the rights and protections it affords. It also ensures that compliance is continually monitored and reported by management, external or internal audit, and reviews and monitors such reports indicating material compliance breaches and corrective measures to prevent such breaches from recurring.

#### Composition

The committee consisted of a majority of independent directors throughout the period. The chairman of the board is invited to attend committee meetings. Other standing attendees include the chief executive officer, finance director, members of the executive committee, the general manager: risk, compliance and assurance as well as the internal auditors. Other invitees include individuals with the necessary technical experience to assist members in technical deliberations invited as required.

Management supports the committee through the following regular management committees: risk meetings at the business units, sustainability forums, safety and health forums, and the combined assurance forum.

## Meetings

Four meetings were held by the committee during 2019. The following table provides an overview of member designations and attendance by our members since appointment.

Name	Designation	Attendance (%)
Mr PCCH Snyders	Independent non-executive director and chairman	100
Ms MW Hlahla	Independent non-executive director	50
Mr MJ Moffett	Independent non-executive director	100
Mr EJ Myburgh	Independent non-executive director	100
Ms A Sing	Independent non-executive director	50

## 2019 in overview

### Supporting value creation through the following strategic focus areas

#### • Safety

The safety, health and wellbeing of our employees and our host communities is a priority. The committee supported the safety and health targets for 2019, which again included a fatality target of zero as well as high potential incidents target of zero.

All our operational business units have international health and safety accreditation of either OHSAS 18001 or have already transitioned to 45001.

#### • Health

The committee considered and recommended the establishment of a health strategy, which proposed the repositioning of the health and wellness management offering from a curative employer-driven occupational health management paradigm, to a preventative, integrated, health and wellness management paradigm driven by employees, which includes healthy lifestyle coaching, therefore focusing on physical and mind health management.

#### • Sustainability

The company's sustainability is founded on creative, mutually constructive relationships and common values with our stakeholders.

- The results of the carbon disclosure project of 2018 were released and Exxaro consistently attained B-management score for climate change and water management
- By reducing the company's carbon emission footprint, Exxaro is ranked #1 in ESG performance on selected metrics for resource companies in 2019
- The committee also tracked progress made by the task force that was created to focus on climate-related financial disclosure as well as the formulation of the company's climate change position statement.

#### • Risk management

The enterprise risk management implemented within the Exxaro group has reached a level of maturity that enables the committee to focus on material issues within the group that could substantively influence the group's ability to create value over the short, medium and long term. Throughout the year, discussions were held with executive management on the status of the top strategic risks within their respective areas of responsibility on an enterprise-wide basis to ensure adequate deliberation and understanding.

 Please refer to the integrated report for detail on the company's approach to risk and opportunity management at <https://www.exxaro.com/investor/integrated-reports2019/index.php>.

#### • Compliance

For Exxaro, our licence to operate is key to a sustainable business and our operations are subject to continued assessment due to the ever-changing regulatory environment. Exxaro is a responsible corporate citizen and plays an active role in protecting and preserving the environment which is affected by our mining operations.

### Other key issues that received attention during the year

#### • Crisis management policy and plan

Exxaro recognises the value that has been created over a period and that crises can destroy or erode within no time. It is therefore critical that the company ensures that there is crisis management capability to deal with any major event threatening to damage the organisation, stakeholders or the public.

The sustainability, risk and compliance committee considered and recommended for approval to the board a crisis management policy and implementation plan in 2019. The purpose of this policy is to establish the requirements that Exxaro will implement in response to a critical situation that would negatively affect its value and standing. The policy defines the requirements and capabilities that will endure and continue with the operations following major disruptions and challenges including adapting to a changing environment.

The purpose of the crisis management plan is to provide the group with a structure and high-level processes to identify, respond to and manage any crisis affecting the group, and is aimed at protecting the:

- Interests of Exxaro staff
- Environment within which the organisation operates
- Reputation, assets, mission and survivability of the organisation.

#### • SLP performance

The committee had oversight of the progress of SLP implementation through regular reporting from executive management.

#### • Terms of reference

The committee's terms of reference were reviewed by external assurance providers due to the many corporate failures globally and locally. The recommendation to closer align the terms of reference of the board committees was executed and submitted to the board for approval.

## Governance continued

### Sustainability, risk and compliance committee report continued

#### Key performance indicators

KPIs in 2019	Evaluation	KPIs in 2020
Review sustainability, risk and compliance KPIs quarterly and understand management plans for out of appetite KPIs and periodically review management plans	Achieved	Review whether the current sustainability, risk and compliance KPIs are still relevant and in line with the new approved strategy
Review the risk appetite for Exxaro	Achieved	Once approved, review sustainability, risk and compliance committee KPIs quarterly and understand management plans for out of appetite KPIs and periodically review management plans with enhancements requested in 2019
Ensure that a link exists between strategy, risk management and performance	Achieved	Recommend the revised risk appetite after approval of the Exxaro strategy including the growth strategy
Periodically review the top risks pertaining to the group, key operations and mega operations	Achieved	Periodically review the top risks pertaining to the group, key operations and mega operations
Review the compliance universe for Exxaro	Achieved	Review the climate change strategy in light of the recent changes to the Exxaro strategy
Review the material sustainability KPIs for Exxaro and understand the international developments with regards to sustainability report	Achieved	Review the top compliance risks for Exxaro
Review the climate change strategy of Exxaro	Achieved	Recommend the integrated report for approval to the board

#### Performance assessment

The effectiveness and performance of the committee was independently evaluated during the reporting period. The overall rating achieved suggested that the committee members were generally satisfied with the functioning of the committee although there is room for strengthening specific aspects of its functioning and that the members had no material concerns.

Herewith the themes that formed part of the assessment (four being the highest rating representing "In line with best practice" and one "needs significant improvement") and the ratings achieved.

Highlights of the assessment were that the committee:

- Improved its focus on compliance, focus on climate change and improved focus on the health and wellbeing of employees
- Fulfilled its mandate, notwithstanding some challenges around individual participation and commitment, and also played its part in ensuring the organisation's responsiveness to the emerging risk landscape including that of climate change and the changing energy landscape in South Africa
- Refocused the drive for safety improvement
- Effectively dealt with the business as usual.

The recommendations made as well as points to ponder will be included in the annual work plan for 2020.

#### Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV™ and discharged its responsibilities in accordance with its terms of reference. The committee is furthermore satisfied that it has fulfilled its mandate in terms of the Regulations to the Companies Act and that there are no material instances of non-compliance to disclose and, if any material non-compliance existed, that it was duly considered.

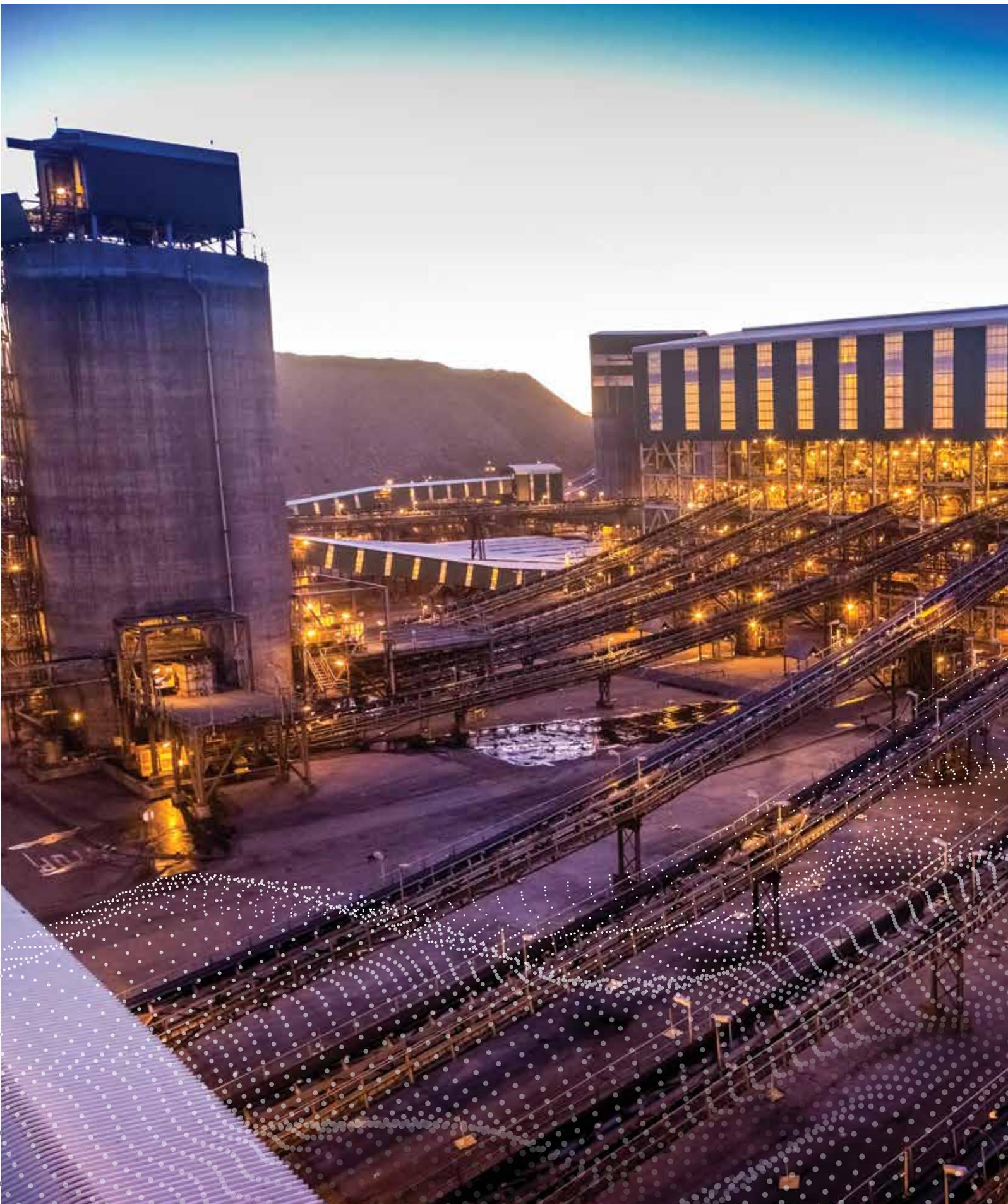
On behalf of the committee



**Mr PCCH Snyders**  
Chairman

Pretoria

20 April 2020



# Remuneration report

## Section 1: Committee chairman's report

Dear shareholder,

A key responsibility of our role as a remuneration committee is to ensure that Exxaro remains aligned in its remuneration offering with evolving best fit remuneration standards and practices. It is a continuous challenge that we accept open-heartedly while ensuring that we apply the utmost rigour in our deliberations, striving for fair remuneration outcomes. Fairness and ethics are part of our culture and therefore cornerstones in our remuneration offering, extending from executive management to bargaining unit employees

### 2018 shareholder vote

**We are concerned with the dwindling support received for the 2018 remuneration report:**

- **Approval of the remuneration policy for 2018: 73.09% (2017: 82.9%).**
- **Approval of the implementation of remuneration policy for 2018: 76.38% (2017: 83.3%).**

It is for this reason, as well as the JSE Listings Requirements, that we engaged more extensively with shareholders so that we could understand their concerns. Various well-attended engagement sessions were held during October 2019 by the remuneration committee chairman, and the chairman of the board with a broad base of our shareholders and investors.

Following these sessions, the remuneration committee deliberated on all the issues raised, and endeavoured to address them through a combination of additional disclosure, and remuneration policy changes in the short, medium and longer term. We were able to incorporate some of the concerns raised in the current cycle or by providing further disclosure. Other concerns will take longer to be reflected visibly in the reward outcomes. As a response, we have summarised the key shareholder feedback points and provided responses in the table below on how the issues raised have been or will be addressed:

**Table 1: Shareholder concerns raised and Exxaro's response**

Shareholder concerns raised	Exxaro's response
<b>General: Disclosure on pay for performance alignment</b>	
Improved disclosure of performance metrics used for CEO and finance director and the weight allocation to financial and non-financial metrics.	Forward-looking performance priorities for CEO and finance director are now disclosed, indicating metrics and weights.
Improved disclosure of short-term incentive (STI) and long-term incentive plan (LTIP) metric weights, and performance conditions at threshold, target and stretch.	Now more clearly disclosed.
The weight allocation to performance metrics, should be reflective of its relative importance in strategy.	Adjustments to this effect have been made.
A malus and clawback policy should be adopted.	A decision was taken by the board to include a malus and clawback policy for 2020 awards on both STI and LTIP.
<b>Long-term incentive related</b>	
A return-based measure such as return on capital employed (ROCE) is preferred over headline earnings per share (HEPS).	ROCE replaces HEPS as a performance vesting condition for the 2020 LTIP awards.
Disclose total shareholder return (TSR) peer group for the LTIP.	Now disclosed in the remuneration report.
Specify environmental, social and governance (ESG) performance targets for the LTIP scheme.	Disclosed as part of the LTIP performance vesting conditions.
Preference for a five-year vesting period rather than a three-year vesting period was expressed.	We will continue with a three-year vesting period while adoption of minimum shareholding requirements is considered during 2020.
Minimum shareholding requirement for prescribed officers to be considered.	Under review in 2020.
<b>Short-term incentive related</b>	
Consider consolidating special performance reward (SPR) and STI into one scheme.	Under consideration for the 2021 cycle.

The remuneration policy and accompanying implementation report are tabled in two separate resolutions every year for non-binding advisory votes by shareholders at the annual general meeting (AGM). Shareholders are required to express their views and vote on the remuneration policy and its implementation.

If either the remuneration policy or accompanying implementation report are voted against by 25% or more of the voting rights exercised, the committee will again engage with significant shareholders to ascertain reasons for dissenting votes. Legitimate objections and concerns will be addressed. Possible recourse could include amending the remuneration policy, as well as clarifying or adjusting remuneration governance and processes.

**Sustainable strategic business choices**

The 2019 financial period has proven to be a challenging year on a number of fronts. The coal mining industry has come under increasing pressure due to environmental threats and, as a result, lost some favour with the investment community. Nevertheless, the group performed well in terms of its strategic and operational objectives.

The group has continued to respond to these sustainability challenges in redefining the strategy of the business in favour of longer-term sustainable business initiatives

We acquired the remaining 50% ownership of our renewable energy investment in Cennergi. Our efforts in ESG continue to deliver ongoing improvements in our carbon footprint and water management (+ see pages 28 and 32).

