


# About this report

Our ESG report for the year ended 31 December 2021 reflects how we measure and manage our impact on the environment and society, and our commitment to good corporate governance.

## MATERIALITY

The information included in our reporting is influenced by our materiality determination process. This year, we followed a double materiality process that considers an outward and inward focus. The outward focus considers our impact on society and the environment, and the inward focus considers the impact of a matter on our ability to create and preserve value over time. We further group these material matters into themes that link to the resources we use and affect.

Refer to the integrated report for a detailed discussion on this process and the material matters we identified.

Theme	Material matters
 <p><b>Adapting to the changing context</b> The operating context is changing rapidly. Social, political and economic issues all impact our ability to create value. We operate in a long-term asset class with significant infrastructure investment. To remain a leader, we must respond to both the current context and anticipate the future.</p>	<ul style="list-style-type: none"> <li>• Geopolitical context</li> <li>• Macro-environment</li> <li>• Supporting a just transition to a low-carbon economy</li> </ul>
 <p><b>Helping our people thrive</b> Exxaro's employees are the enablers of the organisation's performance. To deliver on our strategic goals, we need to foster a culture that supports adaptability and innovation, while leveraging the strength of diversity, equity and inclusion.  We are deeply committed to protecting our people's health, safety and wellness and building relationships based on trust.</p>	<ul style="list-style-type: none"> <li>• Health, safety and wellness</li> <li>• Workforce: culture, capability, diversity, inclusion and innovation</li> <li>• Labour relations</li> </ul>
 <p><b>Building sustainable communities</b> We operate in an environment of stakeholder capitalism* and where our business activities impact our stakeholders who respond to these impacts. Our social licence to operate depends on how we look after our communities and the natural world around us.  We are committed to a social and just transition sensitive to the potential impacts of Exxaro, its communities, South Africa and the planet.  <small>* Where organisations are oriented to serve the interests of all their stakeholders.</small></p>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Job and business creation</li> <li>• Responsible environmental stewardship</li> <li>• Supporting a just transition to a low-carbon economy</li> </ul>
 <p><b>Executing our strategy</b> Climate change is no longer a refutable occurrence. We are committed to the Paris Agreement and have established a strategy and business objectives to respond to both the short and long term risks and opportunities presented by climate change.</p>	<ul style="list-style-type: none"> <li>• Coal portfolio optimisation</li> <li>• Diversify into minerals</li> <li>• Build a leading global renewable energy solutions business</li> </ul>
 <p><b>Driving business resilience</b> Underpinning our strategic goals is the drive to enhance our business resilience through safe production, the delivery of financial results, effective capital allocation, compliance excellence as well as entrenching innovation and capitalising on digitalisation. Over and above these, the way we conduct ourselves as a business strengthens our reputation and resilience.</p>	<ul style="list-style-type: none"> <li>• Financial performance and resilience</li> <li>• Legal, regulatory and compliance excellence</li> <li>• Capital allocation</li> <li>• Operational excellence (innovation and digitalisation)</li> <li>• Transparency, ethics and integrity</li> </ul>

 For material matters relevant to this report, refer to page 40 of the integrated report.

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

## FRAMEWORKS AND GUIDELINES

The content of this report is guided by:

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

## BOUNDARY

This report contains material information about our ESG performance for the period 1 January 2021 to 31 December 2021 (the 2021 financial year). It covers financial and non-financial environmental and social information of our wholly owned and joint operations in South Africa. The reporting boundary now incorporates material information about Cennergi Proprietary Limited (Cennergi) following our acquisition of the 100% interest of this business in 2020. Following the disposal of Tronox in March 2021, information on this investment is no longer included unless stated. We have consolidated material information related to Cennergi's safety incidents into the Exxaro group. The health, environmental, water, energy and climate change key performance indicators (KPIs) will be fully integrated in 2022.

We include limited information on operations where we do not have management control but hold a significant equity interest, namely Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba Iron Ore Limited, or joint control, namely Mafube Coal Proprietary Limited (joint venture) and Moranbah South coal project.

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.



Inside a coal beneficiation plant at our Grootegeluk BU

# About Exxaro

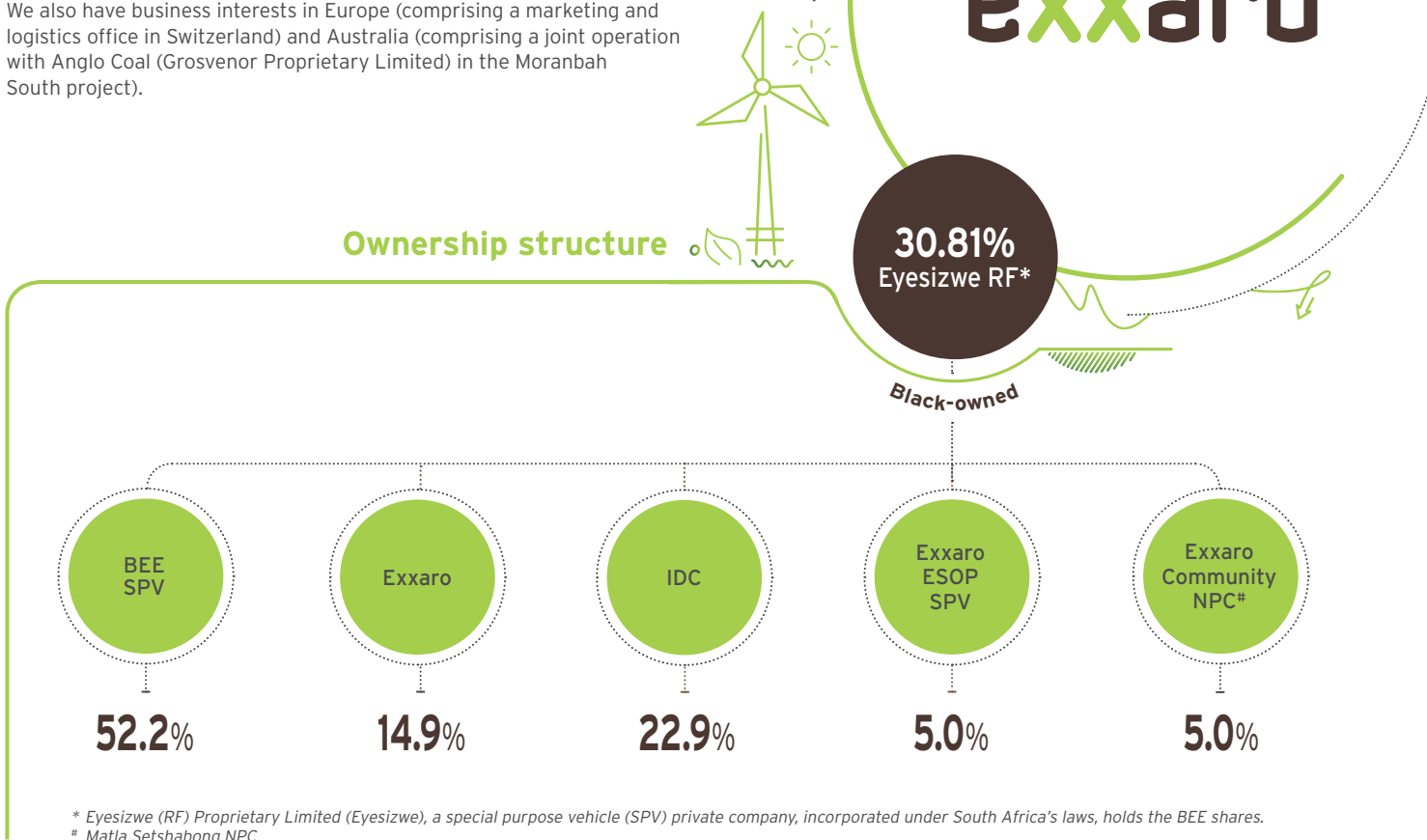
Exxaro has two decades of experience in mining, energy and ESG.

We have a diversified asset portfolio comprising interests primarily in coal, a growing renewable energy solutions business and equity-accounted investments in ferrous (iron ore) and zinc. We have plans to invest and diversify into manganese, bauxite and copper.

<p><b>ASSETS:</b></p> <p><b>R75.7 billion</b> at 31 December 2021 (2020: R78.6 billion)</p> <p><b>Five</b> Coal mines      <b>Two</b> Windfarms</p> <p><b>30.81%</b> Black-empowered</p>	<p><b>COAL PRODUCTION:</b></p> <p><b>42.5Mt</b> in 2021 (2020: 47.4Mt), including buy-ins of 0.2Mt (2020: 0.3Mt), reflecting contributions from our expanded flagship Grootegeluk mine</p> <p>Constituent of the <b>JSE Top 40 Index</b></p> <p><b>RENEWABLE ENERGY GENERATION:</b></p> <p><b>724GWh</b></p>	<p><b>MARKET CAPITALISATION:</b></p> <p><b>R53.4 billion/ US\$3.4 billion</b> in 2021 (2020: R50 billion/US\$3.4 billion)</p> <p>Among the top 30 in the <b>FTSE/JSE Socially Responsible Investment Index</b></p>
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We are among the top five coal producers in South Africa. Hence, we understand the importance and ambition of being carbon neutral and achieving net zero carbon by 2050, and strive to be an active participant in the just transition to a low-carbon economy. We have started incorporating renewable energy solutions into our business portfolio, as evidenced by our 100% ownership of Cennergi since 1 April 2020. Exxaro is also proud to embrace the principles of the Task Force on Climate-related Financial Disclosures (TCFD).

We also have business interests in Europe (comprising a marketing and logistics office in Switzerland) and Australia (comprising a joint operation with Anglo Coal (Grosvenor Proprietary Limited) in the Moranbah South project).



Our company is rooted in South Africa and respected by our peers for innovation, ethics and integrity.



MINERALS

## Minerals

### 100%\* ownership: Coal

Our core operation is thermal, semi-soft coking and metallurgical coal mining, supplying Eskom, other domestic markets and offshore markets

Our **coal mining business** (including Reductants) is structured under five legal entities, all managed and operated by Exxaro, supplemented by a joint venture for the Mafube operation and an equity interest in Richards Bay Coal Terminal Proprietary Limited (RBCT)

## Base metals

### 26% equity interest: Black Mountain

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

We continue evaluating our options to dispose of our shareholding in Black Mountain following the suspension of the sale in December 2020

## Ferrous

### 20.62% equity interest: SIOC

SIOC is a leading supplier of high-quality iron ore to the global steel industry and a subsidiary of Kumba Iron Ore



ENERGY

## Renewable energy

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

### 100% ownership

### Cennergi

Our renewable energy business

\* Includes 50% joint control of Mafube.



# About Exxaro continued

## OUR ASSET LOCATIONS



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



### MINERALS BUSINESS

Our minerals business comprises coal operations and investments are iron ore and zinc. We have deep roots in mining with a track record of operational excellence and delivering value.

### MINERAL ASSETS

Coal mining is our primary business, structured under five legal entities that we manage and operate. We also have a:

- 50% joint venture with Thungela Resources Limited in the Mafube operation
- 10.26% effective equity interest in RBCT
- 26% effective equity interest in Black Mountain
- 20.62% effective equity interest in SIOC

- Largest high-quality Coal Reserves remaining in the country, providing a platform for early value returns
- Largest supplier of energy coal to Eskom and ArcelorMittal South Africa Limited (AMSA)
- Five managed coal operations (including 50% share of Mafube) produced 42.5Mt of thermal and metallurgical coal (2020: 47.4Mt), down 10% in 2021 – the majority of power station coal is supplied to Eskom
- Grootegeluk is acknowledged as one of the largest integrated mining and beneficiation operations globally, running the world's largest coal beneficiation complex, and the only producing mine in the coal-rich Waterberg, adjacent to Eskom's Matimba and Medupi power stations – Grootegeluk's capacity is expanding by 7% (1.7Mtpa) with the double-stage beneficiation plant, Grootegeluk 6 (GG6) and new rapid load-out station to enhance the growth of our export sales volumes
- As at 31 December 2021, 82% of the R17.5 billion capital expenditure was spent on greenfield and brownfield expansion and sustaining projects (2020: 74%)

#### Mining operations South Africa

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

□ Mine ○ Project

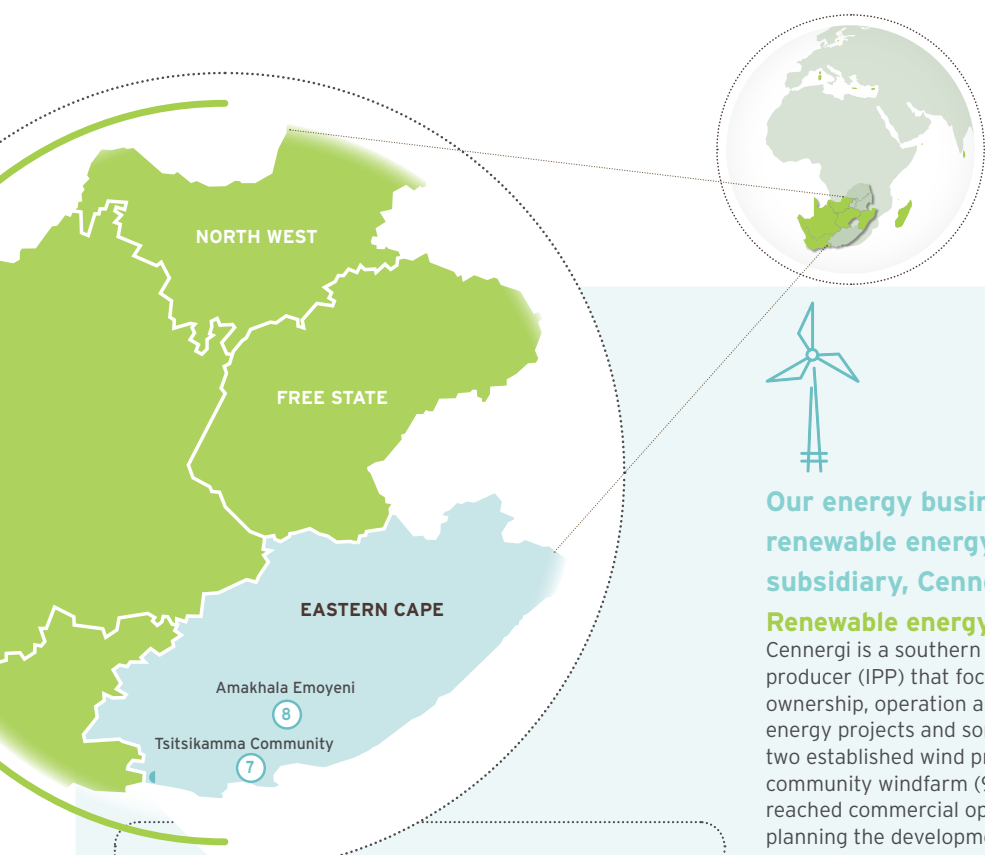
#### Australia

	Location
○ Moranbah South project (50%) <sup>2</sup>	Queensland

\* Divestment process underway.