In addition, we have had success in our initiatives to grow skills and competencies within our workforce so that our people are equipped to meet the requirements of jobs in the business of the future when the fourth industrial revolution will require enhanced digital skills. As we embrace diversity and inclusion, our initiatives to increase female representation, and ensure representation of disadvantaged groups in the workforce, are also bearing positive results.

**Pay for performance**

As a consequence of the nature of the industry in which we operate, the group is exposed to iron ore and coal commodity prices. The sharp drop in the price of thermal and export coal, together with local inflationary pressures, impacted the ability of business units to achieve their net operating profit (NOP) targets. In some production units, the challenges associated with increased production volume targets also affected their ability to meet short-term incentive targets.

Exxaro was able to advance its key objectives for safety, portfolio optimisation, operational excellence and capital allocation during 2019. As a responsible corporate citizen, we remain resolute in striving to achieve zero harm for our people, while increasing efficiencies.

**The remuneration committee, in assessing the CEO as well as overall group performance, has concluded that Exxaro is led by a dedicated executive team who function well and have delivered a robust set of business results against the priorities for the current cycle.** Delivery against key business initiatives and key performance indicators are the underlying drivers of our variable pay schemes highlighted below:

Safety	Sustainability	Procurement	Operational excellence performance	Leadership, people and culture initiatives
Our LTIFR regressed slightly as we missed our targeted improvement. We were able to maintain our fatality free record and extend it to a continuous period of 33 months (three years to end of March 2020). Our safety campaign, Khetha Ukuphepha (choose safety) was able to correct a temporary safety performance decline during the year.	We achieved an excellent rating from FTSE Russell for combined sustainability and continue to improve our rating in the top quartile compared to our peers.	Preferential procurement from designated groups reflects an achievement that is better than the Mining Charter requirements.	Indicators such as rand/tonne/product group came under pressure and missed the target.	We excelled in culture change initiatives and have focused on specific mechanisms to ensure that we reach our targets as set out in our employment equity plans.

## Remuneration report continued

Management’s SPR and performance contracts include delivery against sustainable strategic objectives as well as the operational performance objectives of respective business units. The 2019 business performance results were reflected in the STI schemes results with reduced reward payments when compared with the previous cycle:

- Three of the four operating business units failed to meet their respective net operating profit targets and no STI payments were made for the tier 1 component
- As a consequence of failing to exceed the Exxaro group net operating profit target, the tier 2 component of the STI scheme failed to warrant any incentive payout for the group level scheme during the 2019 cycle
- The SPR scheme, aimed at individuals meeting their respective SPR objectives, where applicable, resulted in incentive payments to individuals.

Of the LTIP awards made in April 2017, overall, 92.3% of the awards will vest due to 76.9% of the ESG (33.34% weight)

component vesting. For the HEPS and TSR components (33.33% weight each), 100% of awards will vest.

### Key remuneration decisions in 2019

Notable matters and key focus areas of the committee during the review period included:

- Finalising of a new employee share ownership plan (ESOP)
- Financial wellbeing of employees and continued awareness of financial wellness across the group
- We continued with the implementation of our wage agreements across the organisation and embarked on engagements sessions with the CEO and union leadership in terms of the business strategy and the future world of work
- The trends of disciplinary cases and current disputes were reviewed, and actions were endorsed to maintain continuous improvement over the past three years
- We reviewed the talent portfolio of the organisation and the following highlights emerged:

#### Strategic workforce planning



- In line with the future needs of the workforce, we have introduced smart workforce training programmes, and created partnerships with various universities and technical colleges to influence syllabus changes to align with the fourth industrial revolution and business objectives

#### Training and development



- Our training spend against our legislative commitment was 5.27% against the target of 5% in accordance with the Mining Charter
- Training and development programmes for employees and jobless youth in our host communities include, among others, learnerships (technical and other), compliance training, competency development, leadership and career development, and training of bursars professionals for our talent pipeline.

#### Talent planning



- We continue to ensure that we have a robust and healthy talent pipeline through our succession planning process, it focuses on talent bench strength, future leadership development and demographic spread at senior and management levels
- Health and emergency business continuity talent mapping of our executive and senior management talent is also conducted
- We have focused our attraction and retention strategy to ensure that we attract high potential talent in accordance with our strategic objectives.

- Specific line of sight production-based incentives for tied and commercial mines were developed and implemented in 2019 where more appropriate than the standard STI incentives
- A diversity and inclusion strategy was developed and approved to support the business strategy, from a compliance perspective and to create business value:
  - As part of the implementation of the diversity and inclusion strategy and our drive to comply with the new Mining Charter, we strive to deliver against employment equity targets by implementing various mechanisms. One of our approaches, introduced to ensure that we achieve our targets, is the targeted voluntary package (TVP) offered to non-designated employees, for the period from 2019 to 2021
  - We have placed emphasis on our women in mining initiatives and will continue to empower women across the organisation
  - We continue to embed our culture journey through our **connect2NEXT** platform, which includes our values and our culture themes and behaviours that differentiate Exxaro as an employer of choice
- An independent review was conducted on the current state of the remuneration offering, including prevailing trends nationally and internationally.

### Remuneration advice

Exxaro continues to seek independent and professional advice on remuneration matters. In the review period, we were advised by consultants who, in the view of the committee, could be regarded as fully independent:

- VASDEX conducted an independent review of the total remuneration offering from CEO to DM level. The reviews included the impact of national and international remuneration trends, a peer group comparison and the potential impact of the fourth industrial revolution
- VASDEX and Nextec HCS provided advice on remuneration reporting
- Remuneration benchmark data was procured from various consultants:
  - PwC and Mercer for non-executive, executive and general staff remuneration benchmarks
  - PwC, PE Corporate and EY for non-executive and executive director benchmarks
  - PwC, Khokhela and 21st Century for remuneration trends in the mining industry
  - Korn Ferry Hay benchmarks on specific positions.

### Focus areas of the committee in 2020

Various changes are contemplated to the remuneration policy during 2020, as we realign our remuneration policy to enable implementation of our future business strategy. Our remuneration policy will continue to evolve by embedding applicable best fit market practices. **Implementation of the new ESOP scheme in 2020 will continue to foster a culture of ownership and provide a mechanism to share the longer-term shareholder gains with all employees.**

In addition to the normal work plan, the committee will focus specifically on the following areas in 2020:

- Implementation of the new ESOP scheme
- Implementing the reviewed remuneration philosophy/policy aligned with a revised remuneration offering
- Implementing considered proposals about the remuneration report in line with investor feedback and general standard requirements
- Developing new performance and vesting conditions with a return-based component for the 2020 LTIP to be effective in the April 2020 new offers
- Finalising policy and procedures with respect to malus and clawback
- Consideration of the introduction of minimum shareholding requirements applicable to the executive committee and designated prescribed officers
- Reviewing the current STI and SPR schemes in order to develop simplified variable pay scheme(s)
- Adjusting the SPR scheme to allocate 50% to business/operational performance measures and 50% to an individual performance measure in 2020 until the new variable pay scheme is implemented in 2021
- Aligning performance contracts of the executive team with the new business strategy (incorporating rigour and stretch in the measures to drive company performance)
- Reviewing the performance management process aligned with the values and business strategy in order to facilitate a wider remuneration and reward spread between performance levels
- Continued focus on the implementation of the diversity and inclusion strategy
- Complying with the revised mining charter employment equity targets and measures to achieve targets as well as other legislation with a key focus on attracting, empowering and developing women at all levels of the organisation
- Ensuring human resources policies and relationships with stakeholders are fair, consistent and sustainable.

I thank my fellow committee members for their support and wise counsel in the review period. I also thank the executive head of human resources and her team for their hard work and dedication in ensuring Exxaro remains competitive in the market and an employer of choice for all of its employees.



**EJ Myburgh**  
Chairman  
Remuneration and nomination committee

20 April 2020

# Remuneration report continued

## Section 2: Remuneration policy

### 2.1 Introduction

In this section, we provide a broad overview of the remuneration philosophy, principles and policies applicable to the various remuneration elements in terms of various employee groupings, including executive directors, prescribed officers, senior management and all other employees.

Inputs from our shareholder engagement process and the internal review of our remuneration policy resulted in changes recommended to the remuneration committee. We share a summary of these changes to the remuneration policy applicable to executive directors and prescribed officers.

### 2.2 Remuneration philosophy

In the view of the committee, our remuneration philosophy underpins our strategy and enables us to achieve our business objectives. Our commitment to pay for performance in alignment with shareholder value creation drives all our remuneration activities and continues to deliver a sound value proposition to employees.

We strive to attract, retain and empower the best talent to achieve our strategy and create sustainable stakeholder value

### 2.3 Remuneration principles

Our vision for rewards is to provide simple, integrated, holistic solutions, common messages and a package differentiated from the market for Exxaro to attract, retain and energise talented, high-performing people.

Exxaro understands that remuneration is critical in attracting and retaining high-performing individuals. As such, the committee firmly supports the principle that pay must be aimed at reinforcing, encouraging and promoting superior performance.

We believe in the fair and responsible remuneration principles we have adopted to guide our policies directed at different remuneration elements in our remuneration framework.



## 2.4 Remuneration offering

The table below shows the remuneration offering used to reward employee categories in a fair and equitable manner.

The policy provides for an annual assessment of the wage gap and consideration of any appropriate actions such as differentiating annual adjustments. In addition, the principles of internal parity, reward for performance and market competitiveness apply. These principles facilitate fair and responsible remuneration.

**Table 2: Remuneration offering by employee category**

### Remuneration

Employee category*	Total guaranteed remuneration		Variable pay				
	Notional cost of employment (NCOE)	Basic salary and benefits	STI schemes		LTI schemes		
			STI	SPR	LTIP	Deferred bonus plan (DBP)**	ESOP
Executive management (F band)	x		x	x	x	x	
Senior management (E band)	x		x	x	x	x	
Middle management (D upper and middle bands)	x		x	x	x		
Junior management (D lower and C upper bands)	x		x				x
Bargaining unit employees (C middle to A bands)		x	x				x

\* The Paterson job grades are indicated by applicable employee category.  
 \*\* DBP excludes E lower grade.

### 2.4.1 Remuneration mix

The table below indicates the maximum percentage of total guaranteed remuneration applicable to the variable pay schemes, by grade. The remuneration mix is benchmarked on an annual basis prior to the granting of annual long-term incentive (LTI) awards.

**Table 3: Remuneration mix on variable pay by Paterson grade at maximum (expressed as a percentage of total guaranteed remuneration)**

Grade	Maximum STI (%)	Maximum SPR (%)	Maximum STI schemes (%)	Maximum LTIP (%)	Maximum DBP* (%)	Maximum LTI schemes (%)	Maximum total variable pay (%)
F upper	18.33	37.00	55.33	231.00	27.39	258.39	313.72
F lower	18.33	32.00	50.33	143.00	24.91	167.91	218.24
E upper	18.33	25.00	43.33	101.00	21.45	122.45	165.78
E middle	18.33	20.00	38.33	76.00	10.54	86.54	124.87
E lower and D upper	18.33	15.00	33.33	38.00	0.00	38.00	71.33
D middle	18.33	10.00	28.33	38.00	0.00	38.00	66.33
D lower and below	18.33	0.00	18.33	0.00	0.00	0.00	18.33

\* The maximum DBP matched portion is 90% of the total after-tax STI schemes for F band and E-upper Paterson grades and 50% for E-middle Paterson grade.

The table on the following page provides an indication of the total variable pay due, by component, for achievement at target. The STI and SPR schemes explicitly state the target bonus quanta applicable at target. The LTIP performance vesting conditions are defined at maximum and threshold. In order to provide an indication of targeted total variable pay, target is considered halfway between threshold and maximum. In the case of the DBP, we applied the midpoint of the voluntary deferral, 50% to the target STI schemes.

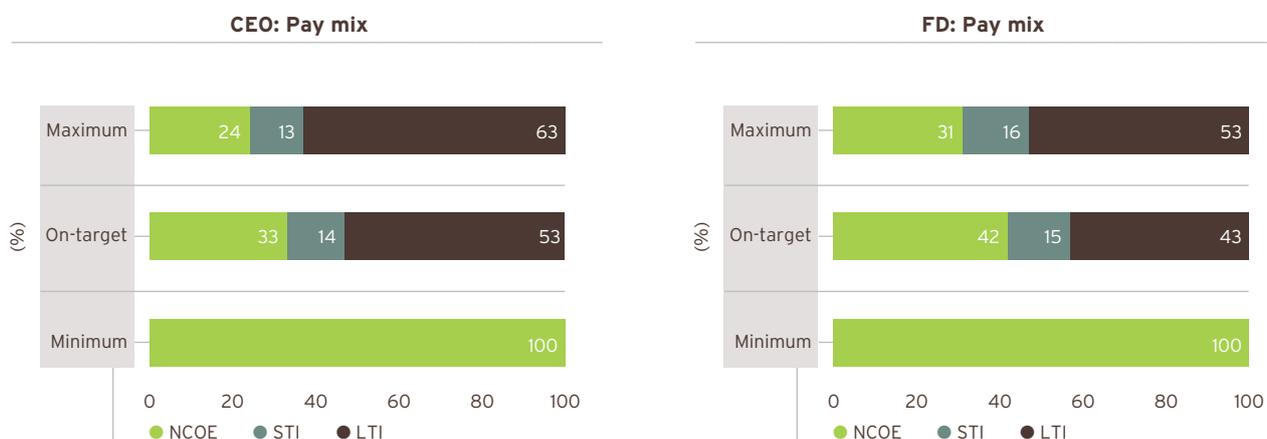
# Remuneration report continued

**Table 4: Remuneration mix on variable pay by Paterson grade at target (expressed as a percentage of total guaranteed remuneration)**

Grade	Target STI (%)	Target SPR (%)	Target STI schemes (%)	Target LTIP (%)	Target DBP* (%)	Target LTI schemes (%)	Target total variable pay (%)
F upper	8.33	33.30	41.63	150.15	11.45	161.60	203.23
F lower	8.33	28.80	37.13	92.95	10.21	103.16	140.29
E upper	8.33	22.50	30.83	65.65	8.48	74.13	104.96
E middle	8.33	18.00	26.33	49.40	7.24	56.64	82.97
E lower and D upper	8.33	13.50	21.83	24.70	0.00	24.70	46.53
D middle	8.33	9.00	17.33	24.70	0.00	24.70	42.03
D lower and below	8.33	0.00	8.33	0.00	0.00	0.00	8.33

\* The target DBP matched portion is 50% of the total after-tax STI schemes for F band and E-upper Paterson grades and 50% for E-middle Paterson grade.