<sup>1</sup> Not undertaken as Thabametsi Coal IPP has been suspended.

<sup>2</sup> Undertaking pre-feasibility study to inform decision for development prospects.





**Our energy business comprises interests in renewable energy through our wholly owned subsidiary, Cennergi.**

**Renewable energy assets**

Cennergi is a southern African-based diversified independent power producer (IPP) that focuses on asset management and the development, ownership, operation as well as maintenance of its own renewable energy projects and some owned by other companies. Cennergi has two established wind projects in the Eastern Cape (the Tsitsikamma community windfarm (95MW) and Amakhala Emoyeni (134MW)), which reached commercial operation in 2016. The energy business is also planning the development of the 70MW Lephalale Solar Project in a ringfenced SPV that will supply renewable energy to our Grootegeluk complex, reducing our carbon footprint and electricity costs.

The two windfarms are SPV companies with no management or employees. Cennergi provides full business, project execution and operations management services under separate management service agreements. Cennergi is responsible for the windfarms' environmental and social management and implementation of SPV commitments, and ensures adherence to applicable environmental, social, legal, regulatory and corporate requirements.

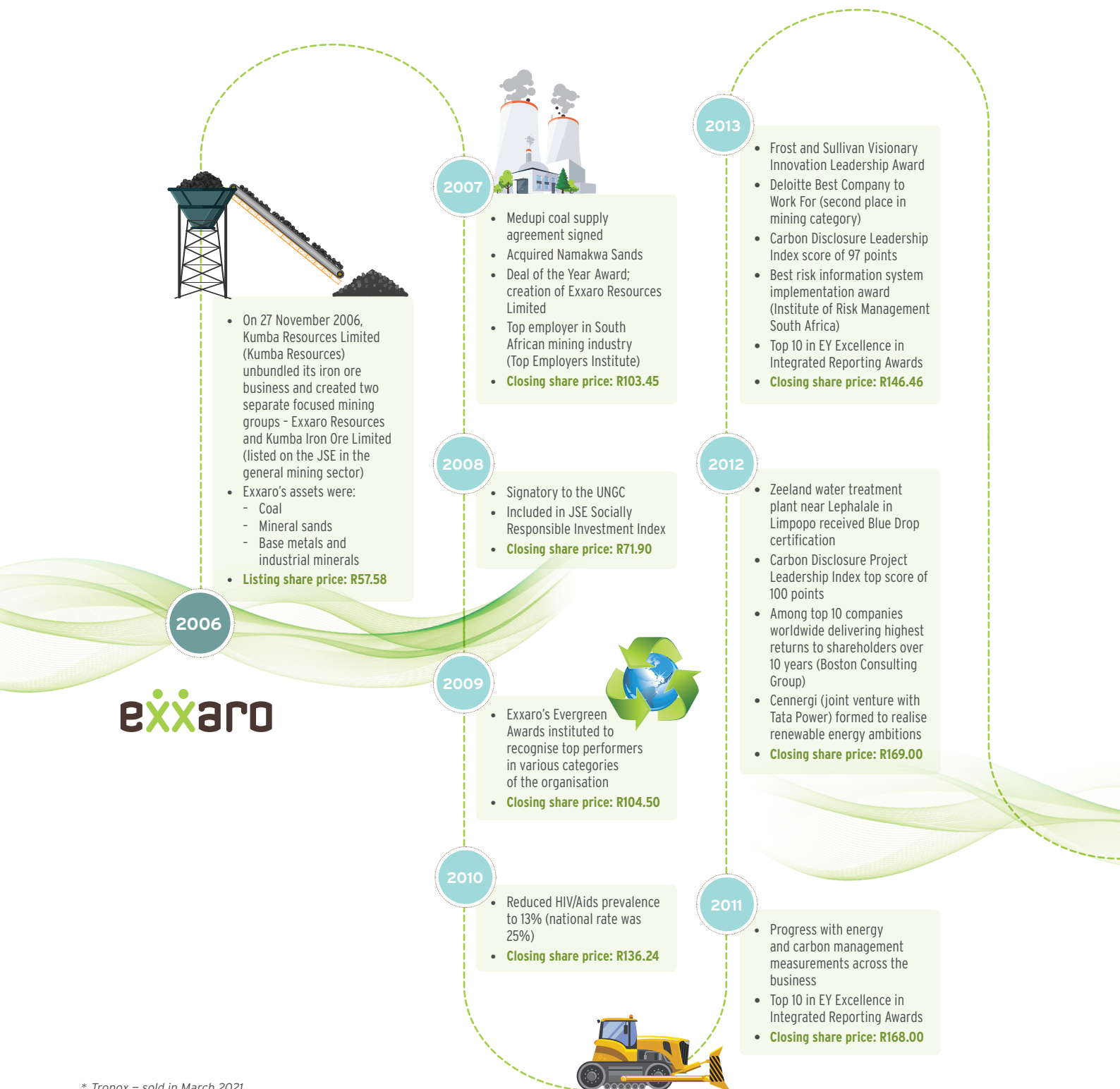
-  Our investments in renewable energy will enable us to deliver on our strategy, detailed on page 66 of the integrated report.
-  For details about our wind operations, refer to pages 13 and 14 of the integrated report.

**Renewable energy operations South Africa, Eastern Cape**

	Location
7 Tsitsikamma community windfarm	Tsitsikamma
8 Amakhala Emoyeni	Cookhouse

# Evolution of a 21st century company

Exxaro was created and listed on the JSE in November 2006. Since then, we have grown to become South Africa's foremost black-empowered and diversified commodities and energy company with a global asset portfolio including coal operations and investments in iron ore, pigment manufacturing\*, renewable energy (wind) and residual base metals.



\* Tronox – sold in March 2021.



# Our ESG perspective

**Our impact is the consideration of our combined social and environmental performance to deliver operational and financial results towards fulfilment of our purpose. We aim to create sustainable growth and impact, guided by sound ESG principles. Our sustainability is founded on innovative, mutually constructive relationships and values we share with our stakeholders.**

Our ESG commitment and focus are driven by external imperatives, our stakeholder needs, our vision and business goals.

## 1. THE ESG IMPERATIVE

Our everyday lives are impacted by social and environmental change, reshaping our world, changing how we do business and posing risks and opportunities for businesses. These forces of change are captured in the 17 UN SDGs and include:

- Unequal distribution of resources resulting in poverty
- The unfolding impact of COVID-19, which has highlighted vast inequalities in society
- Risks and opportunities presented by climate change arising from increasing carbon emissions
- Scarcity of fresh water to meet standard demand
- Emergent and increasing biodiversity loss



These forces are increasing the urgency to address global social and environmental issues, driven by international organisations and supported by country commitments. Some of these include:

### DECARBONISATION

Physical and transitional risks of climate change pose a serious threat to business and society, and require immediate action to mitigate the impact of severe climatic events and the cost of doing business.

### SUSTAINABLE GROWTH

Addressing global challenges affecting people and the environment through finding solutions that meet people's socio-economic needs and tackle climate change.



#### TCFD

The TCFD was established by the Financial Stability Board and provides companies with recommendations on measuring, reporting and responding to these risks.