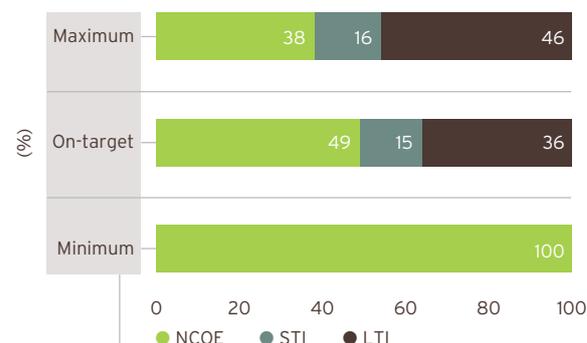
**Graph 1: Remuneration mix for CEO, finance director and prescribed officers**



**Prescribed officer (on Patterson Band F – lower): Pay mix**



**Prescribed officer (on Patterson Band E – upper): Pay mix**



## 2.4.2 Total guaranteed remuneration

Our policy at Exxaro is to:

- Benchmark using established industry remuneration surveys on an annual basis with a combination of job families and grades to anchor external benchmark jobs for comparison
- Position total guaranteed remuneration around the median of the external benchmark jobs
- Use mining industry peers to compare most E band (Paterson grade) and below roles specific to the mining industry
- Use a combination of national remuneration surveys for South Africa for local roles at executive management and

some senior management roles that are not specific to the mining industry

- Consider the outcome of the individual performance contract in the annual NCOE increase process – a three score (on a five-point rating scale) warrants positioning around the median of the benchmark for the job.

### Notional cost of employment

NCOE is the guaranteed remuneration portion of total pay and includes basic salary, benefits and retirement funding.

**Basic salary**

All bargaining unit employees receive a market-related basic salary complemented by guaranteed allowances (housing and commuting), variable allowances (shift and standby) as well as benefits (see full list of benefits below). Bargaining unit employees have received increases of between 0.5% and 1.5% per annum higher than management and specialist category employees over the past 14 years (2006 to 2020) to reduce the wage gap.

**Benefits**

All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances. Management and specialist employees have flexibility in structuring their remuneration within certain company and legislative limitations. During the year no changes were made to the applicable policies for retirement funds, medical health and other benefits stated below.

Retirement funds	Medical health schemes	Group personal accident cover
All employees are members of one of Exxaro's accredited retirement funds. Retirement fund contributions are determined by specific conditions of employment and fund rules for the different levels and categories of employees.	Employees may annually elect to belong to any of the accredited medical schemes as they apply to the relevant employees. Contributions are made by employer and employee. Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements recognises past practice (by Eyesizwe) that was discontinued with the creation of Exxaro in November 2006.	Employees are beneficiaries of a policy that provides additional cover for death, disability and dread disease through group personal cover taken out by Exxaro.

**2.4.3 Variable pay**

**Short-term incentives**

The STI schemes focus on annually contributing to the strategic goals and delivering Exxaro's operational and financial objectives in the shorter term.

Exxaro has two STI schemes:

- The SPR that rewards individual performance, predominantly aimed at over and above normal job performance objectives, mostly achieving tactical or strategic objectives
- The STI scheme that rewards business unit, commodity and group-level performance for reaching and exceeding stretched operational and financial performance targets.

**Special performance reward scheme**

The SPR scheme applies to all permanent employees (DM Paterson grade and above) in the Exxaro Resources management and specialist category.

Participants in the scheme are required to have an SPR contract with individual SPR objectives for the 12-month period. It is evaluated twice a year and the final rating forms the basis for payment of the SPR scheme.

The SPR is measured on an annual basis and paid out in March of the following year. Once the SPR target has been achieved (three rating on a five-point rating scale), a potential of 90% will be paid out. Above-target achievement (four rating on a five-point scale) will qualify for a maximum of 100% payout. If target was not achieved (two or below on a five-point ratings scale), there will be no payout applicable to the employee.

**Short-term incentive scheme**

The STI scheme applies to the Exxaro group and is based on business performance with two components: tier 1 and tier 2:

- **Tier 1:** 8.33% (of total guaranteed remuneration) is for the achievement of the targeted net operating profit per business unit. A downward modifier is applicable if production volume targets have not been met
- **Tier 2:** 10% (of total guaranteed remuneration) is a "self-funded/gain share" scheme based on exceeding net operating profit targets at commodity business unit and group level. Driven by the percentage improvement above budget, this is based on a 70/30 gain share principle (30% of the gain shared with employees). This component aligns a portion of the STI with the gain of shareholders.

The STI is measured six-monthly for tier 1: January to June and July to December. It is paid out in August and February. Tier 2 is measured on an annual basis from January to December, and paid out in February. A business unit will qualify for tier 1 on a sliding scale between a threshold of 90% and 100% performance against targets. When the modifier kicks in, if 90% of target is achieved, no payout is applicable; if 95% of target is achieved, 4.165% of the potential 8.33% payout will be applicable; if 100% of target is achieved, 8.33% will be payable. If a business unit does not achieve 100% in tier 1, it will share in the tier 2 on the same percentage ratio achieved in tier 1. A sliding scale will also apply between improvement above 101% and 120%.

**Table 5: STI scheme metric**

STI component	% of total guaranteed remuneration	Measures description	Threshold (0% of STI)	Maximum (100% of STI)
1	8.33	Business unit and Coal CB	90	100
		Corporate centre		
2	10.00	Exxaro group	100	120

Belfast's incentive was based on ramp-up of operations while Ferroland Grondtrust, Coastal Coal and Arnot were measured on closure, execution plans and targets.

## Remuneration report continued

### Production-based incentives

Junior management and bargaining unit employees at commercial and captive mines, who are directly involved in production, qualify for line-of-sight STIs. The schemes are based on coal production with modifiers for safety and attendance per mining section. Both these schemes work on a sliding scale with threshold and full performance targets. Participants in these schemes do not qualify for the standard STI schemes.

### Long-term incentives

Our LTIs comprise a suite of offerings which align remuneration with longer-term shareholder expectations and outcomes. Exxaro makes general share offers to participants once a year in terms of the LTIP and the DBP. The Exxaro Mpower (2012) wound up on 31 May 2017. An interim cash scheme, with units linked to the group dividend payment was introduced. A new ESOP is planned to be implemented in 2020.

### Long-term incentive plan

The remuneration committee makes a conditional award to qualifying employees from executive management, senior management and middle management.

The percentage of awards that will vest range between a lower boundary (threshold: 30%) and an upper boundary (maximum: 100%) depending on the level of performance. Proportional vesting is calculated for an actual performance result between threshold and maximum. A linear sliding scale is used between the threshold and maximum. For any actual performance below threshold, no awards will vest and for any performance at or exceeding the upper boundary, the awards that will vest are capped at 100%.

Awards vest after three years, subject to fulfilling the following performance conditions. For the 2019 awards, the performance conditions were as follows:

**Table 6: LTIP vesting conditions**

Performance vesting condition	Weight (%)	Threshold (30% of awards vest)	Maximum (100% of awards vest)
HEPS	33.33	Same as 2018 HEPS	CPI + 2% per annum (or 6% over the three-year period)
TSR	33.33	7th position in TSR peer group	Top three positions of TSR peer group
ESG	33.34		Refer below

### The underlying metrics and performance vesting conditions at threshold and maximum for ESG are shown below

Safety: LTIFR	11.34	0.15	0.12
Reportable environmental incidents	11.00	Nine or less level 2 reportable incidents over the three-year period	No level 3 incidents over the three-year period
Governance: material compliance with King III™ (and King IV™ where applicable) and full compliance with JSE Listings Requirements averaged over the three-year period	11.00	95% compliance averaged over the three-year period	100% compliance averaged over the three-year period

### Headline earnings per share

Of the grant 33.33% will be the headline earnings per share (HEPS) improvement of the consumer price index (CPI) + 2% per annum (6% over the three-year performance period) compared to the HEPS of the basis year of the previous financial year. The lower performance condition will be the same as the base year's HEPS and 30% of the LTIP will vest at this point. The upper performance condition will be equal to growth of CPI + 2% per annum (6% over the three-year performance period) over the three-year period and 100% of the LTIP will vest. A 30% to 100% sliding scale between the minimum and maximum will be applicable.

The remuneration committee will review the performance conditions in relation to the grant at the end of the performance period. Performance below the lower target will result in no vesting of LTIP.

The HEPS base will be the audited Exxaro financial results for the financial year.

The time period relating to the allocated conditional award is:

- A vesting period of three years (1 April 2017 to 31 March 2020), subject to the performance criteria, and
- A review of the performance conditions in relation to the grant at the end of the performance period, by the remuneration committee.

On the achievement of performance conditions, the vested awards must be exercised within seven working days from vesting.

### Total shareholder return condition

Of the grant 33.33% will be compared to performance against the TSR peer group, namely the companies listed on the JSE RESI 10 index as at the preceding December of the offer.

The peer group listed companies included in the JSE RESI 10 index as at December 2018 included Anglo American, AngloGold Ashanti, Anglo Platinum, BHP Billiton, Gold Fields, Impala Platinum, Mondi, Sappi, Sasol, and Exxaro.

If any of the companies are removed from the JSE RESI 10 index, as a result of corporate action, only the remaining companies will be used and no reserves will be added.

The TSR of Exxaro for the purposes of this plan is defined as the compound annual growth rate (CAGR) on a portfolio of Exxaro ordinary shares purchased on December preceding the grant, holding the shares and reinvesting the dividends received from the portfolio in Exxaro shares until the end of the performance period, and then selling the portfolio on that day.

The monthly TSR calculation will be performed using the dividend payments and Reuters share price data on the nearest trading day to 31 December preceding the grant and the nearest trading day to 31 December at the end of the performance period and computing the CAGR between these values.

The TSR will be smoothed by computing the TSR in the same manner for the three-year period following each trading month for the six-month preceding 31 December of the grant, which means that the TSR is computed from:

- (Grant date – one month) to (End date – one month)
- (Grant date – two months) to (End date – two months)
- (Grant date – three months) to (End date – three months)
- (Grant date – six months) to (End date – six months).

The TSRs computed in this manner will then be arithmetically averaged to yield the final “smoothed TSR” for the TSR performance condition.

The smoothed TSR for each member of the peer group will be computed over the same period in the same manner. This period of smoothing is in line with the market.

If the TSR of Exxaro over the three-year period is equal to the minimum TSR target, the minimum LTIP award (30% of the TSR portion of the grant) vests.

If the Exxaro TSR is equal to or greater than the maximum TSR target, then 100% of the grant will vest.

The award vests linearly between 30% and 100% for performance between the minimum TSR target and the maximum TSR target.

The TSR targets for the LTIP grant are:

- The minimum TSR target is equal to at least the 7th position of the smoothed TSR of the peer group over the three-year period. The smoothed TSR of the peer group will be the simple average, not weighted on a market capitalisation basis
- The maximum TSR target is equal to the top three TSR of the peer group returns over the three-year period.

The remuneration committee has the discretion to make adjustments to the method of computation of the TSR for the peer group and for Exxaro. Under the rules of the plan, the remuneration committee may vary the TSR condition if events occur that would make such a variation necessary or desirable or would make the amended performance condition a fairer measure of performance.

#### *Achievement of ESG targets*

Of the performance condition 33.34% will be the achievement of ESG targets. The targets will be measured in terms of the approved strategic dashboard used to monitor achievement of the business strategy:

- Of this condition 34% will be a sustainability target based on the achievement of the LTIFR target. The LTIFR will be averaged over the three-year period of the grant. A 30% to 100% sliding scale between the minimum achievement of the average LTIFR (30%) and the maximum achievement of the average LTIFR (100%) target will apply. Any achievement worse than 30% of target will result in zero achievement
- Of this condition 33% will be an environmental target. The target (100%) will be no level 3 environmental reportable cases
- A 30% to 100% sliding scale between the minimum achievement (30%) of nine or less level 2 reportable cases over the three-year period and the achievement (100%) if there are no level 3 environmental reportable cases

- Of this condition 33% will be a governance target. The target (100%) will be material compliance with King III™ (and where applicable King IV™) and full compliance with the JSE Listings Requirements. A 30% to 100% sliding scale between the minimum achievement (30%) of 95% compliance and the maximum achievement (100%) will be the achievement of 100% compliance applicable on the performance conditions when calculating the portion of shares to vest. This will be the average performance over the three-year period.

#### *Deferred bonus plan*

The remuneration committee selects participants, based on employee grouping and performance, from executive management and senior management. The scheme encourages share ownership while reinforcing retention.

Participants from F upper to E upper Paterson grades can elect to voluntarily use a portion (0, 50% or 90%) and E middle (50%) of their after-tax STI payments to acquire Exxaro shares at the prevailing market price.

Participants are entitled to all rights in respect of the shares (pledged), including dividends. If the pledged shares are held for the three-year pledged period, and participants remain in the employ of Exxaro for the same, Exxaro will provide a matching award on a one-for-one basis.

No performance vesting conditions are applicable to these awards.

#### *Employee share ownership plan*

A new ESOP was approved by the board in 2019 and will be implemented at the beginning of the second quarter of 2020 on completion of the consultation process with organised labour as well as the communication plan for employees.

Employees in the category DL and below will participate in the scheme, which provides individual employees dividend rights. Annually, a value equivalent to a dividend payment for a shareholder of 560 Exxaro shares will flow to each employee. Participants will remain in the scheme for the duration of employment. Employees will not have capital appreciation rights.

## 2.5 Employment contracts

Executive employment contracts for management are generally valid for an indefinite period with a notice period of three to six months or payment in lieu thereof.

The current executive employment contracts do not have a restraint-of-trade clause but include confidentiality undertakings.