#### United Nations Climate Change Conference (COP26)

At the COP26 summit held in Glasgow in November 2021, pledges were made to scale up clean power to achieve a transition away from unabated coal generation to support the Paris Agreement to limit the average increase in global temperatures to below 2°C warming pathway.

#### UN SDGs

The 17 SDGs guide companies in addressing the global challenges deemed critically important to sustainable growth.

#### UNGC

The UNGC is the world's largest corporate sustainability initiative committed to mobilising a global movement of sustainable companies and stakeholders to create the world we want.

As a result, there is a global drive and need for companies like ours to play their role in ensuring a fair and equitable society and adjust practices to ensure environmental sustainability.

In support of global decarbonisation and energy transition objectives, we published our climate change position statement in 2020, which details our aspirational target to be carbon neutral by 2050. To deliver this, the company developed a climate change response strategy aligned with TCFD recommendations and our efforts to build portfolio resilience in line with the company's Sustainable Growth and Impact strategy. In addition, we took a strategic decision to support the TCFD recommendations and align our reporting and business processes accordingly.

Exxaro is a signatory to the UNGC Active level, voluntarily endorses the 17 UN SDGs and participates in South Africa's NBI to align the 17 SDGs with the country's National Development Plan and implement leading practices to uphold the most material SDGs so that our business leaves a lasting positive impact. Our executive remuneration includes material ESG targets in terms of water and energy efficiency, with effect from FYE 31 December 2022.



## 2. UNDERSTANDING OUR IMPACT

### Mining is a socially and environmentally impactful industry

The industry's extractive nature impacts mineral resources and biodiversity, requiring substantial energy and water input. It also impacts local communities, particularly in South Africa where mines are labour-intensive and provide local employment and business opportunities.

### South Africa is a water-scarce country with socio-economic challenges



Most of Exxaro's mines are in Mpumalanga where water is scarce and biodiversity highly sensitive, surrounded by communities that reflect South Africa's socio-economic challenges (for example unemployment and access to basic services such as electricity, water, sanitation and education). As a business, we are mindful of these challenges and remain committed to socio-economic upliftment.

### We are a critical supplier to South Africa's energy provider

As the largest supplier of coal to Eskom, our coal portfolio remains a valuable natural resource that must be extracted optimally and responsibly to continue providing energy security, which will support economic growth and social development in South Africa. This social commitment conflicts with environmental acceptability of fossil fuels as an energy resource. As such, Exxaro's trade off and strategic decision is not to seek further growth in thermal coal, but to justly transition our business to renewable energy. Building our renewable energy portfolio provides long-term resilience to climate-related risks and opens up alternative economic activities.


Through responsible mining activities and entrenching environmental and social stewardship in our approach to business, Exxaro is committed to protecting our ecosystems and driving environmental and social sustainability.

## 3. OUR ESG APPROACH

Our approach to ESG considers our operating environment, sector operations and related impact. It is guided by our vision and purpose, driven by our strategy, and aligns to external initiatives that we support voluntarily or as a signatory. We ensure our intentions are delivered through measurable performance indicators that penetrate all areas and levels of our organisation. We consider our stakeholders' legitimate needs and concerns (page 27)  and conduct an annual materiality assessment (detailed in the integrated report). 

Our Strategy guides us as we responsibly enter a carbon-constrained future as a producer of fossil fuel used in energy generation and associated with greenhouse gas (GHG) emissions when used. This strategy entrenches our sustainability and impact commitments.



<p><b>Sustainable</b></p>	<ul style="list-style-type: none"> <li>• Responding to the growing threat of the low-carbon transition future by building climate resilient portfolio</li> <li>• Carbon neutral portfolio by 2050</li> <li>• Reduce climate-related risk and maximise value creation from our coal assets</li> <li>• Deliver positive social impact</li> <li>• Resilient and enduring</li> <li>• Building an enduring business</li> </ul>	<p><b>Strategic objectives</b></p> <ol style="list-style-type: none"> <li>1. Transition at speed and scale</li> <li>2. Make our minerals and energy businesses thrive</li> <li>3. Empower people to create impact</li> <li>4. Be carbon neutral by 2050</li> <li>5. Become a catalyst for economic development and environmental stewardship</li> </ol>
<p><b>Growth</b></p>	<ul style="list-style-type: none"> <li>• Diversify minerals business towards commodities for a clean world</li> <li>• Grow renewable energy business, and further develop existing capabilities</li> <li>• Strategic priorities supported by disciplined capital allocation and a robust investment process</li> </ul>	
<p><b>Impact</b></p>	<ul style="list-style-type: none"> <li>• Use our established ESG performance platform to be a catalyst for sustainable economic and environmental development in our ecosystem</li> <li>• Delivering social and environmental impact at scale</li> <li>• Minimise environmental harm, and provide a just transition for workers and communities</li> </ul>	

 For further detail on our strategy and performance against these objectives, please see our integrated report.

# Our ESG perspective continued


Our approach is guided by relevant strategies, procedures and policies. The board is ultimately responsible and accountable for the delivery of ESG commitments. The board is supported by the risk and business resilience (RBR) committee for environmental, climate change impact and management, and the social, ethics and responsibility committee (SERC) for the oversight of health, safety, engagement and development of our people, community support and development as well as stakeholder engagement. Implementation is overseen by the relevant executive heads and operationalised by business unit (BU) managers.

We consciously embed ESG in everything we do, we track and measure how we perform:

- We benchmark our ESG progress against our industry sub-sector peers who exemplify global best practice (page 20) 
- The board and executive committee measure and manage Exxaro's strategy and performance through KPIs (page 22) 



## Material matters relevant to our ESG consideration

The matters relevant to our ESG impact and value creation include:

 For further detail on our material matters, please see the integrated report.	<ul style="list-style-type: none"> <li>• Carbon emissions reduction</li> <li>• Supporting a just transition to a low-carbon economy</li> <li>• Water stewardship</li> <li>• Reducing our pollution</li> <li>• Biodiversity management</li> <li>• Waste management</li> <li>• Rehabilitation management</li> </ul>	<p>To be a leader in environmental matters we must respond to the current context and anticipate the future. We aim to be responsible in all areas of environmental impact and are implementing initiatives to support our transition to a low-carbon economy.</p>	
	<ul style="list-style-type: none"> <li>• Health, safety and wellness</li> <li>• Workforce: culture, capability, diversity, inclusion and innovation</li> <li>• Labour relations</li> <li>• Human rights</li> <li>• Job and business creation</li> <li>• Environmental stewardship</li> <li>• Supporting a just transition to a low-carbon economy</li> </ul>	<p>Our stakeholders grant our social licence to operate. We are committed to our employees' development, health, wellness and partnering for the development of our communities.</p>	
	<ul style="list-style-type: none"> <li>• Financial performance and resilience</li> <li>• Legal, regulatory and compliance excellence</li> <li>• Innovation and digitalisation</li> <li>• Transparency, ethics and integrity</li> <li>• Strategy and capital allocation</li> <li>• Board diversity</li> </ul>	<p>The board provides oversight of our strategic goals, business resilience, effective capital allocation, compliance excellence as well as entrenching innovation and capitalising on digitalisation. Our governing body upholds our ethical practices extending to oversight of human rights and workforce-related best practice.</p>	

## 4. Delivering measurable results and impact

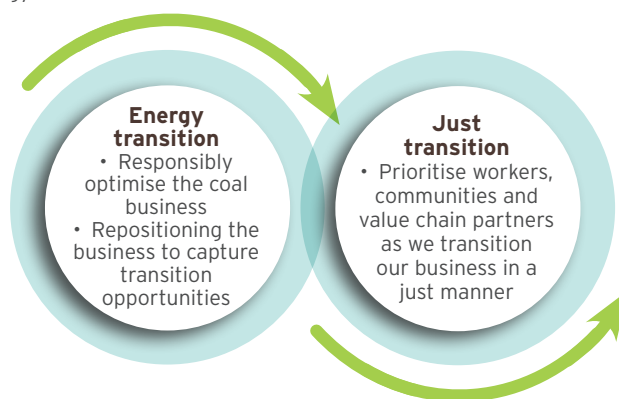
Our commitment and success for impact was acknowledged through the following:

- The group was ranked in the top quartile for ESG performance-selected resources company metrics in terms of the FTSE Russell index
- We have been awarded several accolades (page 18 ) that recognise our commitment
- We achieved above-target safety performance and managed COVID-19 risks to achieve a recovery rate of 99%
- Our Climate Change Response strategy implementation demonstrates our commitment to decarbonising our business portfolio and making it resilient to global climate action
- We continuously improve our ESG reporting. Selected key sustainability metrics in this report have been independently assured by PwC (see page 235 for the assurance report) 

## TRANSITIONING INTO A CARBON-NEUTRAL BUSINESS


**Climate change is the biggest threat facing our business and humanity today. As a responsible corporate citizen, we are determined to transition our business and make our portfolio climate resilient. We also aim to be carbon neutral by 2050 and partner with our value chain partners and stakeholders, like employees and communities, to effect the “Just transition”.**

Climate change is not just a business risk issue, it also provides opportunities to sustainably diversify and transform our portfolio to low-carbon business. The decarbonisation imperative driving South Africa’s need to transition from coal to renewable energy sources, and other global forces has resulted in Exxaro’s Sustainable Growth and Impact strategy. This strategy is designed to transform Exxaro in a systematic and integrated manner into a diversified company that will transition from a coal base to a minerals and renewable energy business that will thrive in a low-carbon future. Our transition to a low-carbon portfolio and meeting our 2050 carbon neutral targets is guided by our Sustainable Growth and Impact strategy.



Our approach is guided, informed and executed by:

**Sustainable Growth and Impact strategy**  
 Shifting our business portfolio to more climate resilient businesses, with a focus on renewable energy and a continued review of minerals contributing to a low-carbon world

<p><b>TCFD recommendations</b></p> <p>Provides a strategic framework for guiding our Climate Change Response strategy</p>	<p><b>Climate Change Response strategy*</b></p> <p>Our Climate Change Response strategy supports our overarching Sustainable Growth and Impact strategy specifically through two of the five objectives:</p> <ul style="list-style-type: none"> <li>• Transition at speed and scale</li> <li>• Be carbon neutral by 2050</li> </ul>
<p>To achieve carbon neutrality Exxaro will need to actively reduce scope 1 and 2 emissions by at least 40% by 2030. To meet this goal, we address three primary areas:</p> <ul style="list-style-type: none"> <li>• Operations optimisation</li> <li>• Value chain partners</li> <li>• Stakeholder engagement</li> </ul> <p><b>Decarbonisation plan</b></p>	<p>In March 2020, we communicated our position on climate change clear in our climate change position statement.</p> <p> <a href="https://www.exxaro.com/assets/files/climate-change-position-statement.pdf">https://www.exxaro.com/assets/files/climate-change-position-statement.pdf</a></p> <p><b>Climate change position statement</b></p>
<p><b>Governance</b></p> <p>Our board and its subcommittees are mandated to address climate change, among other material ESG matters, to ensure integrated business processes.</p>	<p><b>Managing climate change-related risks</b></p> <p>Climate-related risks and opportunities are considered as part of our extensive enterprise risk management (ERM) processes, which aim to embed risk management into existing processes to support informed decision making. A detailed climate change scenario analysis was undertaken in 2019 and 2020.</p>
<ul style="list-style-type: none"> <li>• Exxaro measures, manages and reports energy and carbon data in terms of the GHG Protocol</li> <li>• We have participated in the CDP climate change programme since 2008</li> </ul> <p><b>Measurement and reporting</b></p>	<p>We aim to support these objectives by creating partnerships driving climate action and raising employee awareness on climate change mitigation and adaptation.</p> <p><b>Partnerships</b></p>

\* We published our Climate Change Response strategy and assessment on our alignment with the TCFD recommendations in our 2020 Climate Change Response strategy report. 

# Our ESG perspective continued

**Our commitment to climate change and decarbonisation therefore reaches every area of our ESG approach and impacts all our business activities.**

## Governance oversight of climate change

Climate change presents significant risks and opportunities due to its impact on business sustainability and society. Therefore, our board and its subcommittees are mandated to address climate change, among other material ESG matters, to ensure integrated business processes and response. Responsibilities and activities include:

- Ensuring Exxaro remains sustainable in a carbon-constrained environment
- Strategically addressing climate change issues from a corporate governance perspective
- Providing oversight of pathways we should follow to remain sustainable in a dynamic climate policy environment and in an economy with an objective to transition to a low-carbon world
- Considering climate change when reviewing and guiding strategy, major business plans, capital allocation, risk management, annual budgets, and business plans
- Setting the organisation's climate change-related performance objectives, monitoring implementation and performance thereof


We integrate climate change goals into our strategy. The board and management monitor the business's performance against these goals as part of the normal internal reporting process, with additional sessions held to inform the board and management of emerging trends, risks and opportunities. For the board and its subcommittees, climate change matters that relate to the

committees' terms of reference are discussed at each meeting. The board has delegated responsibilities for ongoing management of climate change risks and opportunities to the RBR committee (to emphasise climate change issues) and the SERC (to ensure our transition is done on just transition principles). These committees meet quarterly and review progress in the mitigation, adaptation, leveraging of opportunities and community engagement in climate change risks across the business. The board chairperson attends RBR committee meetings and ensures that the board is aware that climate change risks are a business imperative that requires urgent and unequivocal wide-ranging collective action by governments, businesses and civil society.

To enhance our effectiveness as we gear up for our transition and coordinate our internal and external responses, we have established a climate change and decarbonisation portfolio office management (PMO). The PMO comprises all functional areas of the organisation with leadership from Nombasa Tsengwa (current CEO designate).


To ensure alignment with our carbon emission reduction goals, a steering committee oversees energy management projects and activities. This helps us to understand risks and opportunities so that our operations can focus on managing energy consumption, carbon emissions and other climate change-related matters.


The board and management are committed to understanding and embracing the science behind climate change.

 For more information on our approach to governance, refer to pages 130 to 144.


## Integrating climate change into our strategy

Climate change consideration is central to our Sustainable Growth and Impact strategy. Our strategy development was informed by a detailed scenario analysis that considered various parameters and assumptions using the latest available information. The analysis further considered how resilient our strategy is to climate-related risks and opportunities, including the transition to a lower-carbon economy consistent with a 2°C or lower scenario as well as increased physical climate-related risks to ensure business resilience under these scenarios.

 For more information on our strategy, please refer to the integrated report.

 For more information on our scenario analysis, please refer to our 2020 Climate Change Response strategy report and our 2020 climate change position statement.

Climate-related risks are integrated into overall risk management and factor as one of the top 10 risks facing the business.

 For more information, refer to the integrated report.

## Managing climate change-related risks

Climate change-related risks and opportunities are considered part of our extensive risk management processes, which aims to embed a proactive, systematic risk management approach into existing processes to support informed decision making across various levels of the organisation. Our ERM process is a strategic initiative fully supported by the board and executive management.