Employment contracts provide for the following payments on termination:

- Any amounts due in terms of participating in the LTIP and DBP
  - **Good leaver provisions** – triggered in the event of terminations due to retirement, ill health, disability or death in service or other remuneration committee sanctioned company event such as retrenchments, space creations and business divestment
  - **Bad leaver provisions** – triggered in the event of resignation, dismissal, or employer terminated events due to misconduct, fraud or other serious offences
- Termination benefits are payable whenever employment is terminated before the normal retirement date by Exxaro or when the employees accept voluntary redundancy.

*Note: No special agreements in place on severance packages for executive employees, except for AW Diedericks who applied for a TVP and is approved to exit at the end of 2021 as per the TVP rules.*

## Remuneration report continued

### 2.6 Non-executive directors' remuneration

Fees for non-executive directors are reviewed annually and independent data is used for benchmarking (+ see page 135).

Fees are paid as a combination of retainer and fee per meeting in line with emerging market practice and company culture.

Recommendations are made to the remuneration committee and board for consideration, and then presented at the AGM for shareholder approval as a separate resolution.

### 2.7 Summary of changes applicable to executive directors and prescribed officers in 2020

The variable pay schemes will undergo further changes during 2020. Following shareholder engagement, we were able to make some changes to the variable pay schemes for the current cycle. Applicable changes will impact the performance-based reward outcomes for the executive directors and prescribed officers. The table below summarises the impact on applicable awards:

**Table 7: Remuneration offering changes**

Change rationale	2019	Proposed 2020 change
<b>SPR</b> Ensure stronger alignment of business performance rather than individual performance to reward outcomes	100% of SPR objectives is based on individual performance	The SPR objectives will be split 50% individual and 50% business objectives
<b>LTIP</b> Introduce a return-based measure in the LTIP  Increase stretch in performance conditions	HEPS performance condition with the weight of 33.33%  30% minimum on threshold for performance vesting conditions	Return on capital employed (ROCE) replaces HEPS as performance condition with the weight remaining as 33.33% Revised performance vesting conditions at threshold and maximum introduced
<b>Other policy changes</b> Introduction of malus and clawback Introducing minimum shareholding requirement	Not applicable Not applicable	Remuneration policy now includes malus and clawback – specific policies will be introduced during 2020

The table below summarises the performance vesting conditions applicable to the 2020 awards.

**Table 8: Performance vesting conditions**

Performance vesting condition	Weight (%)	Vesting of awards (after year three)
ROCE	33.33	17% ROCE achievement will result in 50% vesting 19% ROCE achievement will result in 90% vesting 22% ROCE achievement will result in 100% vesting
TSR	33.33	Median TSR peer group position will result in 50% vesting Top three TSR peer group position will result in 100% vesting
ESG as per FTSE Russell	33.34	Median ranking will result in 50% vesting Upper quartile ranking will result in 100% vesting

Where the actual falls between the stated ranges, linear interpolation will be applied between the stated vesting points.

As per previous cycles, the basis of the TSR peer group is the JSE RESI 10 index. It currently consists of: Anglo American, AngloGold Ashanti, Anglo Platinum, BHP Billiton, Gold Fields, Impala Platinum, Mondi, Sappi, Sasol, Sibanye-Stilwater and Exxaro.

The rules and calculating principles will follow the same approach as set out in detail for the 2019 LTIP above.

The impact of changes to the variable pay schemes will be realised as follows:

- STI and SPR
  - Impact the awards due post the 2020 period.
- LTIP
  - Applicable for awards made in 2020, with a vesting period of three years, depending on the performance results as at 31 December 2022.

## 2.8 Forward-looking performance and SPR contracts for CEO and finance director in 2020

The forward-looking performance contract and the SPR contract for the CEO is shown in the tables below. The effect of the Covid-19 lockdown and required response is unclear at the time of this report. The performance contract and SPR will in due cause be adjusted with this challenge in mind.

**Table 9: Performance contract and SPR contract for CEO in 2020**

Performance contract	Weight (%)
<b>Strategic growth and financial performance</b>	35
Articulate 2026 strategy for growth and transformation within a two-year horizon	
Delivery in respect of the energy business growth objectives	
Delivery in respect of the minerals business growth objectives	
TSR on upper quartile of peer group and ROCE of 20% for capital projects	
<b>Business transformation and operational excellence</b>	25
Delivery against coal operation tonnages and EBITDA targets	
Demonstrable actions to maximise early value as per strategy	
Approval and implementation of operating model that empowers people	
Embedding innovation and technology into Exxaro culture	
<b>Leading people, change and social impact</b>	15
Embed the culture journey through connect2NEXT using digital platforms	
Embed the diversity and inclusion strategy	
Sustain the company's B-BBEE status as a minimum	
Achieve Mining Charter and Department of Trade and Industry employment equity targets	
Improve gender representation in core and management levels to set targets	
Group actions to be the catalyst for economic development and, social impact in communities	
<b>Safety and sustainability</b>	15
Reduce group level environmental impact to set targets	
Sustain ESG and LTIFR ratings	
<b>Cost management and prudence</b>	10
Strategically manage costs in line with the risk appetite framework and the trade-offs between the growth strategy and the group as a whole	
<b>SPR contract</b>	
Map timeline horizons into objectives to build sustainable core business in coal, minerals and energy	
Feasibility of new business value proposition and investment cases proven by results	
Targeted divestment of non-robust assets concluded to plan as per set milestones	

## Remuneration report continued

The forward-looking performance contract and the SPR contract for FD is shown in the tables below

**Table 10: Performance contract and SPR contract for the finance director in 2020**

Performance contract	Weight (%)
<b>Strategic growth and financial performance</b>	30
Develop funding strategy to refinance Exxaro's existing term facility in 2021	
Operationalise internal mergers and acquisitions capability	
Divestment from Business of Tomorrow investments as approved by investment panel	
Monetise remaining 10% shareholding in Tronox	
Deliver supply chain procurement savings	
Achieve ROCE of 20% for capital projects	
<b>Business transformation and operational excellence</b>	25
Appoint new internal and external auditors	
Advance towards no overdue assurance findings	
Facilitate integrated financial reporting on Cennergi and new businesses	
Accountable for accurate, timely and relevant financial reporting	
<b>Leading people, change and social impact</b>	15
Embed the culture journey through connect2NEXT using digital	
Embed the diversity and inclusion strategy	
Sustain B-BBEE status as a minimum	
Achieve Mining Charter and Department of Trade and Industry employment equity targets	
Achieve preferential procurement targets	
Improve gender representation in core and management levels in finance	
<b>Safety and sustainability</b>	15
Sustain positive impact as spokesperson for strategy and financial-related matters	
Sustain ESG and LTIFR ratings	
<b>Cost management and prudence</b>	15
Strategically manage costs in line with the risk appetite framework and the trade-offs between the growth strategy and the group as a whole	
<b>SPR contract</b>	
Develop a plan to build sustainable core businesses in mining, minerals and energy	
Ensure sufficient funding is available to grow new businesses aligned with the capital allocation framework	
Implement digital procurement, budgeting and forecasting strategy	

### Section 3: Implementation report

#### 3.1 Introduction

Our implementation report discloses remuneration outcomes for non-executive directors, executive directors and prescribed officers. It includes both a total remuneration received as well as a single, total figure of remuneration receivable (as per King IV™) for the review period and all constituent remuneration elements.

In addition, details of all awards made under the Exxaro variable compensation schemes are disclosed under sections for STIs and LTIs, including reference to awards in current and prior years that have not yet vested, vesting and expiry dates where applicable, the fair value at the end of the review year, as well as the cash value of awards settled. The performance measures used and their weighting are disclosed.

In the review period, implementation complied fully with the remuneration policy.

#### 3.2 Total guaranteed remuneration

The average increase in 2019 was 7.25%. Since Exxaro was formed in 2006, bargaining-unit employees have generally received increases of 0.5% to 1.5% per annum higher than management and specialist category employees to reduce the wage gap.

The average increase granted to management on NCOE in 2019 came to 7.0% and the average increase granted to basic salary for bargaining unit was 7.5%. The average increases granted to the executive directors and prescribed officers were the same as for management: 7% (2019) compared to 6.5% (2018).

The performance contract for the CEO during 2019 indicating the priorities and outcomes is stated on the following page.

**Table 11: Performance contract and rating of the CEO in 2019**

Performance contract	Weight (%)	Sub (%)	Outcome
<b>Operational excellence</b>	30		
Stretch operational performance through challenging targets incorporated into the budget		5	3
Achieve excellence in operational indicators under control of the business		15	1
Manage cash to stay within loan covenant limitations		10	2
<b>Sustainability</b>	10		
LTIFR and best practice improvement		5	2
Excellence in combined sustainability performance as rated by FTSE Russell		5	5
<b>Improve portfolio</b>	10		
HEPS improvement against peers		6	4
Value and fit for growth portfolio aligned		4	4
<b>Corporate citizenship</b>	10		
Ensure the principles contained in King IV™ are demonstrated and form part of Exxaro's strategy		10	4
<b>Exxaro brand</b>	5		
Establish Exxaro brand among stakeholders with effective communication, networking and responsible behaviours		5	4
<b>Organisational excellence</b>	15		
Deliver organisational excellence		8	4
Budget management and adherence to cost/tonne		7	3
<b>Leadership and people</b>	20		
Progress against employment equity plan		5	4
Preferential procurement		5	5
Employer of choice initiative		10	4
<b>Performance rating</b>			3.23

**Table 12: Performance contract and rating of the finance director in 2019**

Performance contract	Weight (%)	Sub (%)	Outcome
<b>Vision and strategy</b>	40		
Develop, communicate and execute a compelling Exxaro vision and long-term strategy		30	3
Sufficient funding for growth, and compliance with loan covenants		10	4
<b>Operational excellence</b>	15		
Effective financial management reporting and budgeting process		15	3
<b>Sustainability</b>	10		
LTIFR and best practice improvement		5	2
Outstanding and overdue assurance findings – compliance with directive from CEO and audit committee		5	1
<b>Improve portfolio</b>	5		
Achieve own cost budget		5	3
<b>Corporate citizenship</b>	5		
Achieve R231 million annual total procurement opex impact savings		5	5
<b>Exxaro brand/reputation</b>	10		
Positive contribution to Exxaro image among investor community and banking		10	3
<b>Leadership and people</b>	15		
Talent management and alignment with transformation targets		5	3
Achievement of mining charter III preferential procurement compliance of 40% weight		10	4
<b>Performance rating</b>			3.15

## Remuneration report continued

### 3.3 Awards under short-term incentive schemes

In the table below, we disclose the performance rating for each executive director and prescribed officer supporting the SPR as well as the two components of the STI scheme. All payments are due as per policy and there were no deviations.

**Table 13: STI awards for executive directors and prescribed officers in 2019**

Name	SPR				STI				Total STI (R)	STI as % rating of NCOE (%)
	NCOE (R)	Rating (Number)	SPR factor (%)	Actual (R)	Tier 1 factor (%)	Tier 2 factor (%)	Total factor (%)	Actual (R)		
MDM Mgojo	7 410 601	4.00	37.00	2 741 922	0.00	0.00	0.00	0.00	2 741 922	37.00
PA Koppeschaar	5 624 332	4.00	32.00	1 799 786	0.00	0.00	0.00	0.00	1 799 786	32.00
V Balgobind	3 363 889	4.00	25.00	840 972	0.00	0.00	0.00	0.00	840 972	25.00
AW Diedericks	4 004 844	4.00	25.00	1 001 211	0.00	0.00	0.00	0.00	1 001 211	25.00
JG Meyer	4 141 399	4.00	25.00	1 035 350	0.00	0.00	0.00	0.00	1 035 350	25.00
MI Mthenjane	3 916 983	4.00	25.00	979 246	0.00	0.00	0.00	0.00	979 246	25.00
Dr N Tsengwa	4 373 844	4.00	32.00	1 399 630	0.00	0.00	0.00	0.00	1 399 630	32.00
SE van Loggerenberg	2 244 531	4.00	20.00	448 906	0.00	0.00	0.00	0.00	448 906	20.00
M Vetu	3 863 424	4.00	25.00	965 856	0.00	0.00	0.00	0.00	965 856	25.00
<b>Total prescribed officers' remuneration</b>	38 943 847								11 212 879	

The SPR actual includes the individual voluntary deferral into the DBP.

For the 2019 results both components of the STI scheme resulted in no bonus payable, resulting in the performance bonuses noted above as well as at various business units.

The evaluated SPR contracts for 2019 of the CEO and the FD are stated below.

**Table 14: SPR contract for the CEO in 2019**

SPR contract	Weight (%)	Outcome
New strategy	25	4
Growth strategy	50	4
P75 strategy	25	4

**Table 15: SPR contract for the finance director in 2019**

SPR contract	Weight (%)	Outcome
Implement new Coupa procurement system as well as finance planning	25	4
Diversify Exxaro funding by raising a corporate bond	25	4
Implementation of community and employee ownership schemes in line with Exxaro	25	4
Growth strategy — support and contribute to the journey	25	4

A summary graph is provided by executive to highlight the impact of performance-based pay on total remuneration due between 2019 and 2018.

The significant increase in 2019 and 2018 total remuneration is explained by the significant increase in the value of the LTIP awards that vested. The share price increased significantly over the period 1 April 2016 to 1 April 2019. The portion of total remuneration due to STI decreased in 2019, both in absolute value as well as percentage when compared to 2018.

The notes below explain the calculations supporting the graphs:

1. Minimum 2019 reflects the NCOE for the period
2. Maximum 2019 reflects the sum of the following:
  - NCOE earned during the 2019 period
  - Maximum potential STI value for the 2019 performance period
  - Expected value of 2017 LTIP share award: if 100% vest, multiplied by the 31 December 2019 share price
  - Impact of DBP matching award maturing in 2020 is included under LTI
3. On-target 2019 reflects the sum of the following:
  - NCOE earned during the 2019 period
  - On-target potential STI value for the 2019 performance period
  - Expected value of 2017 LTIP share award: if the percentage that vested was midway between threshold and maximum, multiplied by the 31 December 2019 share price
  - Impact of the DBP matching award is included under LTI
4. Actuals for 2019 and 2018:
  - NCOE earned during the respective periods
  - Actual STI accrued as a result of performance during the respective cycles
  - Expected values of LTIP awards: Actual percentage of the award vested as a result of the performance outcomes of respective cycles (2017 award in 2020 due to 2019 performance; 2016 award in 2019 due to 2018 performance) multiplied by the share price at 31 December and share award
  - Any matching proceeds realised from the DBP.