As part of our risk identification processes, a detailed climate change scenario analysis was undertaken in 2019 and 2020. This considered the climate change-related risks and opportunities facing Exxaro and helped determine the relative significance of these risks. From this analysis, the following climate change-related risks were identified:

Transition risks		Physical risks					
Credit and insurance risk	01	Water security risk	04	Risk of extreme rainfall days	07	Water	10
Carbon pricing risk	02	Risk of heatwaves at our operations	05	Adaptation	08	Ecosystem protection	11
Market risk	03	Risk of drought	06	Air quality	09	Supply chain protection	12

### Transition risks

## 01

### Credit and insurance risk

Financial institutions are increasingly moving away from funding companies with high climate change risk exposure and intangible carbon reduction targets. Our current coal assets generate 95% of our revenue, which is likely to constrain our ability to raise funds for sustaining existing business. Globally, funding of coal-related operations is being diverted to investment that support a low-carbon economy. Locally, some major commercial banks have indicated that they will no longer fund new coal projects. The financial institutions are increasingly evaluating the impacts of climate change scenarios on borrowers' revenues, costs and property values, and how this could affect the probability of default and loan-to-value ratios at a borrower and portfolio level. This sentiment is likely to grow in the 5 to 10 years as action to mitigate climate change impacts increases. To manage this risk, the Sustainable Growth and Impact strategy is focused mainly on new renewable generation and cleaner minerals. This strategy was presented at our Capital Markets Day and many financiers indicated their interest in this new business direction mitigating some of the financial lending risk.

Over the past five years we have noted a significant increase in our insurance premiums against our assets. This scenario is likely to increase as climate action intensifies.

## 02

### Carbon pricing risk

The South African government is implementing policy measures to reduce its GHG emissions to meet its Paris Agreement commitments. The government promulgated carbon tax in June 2019 to encourage corporate behaviour to direct investments and expenditure towards low-carbon alternatives.

The nominal tax rate is R120 per tCO<sub>2</sub>e. However, government allows specific tax-free allowances to facilitate a smooth transition to a low-carbon economy and mitigate competition among affected industries, reducing the rate to between R6 and R48 per tCO<sub>2</sub>e. The carbon tax is based on fossil fuel inputs (such as coal, oil and gas use), and applies to entities with a total minimum installed thermal capacity of 10MW.

The first phase of a carbon tax (up to 2022) is not designed to affect the electricity price but to address concerns raised by the mining sector. After the first three years of implementation, National Treasury intends to review the impact of the carbon tax, its rates and tax-free threshold levels. Our scenario analysis predicts an increase, in line with an international trend, in the South African carbon price after the 2022 review process. We expect the South African government to increase efforts to meet its Paris Agreement commitments to transition the South African economy.

Our TCFD analysis also identified increased carbon pricing and operating costs (such as higher compliance costs) as examples of climate-related policy risk. Carbon prices associated with emissions trading schemes, carbon taxes, fuel taxes and other policies are expected to rise as government reduces GHG emissions in line with the Paris Agreement. The speed and rate of carbon price increases are uncertain and likely to vary across countries and regions. Our scenario analysis of carbon price risk exposure below shows the expected outcome based on the stated policies and sustainable development scenarios.

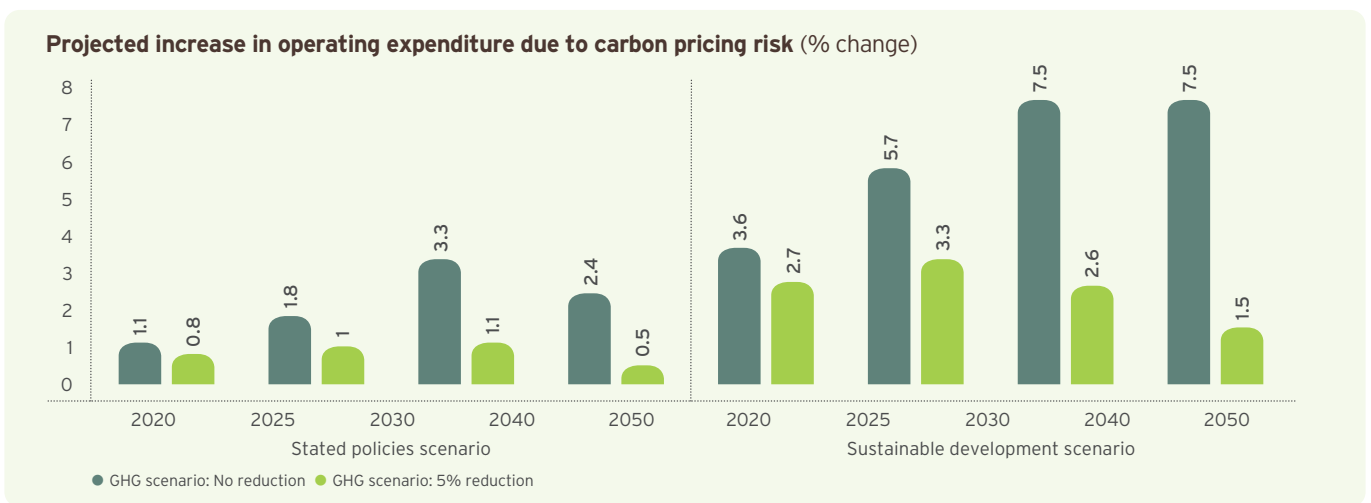
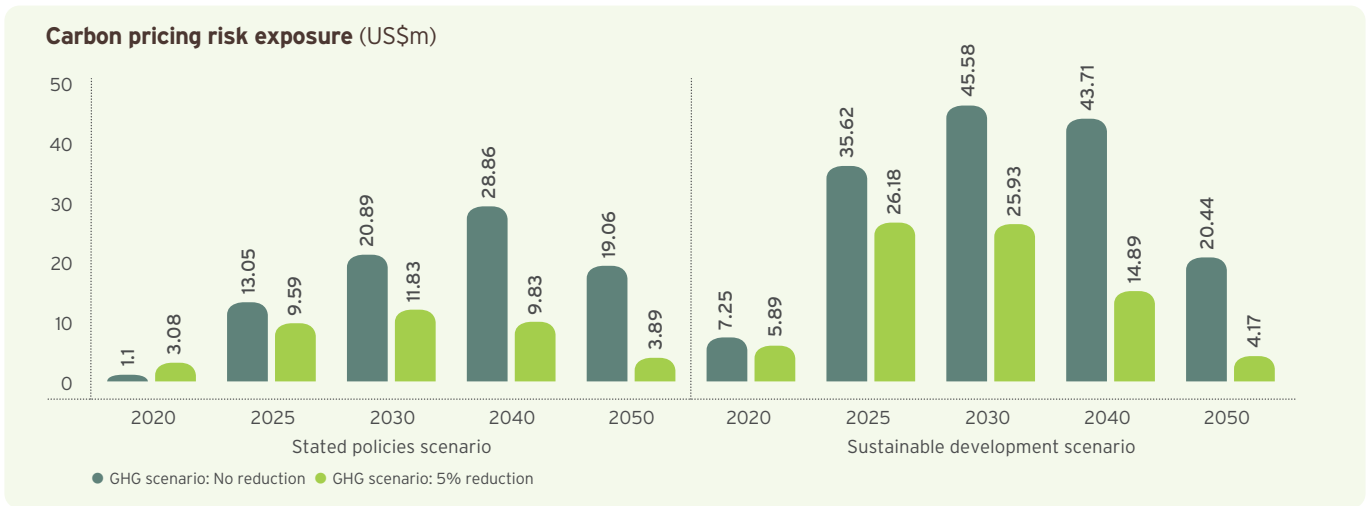


# Our ESG perspective continued

## 03

### Market risk

One of the major ways in which markets can be affected by climate change is through shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account. The shift in fossil fuel and energy markets will have implications for our business portfolio resilience and transitioning process. Further, we also appreciate that climate change has created new markets, increased emission reduction technology demand and supply, presented new financial instruments, and renewed efforts to mitigate fossil fuels and potential financial impacts on the business.