The summary provides insight to the SPR contract outcomes, which resulted in the SPR incentives accrued for 2019.

**MDM Mgojo**  
Chief executive officer



**SPR**

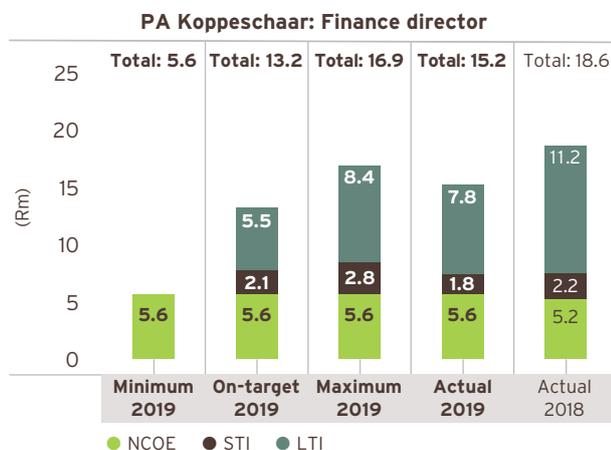
**New exploitation strategy:** An in-depth review of Exxaro's current business strategy was required in order to respond to the business environment changes relating to coal. An optimal exploitation strategy was devised and approved by the board in line with objectives set.

**Improved operational performance:** Operational improvement and innovation are key drivers of Exxaro's value creation strategy for existing operations. The P75 strategy targets statistical prior performance as benchmarks for the future and the set target for the financial year was realised by achieving three months of consecutive P62.5 of the base target. The P75 is a high-level performance standard measured by each business unit's top 25% performance achievement on the base year. The objective is to improve performance so that we consistently perform at the top 25% levels without any capital investments by reducing variability in the processes and improving stability of our operations.

**Growth strategy:** The board required a comprehensive review of the Business of Tomorrow (BOT) strategy and rethinking of the future growth scenarios for Exxaro. The CEO delivered on these objectives and the board has approved the new strategic growth proposals and plans.

# Remuneration report continued

## PA Koppeschaar Finance director



### SPR

**Implementation of community and employee ownership schemes:** Exxaro’s replacement empowerment shareholding transaction was concluded in 2017 with 10% of shareholding as transfers for the benefit of Exxaro’s employees and communities adjacent to its operations. The finance director oversaw the development of an appropriate transaction structure to ensure no further dilution to shareholders, tax efficiency as well as an acceptable accounting charge. The design of the structure, consultation with internal and external stakeholders, and engagement with unions, tax and accounting sign off were all successfully completed. Final implementation, following the registration of the trust, will be completed in early 2020.

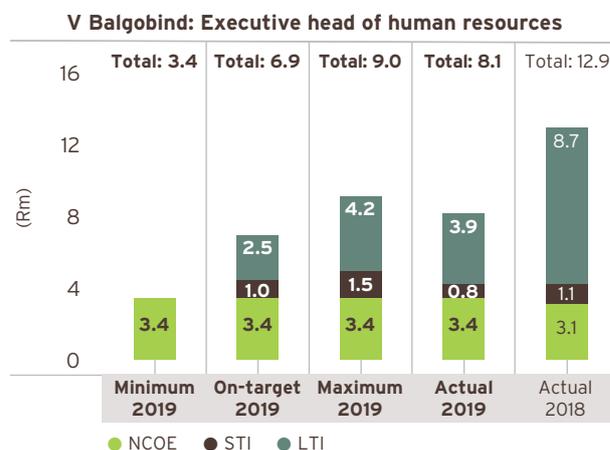
**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles developed.

**Innovative market-leading initiatives:** The digitisation programmes at Grootegeeluk that caters for modern financial reporting were successfully rolled out to enable agile decision making with less time and effort, more efficiently and accurately. During budgeting and forecasting cycles, standardised, simplified and efficient budgeting and forecasting processes have been embedded in financial, workforce and capex planning areas.

Self-service technology was successfully implemented, guided buying channels in the supply chain environment, improving the focus into execution speed, value creation, enabling insight-driven decision making, and providing professional advisory or coaching to support impactful sourcing events. The digital procurement platform is the first new cloud-based enterprise resource planning system to be implemented by Exxaro. Go-live at Belfast, Leeuwpan and FerroAlloys in 2019 and the rest of the operations will be implemented in early 2020.

**Diversify funding sources:** Funding for coal mining companies is scarce and expensive. Exxaro therefore decided to diversify its funding sources and not to rely on bank funding. The South African corporate bond market was tapped in 2019 and the finance director was tasked with overseeing the bond programme to ensure sufficient market appetite as well as competitive pricing. A R5 billion medium-term note programme was launched and, at the initial auction, proceeds of R1 billion were raised. The initial bond was substantially oversubscribed and the following pricing was achieved: three-year tranche (three-month JIBAR rate plus 165 basis points) and a five-year tranche (three-month JIBAR rate plus 189 basis points). This compares favourably with Exxaro’s existing syndicated loan facility with a consortium of local banks. Under this facility, Exxaro is paying JIBAR plus 325 basis points for a five-year term and, on the seven-year facility, JIBAR plus 360 basis points.

## V Balgobind Executive head of human resources



### SPR

**Culture initiative:** The Exxaro culture journey is aligned with the business strategy to ensure change in workplace behaviour and to create a positive user experience for employees across our businesses. Embedding our values, culture themes, and behaviours continued in 2019.

**Workforce of the future:** Emphasis on future skills and competencies required to support the business strategy has been identified and defined. Training programmes have been sourced to equip employees to adapt and learn new skills to ensure capabilities are acquired to support the Exxaro strategy.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

**AW Diedericks**

Executive head of business development

**AW Diedericks: Executive head of business development**



**SPR**

**Strategic intent:** To optimise coal operations and have a robust coal portfolio, continuous review of portfolios and execution of plans for non-robust assets within the planned timelines. The strategic intent is also to have a portfolio that is less exposed to Eskom.

**Develop a strategy dashboard:** The successful development, implementation and sign off by our CEO of a strategy dashboard that will assist the executive committee and the board to track the progress of the Exxaro strategy and enable the executive committee and the board to focus and prioritise the strategic actions for effective progress with strategy implementation.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

**JG Meyer**

Executive head of projects and technology

**JG Meyer: Executive head of projects and technology**



**SPR**

**Strategic intent:** Coal growth strategy development (functional support to the coal wings strategy and creating value presented and approved at Coal IRC).

**Capital excellence process:** Identifying Coal capital excellence process gaps, establishment of stay-in-business tracking and alignment with coal strategy (pre-Wings strategy) within the five-year plan.

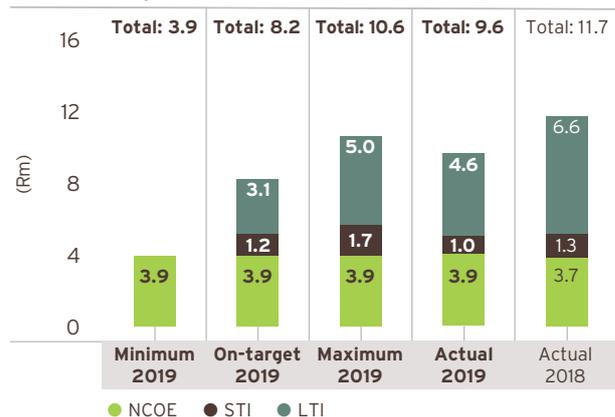
**The conneXXion:** The successful move, and employee experience, was facilitated to a new head office, which was designed and constructed in line with the operational strategy and future vision, including sufficient ergonomic workspace. In addition, a smooth transition between locations was enabled to ensure minimal disruption to business operations.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

**MI Mthenjane**

Executive head of stakeholder affairs

**MI Mthenjane: Executive head of stakeholder affairs**



**SPR**

**Shareholder shifts:** Considering the challenges of climate change facing Exxaro's coal business, Exxaro is reviewing its strategy. As the strategy evolves, stakeholders and shareholder profiles will change accordingly. The aim of this initiative is to identify the shift in the shareholder profile from the current base to a new profile of shareholders as Exxaro aligns its strategic structure and investment proposition.

**Key account management (KAM) approach:** KAM is a strategic approach to Exxaro's stakeholder management with the aim of making stakeholder management a structured and enterprise-wide practice with leadership by senior management and executives.

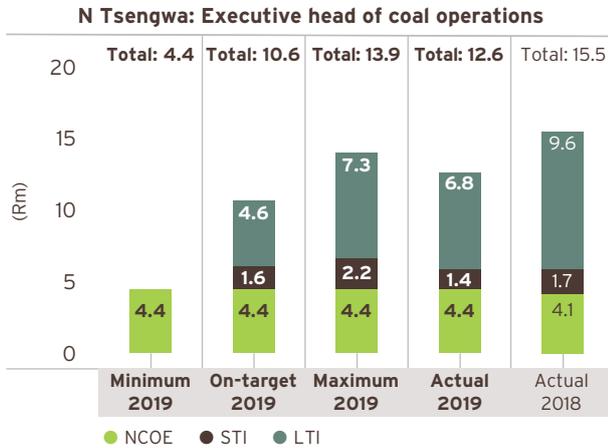
**Strategic intent:** Exxaro's impact strategy will complement Exxaro's growth strategy and it will involve co-investing in regional development projects. Potential investors will be largely offshore and domestic impact investors. Successful signing of contracts with investors and initial activities were achieved.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

# Remuneration report continued

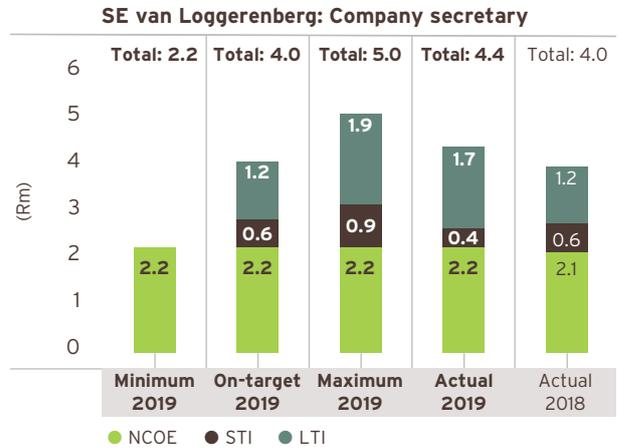
## N Tsengwa

Executive head of coal operations



## SE van Loggerenberg

Company secretary



## SPR

**Startup Way methodology:** Project XXX was identified as a project that would accelerate the implementation of the Startup Way methodology for Exxaro. This method is about the ability to flex fast to respond to real-life challenges and innovation to drive continuous improvement and unlock value earlier. The drive for “XXX early ROM” at Belfast has enabled us to discover and solve challenges before the committed production days and contributed to setting Belfast for success in 2020. This concept has been rolled out across all the coal business units. The objective of XXX was initially to achieve 3Mt of ROM coal. The Startup Way challenges the traditional approaches to the business and we have started to implement the principles that make modern companies successful within our own business such as early delivery of business value, quick response to change and people over processes.

**Improved operational performance:** P75 (coal operations) is a high-level performance standard measured by each business unit’s top 25% performance achievement on the base year. The objective is to improve performance so that we consistently perform at the top 25% levels without any capital investments by reducing variability in the processes and improving stability of our operations. A detailed study of P75 has been conducted at all operations to determine possible constraints.

**Digital@Exxaro integrated operations centres (including Middle Eye):** The digital journey at Exxaro includes implementing integrated operations centres across all business units to visualise and integrate performance management of our entire value chain in real time, and thus improve safety, productivity and costs. The integrated operations centres will apply data science to predict equipment failures or unwanted events, integrate Mineral Resources into real-time decision making and start building deep data learnings to automate parts of the value chain. The integrated digital management platform focuses on strategic decision making to ensure far-reaching optimisation.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

## SPR

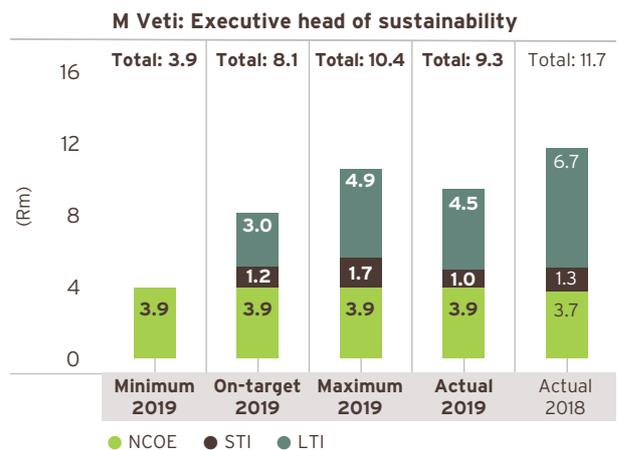
**Piloting and rolling out voice recognition system:** Exxaro’s business excellence and digitalisation strategy aims to ensure that more work can be delivered with fewer resources measured by no new full-time employees appointed to support more company secretary outputs.

**Corporate governance framework support business:** Exxaro’s governance strategy to ensures greater transparency and accountability, measured by tracking whether decisions are made in a more agile manner without compromising governance, measured in time to decision making.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles.

## M Vetzi

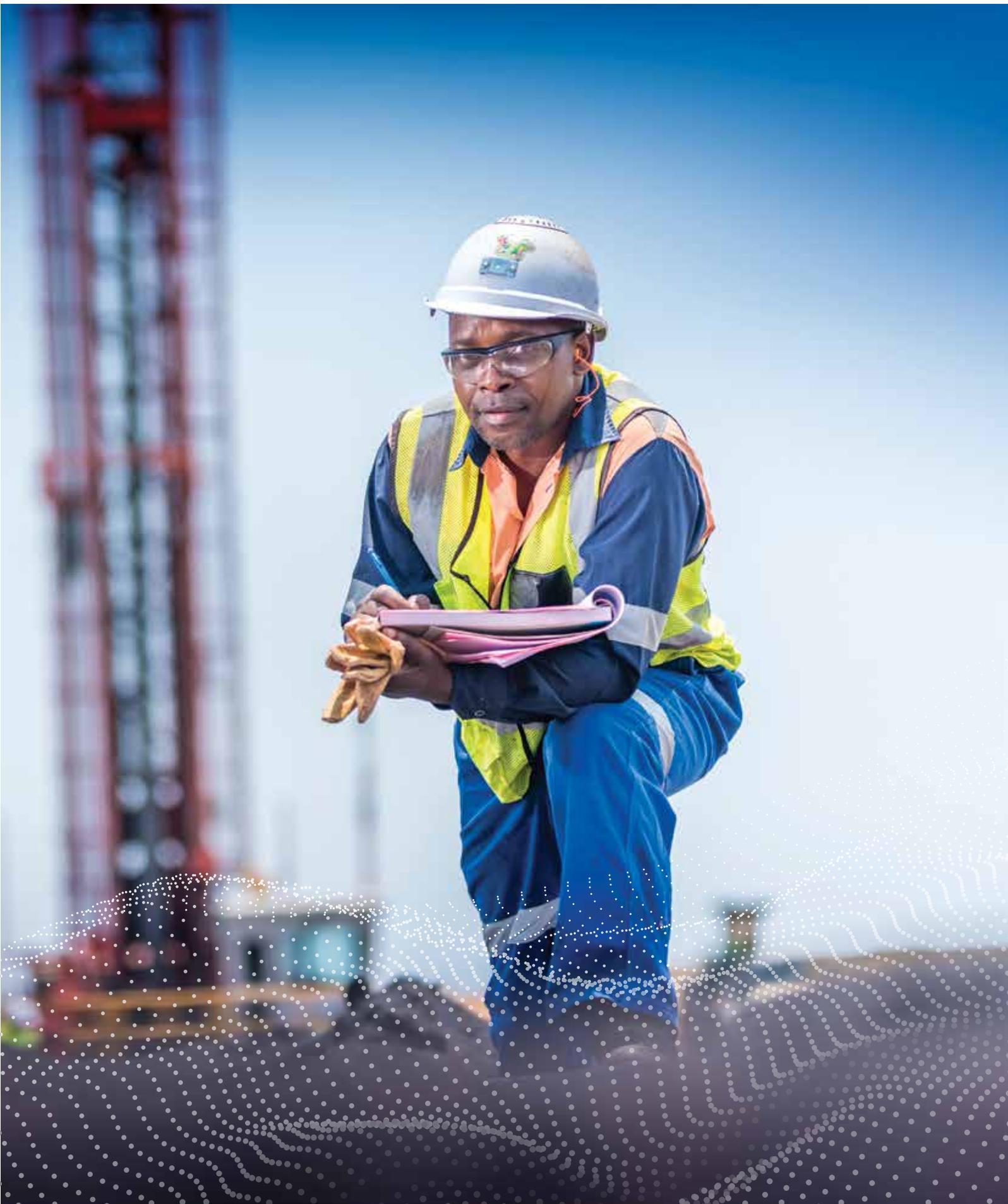
Executive head of sustainability



## SPR

**Matla mining right renewal:** Obtain approval for renewal of mining right and execution.

**Growth:** Successfully supported and contributed to the journey of implementing planned scope, second core strategy development and transition principles developed.



## Remuneration report continued

### 3.4 Awards made under long-term incentive schemes

We also disclose the outcome of the 2017 (and 2016) conditional LTIP awards that vest in April 2020 (and vested in April 2019).

Of the awards made in April 2017, 92.3% vest in April 2020. A summary showing the vesting percentages by vesting conditions for the awards are summarised in the table below.

**Table 16: Performance vesting conditions outcome**

Performance vesting condition	Weight (%)	2019 (%)	2018 (%)
HEPS	33.33	100.00	100.00
TSR	33.33	100.00	100.00
ESG	33.34	76.90	76.90
<b>Overall vesting</b>		<b>92.30</b>	<b>92.30</b>

2019 HEPS was 2 193 cps compared to the maximum vesting (100%) required at 1 572 cps.

2018 HEPS was 1 903 (cps) compared to the maximum vesting (100%) required at 563 cps.

2019 TSR was 31% and positioned 3rd (1st Anglo Platinum: 45%, 2nd Anglo American: 35%, 4th: AngloGold Ashanti: 28%, 5th BHP Billiton: 27%, 6th Impala Platinum: 22%, 7th Gold Fields: 13%, 8th Mondi: 8%, 9th Sasol: -5% and 10th Sappi: -13%).

2018 TSR was 44% and positioned 2nd (1st Sappi: 153%, 3rd Anglo American: 36%, 4th Anglo Platinum: 24%, 5th BHP Billiton: 16%, 6th Mondi: 10%, 7th AngloGold Ashanti: 9%, 8th Sasol: 8%, 9th Gold Fields: 5% and 10th Impala Platinum: -12%).

In both periods, a minimum of 3rd position was required to vest 100% of the TSR portion of awards.

The environmental component of ESG resulted in an achievement at threshold (30% vesting) due to a total of nine level 2 cases reported over the three-year period:

- One level 2 case recorded in 2017
- Eight level 2 cases recorded in 2018
- No level 2 cases recorded in 2019

Below we detail our awards under the LTIP and DBP:

#### LTIP

The table below illustrates the shares held by each participant, shares exercised and shares forfeited due to performance conditions not being met in the review period.

**Table 17: LTIP transaction details for executive directors and prescribed officers in 2019**

2019	Shares held at		Pre-tax value if exercisable at		Shares exercised during the year (Number)	Shares forfeited <sup>3</sup> (Number)	Sale price/market price (R)	Pre-tax gain (R)	Date exercised
	31 December (Number)	Exercisable (Period)	31 December <sup>1</sup> (R)	Adjustment <sup>2</sup> (Number)					
<b>Executive directors</b>									
MDM Mgojo		01/04/2019			190 337	16 051	164.78	31 363 731	01/04/2019
	148 289	01/04/2020	19 446 619	8 381					
	161 974	01/04/2021	21 241 270	9 154					
	111 942	01/04/2022	14 680 074						
	422 205		55 367 963	17 535	190 337	16 051		31 363 731	
PA Koppeschaar		01/04/2019			47 744	4 026	164.78	7 867 256	01/04/2019
		01/09/2019		2 174	35 470	2 991	135.11	4 792 352	09/09/2019
	64 366	01/04/2020	8 440 957	3 638					
	76 047	01/04/2021	9 972 804	4 298					
	52 605	01/04/2022	6 898 620						
	193 018		25 312 381	10 110	83 214	7 017		12 659 608	

2019	Shares held at 31 December (Number)	Exercisable (Period)	Pre-tax value if exercisable at 31 December <sup>1</sup> (R)	Adjustment <sup>2</sup> (Number)	Shares exercised during the year (Number)	Shares forfeited <sup>3</sup> (Number)	Sale price/ market price (R)	Pre-tax gain (R)	Date exercised
<b>Prescribed officers</b>									
V Balgobind		01/04/2019			38 416	3 239	164.78	6 330 188	01/04/2019
		01/04/2019			21 760		164.78	3 585 613	01/04/2019
	28 974	01/04/2020	3 799 650	1 638					
	32 148	01/04/2021	4 215 889	1 817					
	22 218	01/04/2022	2 913 669	0					
	83 340		10 929 208	3 455	60 176	3 239		9 915 801	
AW Diedericks		01/04/2019			49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	2 070					
	38 687	01/04/2021	5 073 413	2 187					
	26 362	01/04/2022	3 457 113						
	101 672		13 333 266	4 257	49 547	4 178		8 164 355	
JG Meyer		01/04/2019			49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	2 070					
	39 720	01/04/2021	5 208 881	2 245					
	27 323	01/04/2022	3 583 138	0					
	103 666		13 594 759	4 315	49 547	4 178		8 164 355	
MI Mthenjane		01/04/2019			48 175	4 062	164.78	7 938 277	01/04/2019
	35 948	01/04/2020	4 714 221	2 032					
	37 975	01/04/2021	4 980 042	2 147					
	25 754	01/04/2022	3 377 380						
	99 677		13 071 643	4 179	48 175	4 062		7 938 277	
N Tsengwa		01/04/2019			41 673	3 514	164.78	6 866 877	01/04/2019
		01/05/2019			24 867	2 097	162.84	4 049 342	10/05/2019
	54 179	01/04/2020	7 105 034	3 062					
	58 762	01/04/2021	7 706 049	3 321					
	40 991	01/04/2022	5 375 560	0					
	153 932		20 186 643	6 383	66 540	5 611		10 916 219	
SE van Loggerenberg		01/04/2019			8 682	732	164.78	1 430 620	01/04/2019
	6 562	01/04/2020	860 541	371					
	7 630	01/10/2020	1 000 598	432					
	16 187	01/04/2021	2 122 763	915					
	11 146	01/04/2022	1 461 686						
	41 525		5 445 588	1 718	8 682	732		1 430 620	
M Veti		01/04/2019			47 968	4 045	164.78	7 904 167	01/04/2019
	35 456	01/04/2020	4 649 700	2 004					
	37 455	01/04/2021	4 911 849	2 117					
	25 402	01/04/2022	3 331 218						
	98 313		12 892 767	4 121	47 968	4 045		7 904 167	

<sup>1</sup> Based on a share price of R131.14 which prevailed on 31 December 2019.

<sup>2</sup> An adjustment was made as per 2017 remuneration committee approval related to Tronox transaction.

<sup>3</sup> Shares forfeited due to performance conditions not being fully met.

## Remuneration report continued

### DBP

No further performance conditions apply to this scheme other than continued employment at the time of vesting.

The table below illustrates the shares held by each participant as well as shares exercised and shares forfeited as a result of resignations in the review period.

**Table 18: DBP transaction details for executive directors and prescribed officers in 2019**

2019	Shares held at 31 December (Number)	Exercisable (Period)	Pre-tax value if exercisable at 31 December <sup>1</sup> (R)	Adjustment <sup>2</sup> (Number)	Shares exercised during the year (Number)	Sale price/market price (R)	Pre-tax gain (R)	Date exercised
<b>Executive directors</b>								
MDM Mgojo		04/03/2019			6 314	152.57	963 327	20/03/2019
		31/03/2019			11 444	164.78	1 885 742	01/04/2019
		31/08/2019		91	1 598	135.11	215 906	09/09/2019
	1 209	31/08/2020	158 548	69				
	4 372	09/03/2021	573 344	248				
	11 139	31/03/2021	1 460 768	630				
	1 003	31/08/2021	131 533	57				
	1 414	15/03/2022	185 432					
	8 347	31/03/2022	1 094 626					
	27 484		3 604 251	1 095	19 356		3 064 975	
PA Koppeschaar	732	31/08/2021	95 994	42				
	5 369	31/03/2022	704 091					
	6 101		800 085	42				
<b>Prescribed officers</b>								
V Balgobind		04/03/2019			1 836	152.57	280 119	26/03/2019
		31/03/2019			2 040	164.78	336 151	01/04/2019
		31/08/2019		24	410	135.11	55 395	09/09/2019
	1 054	09/03/2020	138 222	60				
	1 891	31/03/2020	247 986	107				
	303	31/08/2020	39 735	18				
	1 089	09/03/2021	142 811	62				
	1 880	31/03/2021	246 543	107				
	253	31/08/2021	33 178	15				
	351	15/03/2022	46 030					
	2 540	31/03/2022	333 096					
	9 361		1 227 601	393	4 286		671 665	

2019	Shares held at 31 December (Number)	Exercisable (Period)	Pre-tax value if exercisable at 31 December <sup>1</sup> (R)	Adjustment <sup>2</sup> (Number)	Shares exercised during the year (Number)	Sale price/market price (R)	Pre-tax gain (R)	Date exercised
AW Diedericks		04/03/2019			3 650	152.57	556 881	19/03/2019
		31/03/2019			5 339	164.78	879 760	09/04/2019
		31/08/2019		53	922	135.11	124 571	10/09/2019
	2 406	09/03/2020	315 523	136				
	4 368	31/03/2020	572 820	247				
	688	31/08/2020	90 224	39				
	2 484	09/03/2021	325 752	141				
	4 287	31/03/2021	562 197	243				
	557	31/08/2021	73 045	32				
	773	15/03/2022	101 371					
3 098	31/03/2022	406 272						
	18 661		2 447 204	891	9 911		1 561 212	
JG Meyer		31/08/2019		53	928	135.11	125 382	03/09/2019
	2 413	09/03/2020	316 441	137				
	4 375	31/03/2020	573 738	248				
	688	31/08/2020	90 224	39				
	7 476		980 403	477	928		125 382	
MI Mthenjane	1 304	09/03/2020	171 007	74				
	670	31/08/2020	87 864	38				
	1 346	09/03/2021	176 514	77				
	2 331	31/03/2021	305 687	132				
	5 651		741 072	321				
N Tsengwa		31/03/2019			2 596	164.78	427 769	09/04/2019
		31/08/2019		27	466	135.11	62 961	10/09/2019
	1 308	09/03/2020	171 531	74				
	396	31/08/2020	51 931	23				
	265	31/08/2021	34 752	15				
	519	15/03/2022	68 062					
	2 359	31/03/2022	309 359					
	4 847		635 635	139	3 062		490 730	
M Vetu		31/08/2019		29	499	135.11	67 420	10/09/2019
	1 271	09/03/2020	166 679	72				
	369	31/08/2020	48 391	21				
	1 326	09/03/2021	173 892	75				
	2 314	31/03/2021	303 458	131				
	302	31/08/2021	39 604	18				
	419	15/03/2022	54 948					
	1 675	31/03/2022	219 660					
7 676		1 006 632	346	499		67 420		

<sup>1</sup> Based on a share price of R131.14 which prevailed on 31 December 2019.

<sup>2</sup> An adjustment was made as per 2017 remuneration committee approval related to Tronox transaction.

## Remuneration report continued

**Table 19: DBP income for executive directors and prescribed officers**

	DBP shares held as a percentage of NCOE at 31 Dec 2019 (%)	DBP shares held at 31 Dec 2019 (R)	DBP shares held at 31 Dec 2019 (Number)	2016 DBP shares matched (R)	2016 DBP shares matched (Number)
MDM Mgojo	49	3 604 251	27 484	3 064 975	19 356
PA Koppeschaar	14	800 085	6 101	–	–
V Balgobind	36	1 227 601	9 361	671 665	4 286
AW Diedericks	61	2 447 204	18 661	1 561 212	9 911
JG Meyer	24	980 403	7 476	125 382	928
MI Mthenjane	19	741 072	5 651	–	–
Dr N Tsengwa	15	635 635	4 847	490 730	3 062
M Vetu	26	1 006 632	7 676	67 420	499
SE van Loggerenberg	0	0	0	0	0

### 3.5 Total remuneration of executive management

The total single figure remuneration (King IV™) for the executive directors and prescribed officers is stated below in Table 20, to align with King IV™ disclosure. The 2019 LTIP reflected, the 1 April 2017 LTIP award that will vest as a result of 2019 performance on 1 April 2020. Since the portion of the DBP voluntary deferral is included under the STIs, proceeds from the matched portion of the DBPs are reflected under LTIs.