### Physical risks

## 04

### Water security risk

Climate change physical impacts, such as increasing temperatures, rising sea levels, and more frequent or intense droughts, floods and storms, are serious challenges for our facilities, supply chains, employees, current and potential customers, and our host communities.

Water security is the backbone of Exxaro's water strategy which was revised in 2017 to reduce our risk. The fundamental principle of our water management approach is sustainable use of water resources and to become a net positive water contributor to the natural system. The risk of water security increases significantly at our Waterberg operation due to lack of perennial water basins. Our Waterberg operation currently has a negative water balance as they rely on an external source for their operational water requirements.

Exxaro's flagship mine, Grootegeluk, is situated in the Waterberg region. It relies on the Mokolo Crocodile West Augmentation Project Phase 1 water supply scheme for reliable water supply. Water from the Mokolo Dam is supplied via a 46km pipeline to the Lephalale area for the town, Eskom and Exxaro. The system can supply 30 million m<sup>3</sup> of water per year.

## 05

### Risk of heatwaves at our operations

Heatwaves are events where the maximum temperature at a given location exceeds the average maximum temperature of the year's warmest month by 5°C or more for at least three consecutive days. Downscaled climate models show that the Waterberg complex is predicted to experience a relatively higher number of average heatwave days than other Exxaro assets in Mpumalanga. The Waterberg operation will experience between 14 and 19 heatwave days from 2021 to 2040 (relative to 1961 to 1980). Our Mpumalanga operations are predicted to experience between eight and 13 heatwave days for the same period. This risk of heatwaves increases between 2041 and 2060 with Waterberg and Mpumalanga operations predicted to experience heatwave days of between 20 and 26, and 14 and 19 days respectively.

## 06

### Risk of drought

The Global Climate Index model downscaling shows that northeastern South Africa is projected to be generally drier from 2021 to 2040 (relative to the baseline period from 1961 to 1980). The model predicts that the western parts of southern Africa will experience increased rainfall over the same period. An increase in extreme rainfall events is projected to occur over the western interior and eastwards over the eastern escarpment areas as well as southern Mozambique. The average drought index per year for each time period on a scale of 0 to 10 with 10 the highest level of drought severity, according to the Keetch-Byram Drought Index. The Grootegeluk complex is in an area predicted to experience a higher level of drought severity than Exxaro's other sites - a trend that will increase over time. The increasing frequency of drought, particularly in the Waterberg, will increase our risks of water security.

## 07

### Risk of extreme rainfall days

On 13 March 2014, the Waterberg region received an unprecedented high rainfall in a 24-hour period, which led to operational interruption for five days. The flood event had a severe impact on our operations in terms of infrastructure damage, supply chain interruption, and employee and community safety. The frequency of extreme rainfall events is expected to increase in our Mpumalanga region.

Grootegeluk is in an area predicted to experience fewer average extreme rainfall days than Exxaro's other sites. The average number of extreme rainfall days is expected to increase across all sites towards 2060.

## 08

### Adaptation

The delays in acting against rising GHG emissions has resulted in changes in the climatic system that already present business and communities with adaptation challenge. The physical risks of climate change present an urgent need for our business and communities to adapt to the impacts of climate change.

Given the potential negative impacts presented by the physical risks associated with climate change on our operations and supply chains, we will focus on investments in adaptation in and around our business operations. These investments will help build adaptive capacities of communities adjacent to our mining operations.

Our approach to adaptation is based on value protection by ensuring the resilience of our infrastructure, employees and local communities to maintain business continuity.

## 09

### Air quality

Climate change is likely to make it more difficult for our operations to maintain good air quality that protects human health and the environment. Our adaptation strategy is to proactively reduce air pollutants resulting from our operations using dust suppression technology and work with local communities to create awareness of the dangers of poor air quality.

## 10

### Water

The changing climate will present significant challenges for water security in our operations and communities. This may impact the clean drinking water and wastewater infrastructure, water quality, and aquatic environments. Our adaptation strategies focus on the following elements:

- Support the construction of new infrastructure
- Participate in multi-stakeholder forums to increase system efficiency
- Integrate modelling of climate risk in our water planning and infrastructure design
- Plan for climate change
- Repair and retrofit facilities to enhance water efficiency

## 11

### Ecosystem protection

Ecosystem protection is central in our adaptation approach to climate change. Given that mining is extractive in nature, we will ensure that we follow best practice when it comes to ecosystem protection. Our adaptation approach focuses on the following aspects:


- Maintain and restore wetlands
- Preserve land and partner with emerging farmers to promote climate smart agriculture development
- Preserve habitat by integrating protected natural habitat in our operations

## 12

### Supply chain protection

Climate change may present risks to the supply chain's infrastructure that our business relies on to acquire and move goods. Ports, for example, are at risk of flooding, from rising sea levels. Rising temperatures are expected to cause asphalt to wear and deteriorate faster, as well as buckle rail lines. This will increase infrastructure cost as rebuilding busy transportation routes is expected to cost governments significant amounts of money. Thus, our adaptation strategies for the supply chain protection will focus on the following:

- Partnering with our supply chain partners to create early warning systems and long-term climate resilience plans based on climate risk models
- Encouraging reduction of GHG emissions from our suppliers with green procurement strategies