**Table 20: Single figure remuneration as per King IV™ for 2019 and 2018**

	Year	NCOE (R)	Recognition and other payments (R)	STIs (R)	LTIs (R)	Total remuneration (R)
<b>Executive directors</b>						
MDM Mgojo	2019	7 410 601	5 260	2 741 922	18 107 777	28 265 560
	2018	6 933 519	200 240	3 321 854	28 919 766	39 375 379
PA Koppeschaar	2019	5 624 332	5 260	1 799 786	7 791 003	15 220 381
	2018	5 163 873	10 760	2 215 820	11 205 607	18 596 060
<b>Prescribed officers</b>						
V Balgobind	2019	3 363 889	5 260	840 972	3 933 020	8 143 141
	2018	3 135 624	6 956	1 126 004	8 657 415	12 925 999
AW Diedericks	2019	4 004 844	5 260	1 001 211	5 411 496	10 422 811
	2018	3 818 186	5 260	1 371 114	8 195 845	13 390 405
JG Meyer	2019	4 141 399	5 260	1 035 350	5 413 332	10 595 341
	2018	3 895 210	5 260	1 398 774	6 957 358	12 256 602
MI Mthenjane	2019	3 916 983	55 575	979 246	4 610 097	9 561 901
	2018	3 747 913	6 260	1 345 878	6 647 368	11 747 419
Dr N Tsengwa	2019	4 373 844	10 760	1 399 630	6 781 408	12 565 642
	2018	4 070 181	69 942	1 746 518	9 599 941	15 486 582
SE van Loggerenberg	2019	2 244 531	10 760	448 906	1 717 831	4 422 028
	2018	2 092 998	21 310	646 948	1 197 969	3 959 225
M Vetu	2019	3 863 424	5 260	965 856	4 506 743	9 341 283
	2018	3 696 666	6 260	1 327 476	6 683 662	11 714 064

The STIs are inclusive of the voluntary individual deferral made for 2019.

The LTIP reflects 92.3% of the April 2017 award that will vest on 1 April 2020 at 31 December 2019 closing share price.

For 2019:

The amount of R5 260 includes recognition payments: R2 500 for fatality free recognition and R2 760 for LTIFR recognition. Additional amounts of R5 500 for suggestion award were received by N Tsengwa and SE van Loggerenberg to total R10 760.

Leave encashment amount are included for M Mthenjane: R50 315.

For 2018:

The amount of R5 260 includes recognition payments: R2 500 for fatality free recognition and R2 760 for LTIFR recognition.

Long-service cash awards of R1 000 are included for: N Tsengwa, M Mthenjane and M Vetu.

An amount of R10 550 is included for SE van Loggerenberg for long-service award.

Leave encashment amounts are included for M Mgojo: R194 980, V Balgobind: R1 696 and N Tsengwa: R60 941.

### 3.6 Non-executive director fees and basis for fee-setting

Details are provided by name and role for the review period and 2019 with explanations where necessary.

The associated fees were set in line with the policy. Increases to rates applied were 7% (2019) compared to 6.5% (2018).

**Table 21: Non-executive directors' remuneration**

	2019			2018		
	Fees for services R	Benefits and allowances R	Total R	Fees for services R	Benefits and allowances R	Total R
<b>Non-executive directors</b>						
GJ Fraser-Moleketi	938 235	5 478	943 713	452 448	6 164	458 612
MW Hlahla <sup>1</sup>	600 413	0	600 413	430 791	0	430 791
D Mashile-Nkosi <sup>2</sup>	414 415	0	414 415	351 335	1 100	352 435
L Mbatha	702 899	0	702 899	454 453	9 641	464 094
VZ Mntambo	638 068	0	638 068	582 452	0	582 452
MJ Moffett	923 063	0	923 063	429 745	0	429 745
LI Mophatlane	1 045 616	2 913	1 048 529	618 419	4 841	623 260
EJ Myburgh	1 168 912	0	1 168 912	818 481	17 503	835 984
V Nkonyeni	956 784	21 879	978 663	767 230	18 275	785 505
J van Rooyen (chairman)	2 016 072	0	2 016 072	1 494 465	0	1 494 465
A Sing	787 867	0	787 867	566 327	2 410	568 737
PCCH Snyders	1 041 060	55 472	1 096 532	751 525	70 633	822 158
<b>Total non-executive director remuneration</b>	<b>11 233 404</b>	<b>85 742</b>	<b>11 319 146</b>	<b>9 076 625</b>	<b>141 931</b>	<b>9 218 556</b>

<sup>1</sup> Resigned on 31 December 2019.

<sup>2</sup> Resigned on 11 October 2019.

## GRI index

The latest GRI guidelines (Standards) are included in this index, which excludes mining-specific indicators until the latest supplement has been completed. Indicators are cross-referenced to either the integrated report or ESG report and marked externally assured where applicable.

Reason for omission	Required explanation in the ESG report
Not applicable	Specify the reason(s) why the disclosure is considered to be not applicable
Confidentiality constraints	Describe the specific confidentiality constraints prohibiting the disclosure
Specific legal prohibitions	Describe the specific legal prohibitions
Information unavailable	Describe the specific steps being taken to obtain the information and the expected timeframe for doing so. If the reason for omission is due to the fact that the necessary information cannot be obtained, or is not of adequate quality to report (as may sometimes be the case when the boundary for a material topic extends beyond the reporting organisation), explain this.

▲ Integrated report  
● ESG report  
NR Not reported  
NA Not applicable

Standard			Page	Omission	
GRI 102	General disclosures	102-1	Name of the organisation	▲● Throughout	
		102-2	Activities, brands, products and service	▲ 1 – 9 ● 4 – 5	
		102-3	Location of headquarters	▲ 112 ● Inside back cover	
		102-4	Location of operations	▲ 1, 18, 109	
		102-5	Ownership and legal form	▲ 16, 17	
		102-6	Markets served	▲ 56, 86 – 91	
		102-7	Scale of the organisation	▲ 16 – 19 ● 56, 57	
		102-8	Information on employees and other workers	▲ 96 – 99 ● 46 – 58	
		102-9	Supply chain	▲ 86 – 91 ● 63, 72	
		102-10	Significant changes to the organisation and its supply chain	▲ 86 – 91 ● 63, 72	
		102-11	Precautionary principle or approach	▲ 40, 42, 61, 62, 102, 103 ● 28, 29	
		102-12	External initiatives	▲ 2, 3 ● 2, 3, 17, 18	
		102-13	Membership of associations	▲ 1 – 3	
		102-14	Statement from senior decision maker	▲ 12, 13, 36 – 38	
		102-15	Key impacts, risks and opportunities	▲ 6 – 9, 58 – 68 ● 6 – 11	
		102-16	Values, principles, standards and norms of behaviour	▲ 30, 98 ● 46, 53, 54	
		102-17	Mechanisms for advice and concerns about ethics	▲ 30 ● 68, 71	
		102-18	Governance structure	▲ 22 – 25, 31 ● 74, 76, 77	
		102-19	Delegating authority	▲ 22 – 25, 31 ● 74, 76, 77	
		102-20	Executive-level responsibility for economic, environmental and social topics	▲ 22 – 25, 31 ● 74, 76, 77	
		102-21	Consulting stakeholders on economic, environmental and social topics	▲ 40, 41, 50 – 56 ● 43, 44, 75	
		102-22	Composition of board and its committees	▲ 22 – 25, 31 ● 74, 76, 77	
		102-23	Chair of board	▲ 12, 13, 22 ● 76	

Standard		Page	Omission		
	102-24	Nominating and selecting the board	▲ 26, 27 ● 71, 72		
	102-25	Conflicts of interest	▲ 30 ● 72		
	102-26	Role of board in setting purpose, values and strategy	▲ 30 ● 73		
	102-27	Collective knowledge of board	▲ 24, 25 ● 82, 83		
	102-28	Evaluating the board's performance	▲ 27 – 29, 31 ● 86		
	102-29	Identifying and managing economic, environmental and social impacts	▲ 30, 31 ● 89		
	102-30	Effectiveness of risk management processes	▲ 58 – 68, 70, 71 ● 69, 70, 74, 75		
	102-31	Review of economic, environmental and social topics	▲ 30, 31 ● 89		
	102-32	Board's role in sustainability reporting	▲ 3 ● 73		
	102-33	Communicating critical concerns	▲ 31 ● 75		
	102-34	Nature and total number of critical concerns	▲ 42 – 47 ● 12 – 16		
	102-35	Remuneration policies	▲ 99 ● 110 – 135		
	102-36	Process for determining remuneration	▲ 99 ● 110 – 135		
	102-37	Stakeholders' involvement in remuneration	▲ 99 ● 110 – 135		
	102-38	Annual total compensation ratio	NR	Confidentiality	
	102-39	Percentage increase in annual total compensation ratio	NR	Confidentiality	
	102-40	List of stakeholder groups	▲ 53 – 56 ● 43		
	102-41	Collective bargaining agreements	▲ 53 ● 54		
	102-42	Identifying and selecting stakeholders	▲ 50 – 52 ● 43, 44		
	102-43	Approach to stakeholder engagement	▲ 50 – 52 ● 43, 44		
	102-44	Key topics and concerns raised	▲ 53 – 56		
	102-45	Entities included in the consolidated financial statements	See annual financial statements at <a href="https://www.exxaro.com/investor/integrated-reports2019/financials/index.php">https://www.exxaro.com/investor/integrated-reports2019/financials/index.php</a>		
	102-46	Defining report content and topic boundaries	▲ 2 – 9 ● 2, 3, 6 – 11		
	102-47	List of material topics	▲ 4 – 9 ● 6 – 11		
	102-48	Restatements of information	NR		
	102-49	Changes in reporting	▲ 2, 3 ● 2, 3		
	102-50	Reporting period	1 January 2019 to 31 December 2019		
	102-51	Date of most recent report	24 April 2019		
	102-52	Reporting cycle	2019		
	102-53	Contact point for questions on the report	▲ 1 ● Inside front cover		
	102-54	Claims of reporting in accordance with the GRI Standards	▲ 2 ● 3		
	102-55	GRI content index	● 136 – 140		
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<b>GRI 103</b>	Management approach to economic, environmental and social impacts	103-1	Explanation of the material topic and its boundary	▲ 4 – 9 ● 6 – 11	
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		103-3	Evaluation of the management approach	▲ 4 – 9 ● 6 – 11	

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<b>GRI 201</b>	Economic performance		Management approach disclosures	▲ 14, 15, 42 – 49 ● 12 – 16	
		201-1	Direct economic value generated and distributed	▲ 14, 15, 74 – 83 ● 12 – 16	
		201-2	Financial implications and other risks and opportunities due to climate change	▲ 61, 62, 102, 103 ● 28, 29	
		201-3	Defined benefit plan obligations and other retirement plans	▲ 99 ● 110 – 128	
		201-4	Financial assistance received from government	Zero	
<b>GRI 202</b>	Market presence		Management approach disclosures	▲ 99 ● 46, 51	
		202-1	Ratios of standard entry level wage by gender compared to local minimum wage	▲ 53, 99 ● 51, 54 – 58	
		202-2	Proportion of senior management hired from the local community	99%	
<b>GRI 203</b>	Indirect economic impacts		Management approach disclosures	▲ 100, 101 ● 60 – 66	
		203-1	Infrastructure investments and services supported	▲ 100, 101 ● 60 – 66	
		203-2	Significant indirect economic impacts	▲ 100, 101 ● 60 – 66	
<b>GRI 204</b>	Procurement practices		Management approach disclosures	▲ 50, 55, 61, 63, 66, 100, 101 ● 42 – 44, 61 – 66	
		204-1	Proportion of spending on local suppliers	▲ 55, 100 ● 42, 61, 62, 64	
<b>GRI 205</b>	Anti-corruption		Management approach disclosures	▲ 30 ● 71, 72	
		205-1	Operations assessed for risks related to corruption	▲ 30 ● 71, 72	
		205-2	Communication and training about anti-corruption policies and procedures	▲ 30 ● 71, 72	
		205-3	Confirmed incidents of corruption and actions taken	▲ 30 ● 71, 72	
<b>GRI 206</b>	Anti-competitive behaviour		Management approach disclosures	▲ 30 ● 71, 72	
		206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Zero	
<b>GRI 300</b>	Environmental		Management approach disclosures	▲ 102, 103 ● 71, 72	
<b>GRI 301</b>	Materials	301-1	Materials used by weight or volume	NR	Corporate activity
		301-2	Recycled input materials used	NR	
		301-3	Reclaimed products and their packaging materials	NR	
<b>GRI 302</b>	Energy	302-1	Energy consumption within the organisation	▲ 103 ● 30, 31	
		302-2	Energy consumption outside of the organisation	▲ 103 ● 30, 31	
		302-3	Energy intensity	▲ 103 ● 30, 31	
		302-4	Reduction of energy consumption	▲ 103 ● 30, 31	
		302-5	Reductions in energy requirements of products and services	▲ 103 ● 30, 31	
<b>GRI 303</b>	Water	303-1	Water withdrawal by source	▲ 103 ● 32, 33	
		303-2	Water sources significantly affected by withdrawal of water	▲ 103 ● 32, 33	
		303-3	Water recycled and reused	▲ 103 ● 32, 33	

Standard				Page	Omission
<b>GRI 304</b>	Biodiversity	304-1	Operational sites owned/leased/managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	• 36	
		304-2	Significant impacts of activities, products and services on biodiversity	• 36	
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<b>GRI 305</b>	Emissions	305-1	Direct (scope 1) GHG emissions	▲ 103 • 28, 29	
		305-2	Energy indirect (scope 2) GHG emissions	▲ 103 • 28, 29	
		305-3	Other indirect (scope 3) GHG emissions	▲ 103 • 28, 29	
		305-4	GHG emissions intensity	▲ 103 • 28, 29	
		305-5	Reduction of GHG emissions	▲ 103 • 28, 29	
		305-6	Emissions of ozone-depleting substances (ODS)	▲ 103 • 28, 29	
		305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ) and other significant air emissions	▲ 103 • 26, 27	
<b>GRI 306</b>	Effluents and waste	306-1	Water discharge by quality and destination	▲ 103 • 32, 33	
		306-2	Waste by type and disposal method	▲ 103 • 34, 35	
		306-3	Significant spills	• 24	
		306-4	Transport of hazardous waste	• 34, 35	
		306-5	Water bodies affected by water discharges and/or runoff	• 32, 33	
<b>GRI 307</b>	Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Zero	
<b>GRI 308</b>	Supplier environmental assessment	308-1	New suppliers screened using environmental criteria	NR	
		308-2	Negative environmental impacts in the supply chain and actions taken	NR	
<b>GRI 400</b>	Social		Management approach disclosures	▲ 100, 101 • 42	
<b>GRI 401</b>	Employment	401-1	New employee hires and employee turnover	▲ 100, 101 • 56, 57	
		401-2	Benefits provided to full-time employees not provided to temporary/part-time employees	▲ 96 – 99 • 46 – 58	
		401-3	Parental leave	NR	
<b>GRI 402</b>	Labour/management relations	402-1	Minimum notice periods on operational changes	• 54	
<b>GRI 403</b>	Occupational health and safety	403-1	Workers' representation in formal joint management-worker health and safety committees	• 48	
		403-2	Types and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	▲ 96, 97 • 48 – 50	
		403-3	Workers with high incidence or high risk of diseases related to their occupation	• 48, 49	
		403-4	Health and safety topics covered in formal agreements with trade unions	• 48	
<b>GRI 404</b>	Training and education	404-1	Average hours of training per year per employee	▲ 99 • 51, 52	
		404-2	Programmes for upgrading employee skills and transition assistance programmes	▲ 99 • 51, 52	
		404-3	Percentage of employees receiving regular performance and career development reviews	▲ 99 • 51, 52	

## GRI index continued

Standard				Page	Omission
GRI 405	Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	▲ 24, 25, 27, 99 ● 55 – 58, 80 – 83, 89	
		405-2	Ratio of basic salary and remuneration of women to men	NR	
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	● 57	
GRI 407	Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Zero	
GRI 408	Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Zero	
GRI 409	Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Zero	
GRI 410	Security practices	410-1	Security personnel trained in human rights policies or procedures	● 57	
GRI 411	Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	NA	
GRI 412	Human rights assessment	412-1	Operations subject to human rights reviews or impact assessments	● 57	
		412-2	Employee training on human rights policies or procedures	● 57	
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	● 57	
GRI 413	Local communities	413-1	Operations with local community engagement, impact assessments and development programmes	▲ 100, 101 ● 60 – 66	
		413-2	Operations with significant actual and potential negative impacts on local communities	▲ 100, 101 ● 60 – 66	
GRI 414	Supplier social assessment	414-1	New suppliers screened using social criteria	▲ 100, 101 ● 60 – 66	
		414-2	Negative social impacts in the supply chain and actions taken	▲ 100, 101 ● 60 – 66	
GRI 415	Public policy	415-1	Political contributions	▲ 52 ● 100 – 128	
GRI 416	Customer health and safety	416-1	Assessment of health and safety impacts of product and service categories	NR	Not applicable
		416-2	Incidents of non-compliance for health and safety impacts of products and services	NA	Not applicable
GRI 417	Marketing and labelling	417-1	Requirements for product and service information and labelling	NA	Not applicable
		417-2	Incidents of non-compliance on product and service information and labelling	NA	Not applicable
		417-3	Incidents of non-compliance on marketing communications	NA	Not applicable
GRI 418	Customer privacy	418-1	Substantiated complaints on breaches of customer privacy and losses of customer data	Zero	
GRI 419	Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Zero	

# Independent auditor's reasonable assurance report on the selected sustainability information in Exxaro Resources Limited's ESG report

## To the directors of Exxaro Resources Limited

We have undertaken a reasonable assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2019 ESG report of Exxaro Resources Limited (the "company", "Exxaro" or "you") for the year ended 31 December 2019 (the "report"). This engagement was conducted by a multidisciplinary team including health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

### Subject matter

We have been engaged to provide a reasonable assurance opinion in our report on the following selected sustainability information. The selected sustainability information described below has been prepared in accordance with the company's reporting criteria that accompanies the sustainability information on the relevant pages of the report (the accompanying company reporting criteria).

Selected sustainability information	Unit of measurement	Boundary	Page
Number of fatalities	Number	Exxaro group	13, 48
Number of lost time injuries (employees and contractors)	Number	Exxaro group	13, 48
Lost time injury frequency rate (LTIFR) (employees and contractors)	Rate	Exxaro group	13, 48
Occupational health incident frequency rate (OHIFR)	Rate	Exxaro group	13
Number of accepted occupational health cases	Number	Exxaro group	13
Scope 1 carbon emissions	kt CO <sub>2</sub> e	Exxaro group	14, 28
Scope 2 carbon emissions	kt CO <sub>2</sub> e	Exxaro group	14, 28
Scope 3 carbon emissions	kt CO <sub>2</sub> e	Exxaro group	28
Carbon intensity	kt CO <sub>2</sub> e/TTM		14
Number of level 2 and 3 environmental incidents	Number	Exxaro group	14, 24
Water intensity: total tonnage mined	Water withdrawn/ RoM tonnes	Exxaro group	14, 32
Skills provision (% of appointment from within)	%	Exxaro group	13, 51
Scarcity skills retention (% turnover)	%	Exxaro group	13, 51
Number of stoppage directives (includes section 54 in terms of Mine Health and Safety Act)	Number	Exxaro group	14, 48
Number of stoppage directives (includes directives in terms of National Water Act, National Environmental Management Act and Mineral and Petroleum Resources Development Act)	Number	Exxaro group	24, 48

We refer to this information as the "selected sustainability information".

# Independent auditor's reasonable assurance report on the selected sustainability information in Exxaro Resources Limited's ESG report continued

## Your responsibilities

The directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on [page 144](#) of the report (the "reporting criteria").

This responsibility includes:

- the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance, and
- the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the report users.

## Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practices on which to draw allows for the selection of different but acceptable measurement techniques, which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

In particular, where the information relies on carbon and other emissions conversion factors derived by independent third parties, or internal laboratory results, our assurance work will not include examination of the derivation of those factors and other third party or laboratory information.

## Our independence and quality control

We have complied with the independence and other ethical requirements of sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* and parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our responsibility

Our responsibility is to express a reasonable assurance opinion on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform our engagement to obtain reasonable assurance about whether the selected sustainability information is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised), and ISAE 3410, involves performing procedures to obtain evidence about the measurement of the selected sustainability information and related disclosures in the report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected sustainability information, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the company's preparation of the selected sustainability information. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by the company;
- Assessing the suitability in the circumstances of the company's use of the applicable reporting criteria as a basis for preparing the selected sustainability information; and
- Evaluating the overall presentation of the selected sustainability performance information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Reasonable assurance opinion

In our opinion and subject to the inherent limitations outlined elsewhere in this report, the selected sustainability information as set out in the subject matter paragraph above for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the reporting criteria.

### Other matter(s)

Our report includes the provision of reasonable assurance on the following indicators:

- Number of fatalities
- Water intensity
- Skills provision (% of appointment from within)
- Scarcity skills retention (% turnover)
- Number of stoppage directives (includes section 54 in terms of MHSA)
- Number of stoppage directives (includes directives in terms of NWA, NEMA and MPRDA)
- Talent bench – % of clusters (DL to DU) that have at least two EE candidates in the 3A/3B/2A category
- Talent bench – % of clusters (EL and above) that have at least two EE candidates in the 3A/3B/2A category.

We were previously not required to provide assurance on these selected sustainability information.

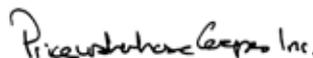
We previously provided limited assurance on the following selected sustainability information:

- Occupational health incident frequency rate (OHIFR)
- Number of accepted occupational health cases
- Scope 1 carbon emissions
- Scope 3 carbon emissions
- Carbon intensity
- Number of level 2 and 3 environmental incidents.

The maintenance and integrity of Exxaro's website is the responsibility of Exxaro's directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on Exxaro's website.

### Restriction of liability

Our work has been undertaken to enable us to express a reasonable assurance opinion on the selected sustainability information to the directors of the company in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the company, for our work, for this report, or for the conclusion we have reached.



**PricewaterhouseCoopers Inc.**

**Director: Jayne Mammatt**

Registered Auditor

Johannesburg

20 April 2020

## Sustainability indicators (reporting criteria)

Indicator	Definition
<b>Number of fatalities</b>	A fatality includes all work-related incidents that resulted in a fatality
<b>Number of lost-time injuries (LTIs): employees and contractors</b>	LTI is a work-related injury resulting in the employee/contractor being unable to attend work or perform the full duties of regular work on the next calendar day. Restricted work cases are counted as LTIs
<b>Lost-time injury frequency rate (LTIFR): employees and contractors</b>	Rate per 200 000 hours of LTIs due to all causes for employees and contractors
<b>Number of accepted cases of occupational diseases</b>	Number of accepted cases of occupational tuberculosis, chronic obstructive airways disease, pneumoconiosis, noise-induced hearing loss and silicosis reported to Medical Bureau for Occupational Diseases and Department of Mineral Resources and Energy
	Number of reported cases of occupational diseases in the reporting period. An occurrence of an occupational disease reported to Medical Bureau for Occupational Diseases and Department of Mineral Resources and Energy, and for noise-induced hearing loss reported to Rand Mutual Assurance
	The occupational diseases include reported cases of: <ul style="list-style-type: none"> <li>• Occupational tuberculosis</li> <li>• Chronic obstructive airways disease</li> <li>• Pneumoconiosis</li> <li>• Noise-induced hearing loss</li> <li>• Silicosis.</li> </ul> Occupational diseases are monitored and reported for employees and contractors. The rate is calculated per 200 000 hours for employees and contractors.
<b>Direct CO<sub>2</sub> emissions from own operations (scope 1)</b>	Total scope 1 emissions include total litres of diesel oil used for primary production activities, fugitive emissions from mining activities and limestone emissions created through mining activities converted to tonnes CO <sub>2</sub> e
<b>Indirect CO<sub>2</sub> emissions from electricity (scope 2)</b>	Total electricity purchased converted to tonnes CO <sub>2</sub> e
<b>Other indirect emissions (scope 3)</b>	Total scope 3 emissions from use of sold products
<b>Carbon intensity</b>	Total kt CO <sub>2</sub> e/total tonnes mined
<b>Water intensity</b>	Water intensity refers to the total water withdrawals (excluding supply to third party, game and farmers) from a resource (not recycled/reclaimed water)/tonnes mined
<b>Number of level 2 and 3 environmental incidents</b>	Level 1: An internally reportable environmental incident with reversible on-site impacts, which will involve immediate clean-up [and/or a negative impact costing <R100 000 to remediate] Level 2: An internally reportable environmental incident with reversible on-site and immediate surrounding impacts, which will involve longer than 48 hours clean-up activities [and/or a negative impact costing R100 000 – R500 000 to remediate] Level 3: An internally and/or externally reportable environmental incident with irreversible on-site, immediate and remote areas impacts, which will involve long-term clean-up activities [and/or a negative impact costing > R500 000 worth of damage]
<b>Skills provision (% of appointment from within)</b>	The percentage of internal appointments (temporary, learnership transfer to artisan and non-permanent employees) who are appointed as permanent employees
<b>Scarcity skills retention (% turnover)</b>	Total employee separations over a 12-month period, excluding all retrenchments including voluntary severance packages
<b>Talent bench: % of clusters (DL to DU) that have at least two employment equity candidates in the 3A/3B/2A category and % of clusters (EL and above) that have at least two employment equity candidates in the 3A/3B/2A category</b>	The percentage of employment equity employees on D band and E band that are immediately or medium-term ready for the next higher level
<b>Number of stoppage directives (includes section 54 in terms of the Mine Health and Safety Act)</b>	A stoppage instruction issued by an inspector from the Department of Mineral Resources and Energy or Department of Labour in terms of section 54(a) and (b) of the Mine Health and Safety Act or section 30(1)-(5) of the Occupational Health and Safety Act for occurrences, practices or conditions that, in the opinion of the inspector, pose a threat to the safety or health of employees, to cease operations at the mine or part thereof with immediate effect
<b>Number of stoppage directives (includes directives in terms of National Water Act, National Environmental Management Act and Mineral and Petroleum Resources Development Act)</b>	A right/authorisation/permission/approval/licence placed under notice as per sections 93 and/ or 47 of Mineral and Petroleum Resources Development Act, section 54 of National Water Act, section 31L of National Environmental Management Act and/or regulation 38 of National Environmental Management Act environmental impact assessment regulations

# Administration

## Group company secretary (registered office)

### SE van Loggerenberg

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263 West Avenue, Die Hoewes  
Centurion 0163  
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Telephone: +27 12 307 5000

## Sponsor

Absa Bank Limited (corporate and investment bank division)  
Barclays Sandton North  
15 Alice Lane  
Sandton 2196

## Company registration number

2000/011076/06  
JSE share code: EXX  
ISIN: ZAE000084992

## Auditors

PricewaterhouseCoopers Inc  
4 Lisbon Lane  
Waterfall City  
Jukskei View 2090

## Commercial bankers

Absa Bank Limited

## Corporate law advisers

EOH Legal Services Proprietary Limited  
Roger Dyason Road  
Pretoria West 0183

## United States ADR depository

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101 Barclay Street  
New York NY 10286  
United States of America

## Registrars

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## Disclaimer

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause Exxaro's actual results, plans and objectives to differ materially from those expressed or implied in any forward-looking statements.

Financial forecasts and data in this report are estimates, which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. The company and its affiliates, advisers or representatives accept no responsibility for loss arising from the use of any opinion, forecast or data in this report.

Forward-looking statements apply only from the date on which they are made and the company does not undertake any obligation to publicly update or revise its opinions or forward-looking statements to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based have not been audited nor reported on by Exxaro's independent external auditors.



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