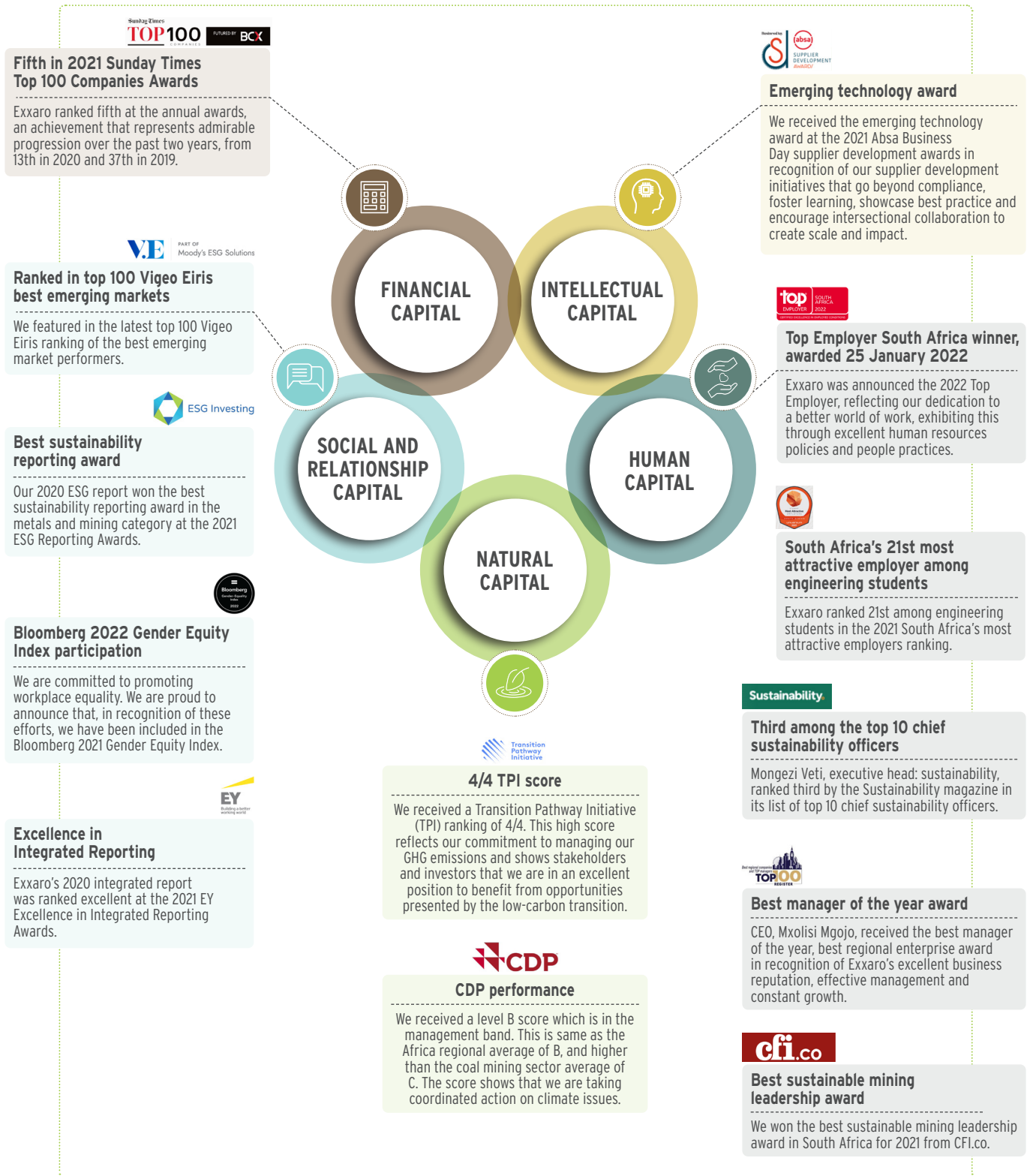
 For more information on this, please refer to our 2020 Climate Change Response strategy report and our 2020 climate change position statement.

# Our ESG perspective continued

## OUR COMMITMENT IN ACTION

Everything we do today is geared towards ensuring a safer and more productive tomorrow for our business and society at large. From how we mine to what we mine, we are stewarding our resources to have a lasting positive ESG impact.

We recognise our collective responsibility to participate in global movements towards transitioning to a low-carbon world and decarbonising the energy system to reduce emissions and support prosperous and safe communities through broader environmental stewardship.







# Measuring our performance

We benchmark our ESG performance against our peers who exhibit the global best practice expected by responsible investors.

## ESG PERFORMANCE RATINGS

Global rating agencies evaluate our ESG performance using publicly available information (annual reports, websites and media) in line with the JSE Listings Requirements.

In 2021, we were again rated by FTSE Russell, Vigeo Eiris, Sustainalytics and the TPI.

### FTSE Russell ESG Index

The FTSE Russell ESG Index series measures our ESG risks and impact with a score out of five for performance rated in terms of certain themes (based on our mining context).

Our ESG report discloses performance against the following relevant themes:

Environment	Social	Governance
Pollution and resources	Labour standards	Risk management
Climate change	Health and safety	Corporate governance
Water use	Human rights and community	Anti-corruption
Biodiversity		

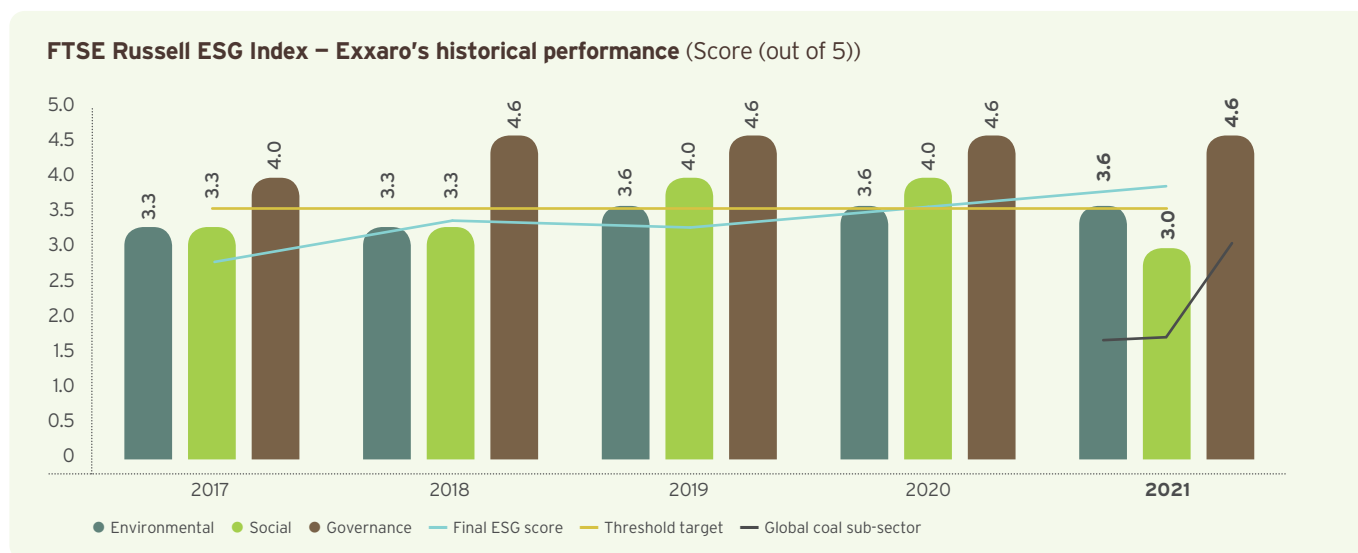




**Our risk exposure is classified as medium to high, determined by our business activities, and the FTSE Russell ESG Index rating confirms our efficient and strategic response to this exposure.**

**Our performance**

Exxaro's FTSE Russell ESG Index score continues to improve. We remain ranked in the top quartile (22%) of global performers in the basic resources supersector. Our steady improvement since 2016 is shown below.



We scored 3.7 out of 5 (75% adherence to required index measurements) in 2021. The 25% shortfall indicates room for improvement in the environmental and social categories, which we continue to address.

We have maintained our leading ESG performance compared with global coal mining participants (outlined below).

	Year-end 2021	
	Exxaro	Global coal sub-sector
<b>FTSE Russell ESG score</b>	3.7	2.1
Environment	3.6	1.7
Social	3.0	1.8
Governance	4.6	3.0

Source: FTSE Russell Corporate Performance Results.

**Vigeo Eiris**

We also feature in Moody's Vigeo Eiris ranking of the 100 best emerging market performers for social responsibility. The ranking is updated every six months, in June and December, and the top 100 performers are chosen from over 850 companies in 32 sectors of 31 countries.

Companies in this index consistently achieve the highest scores in assessments using the Vigeo Eiris methodology, which measures performance in human rights, human resources, community involvement, business behaviour and corporate governance.

We also provide evidence of corrective measures or stakeholder engagement in mitigating critical issues.

**TPI**

Exxaro's TPI ranking was 4/4 in 2021, based on our commitment to managing GHG emissions, which shows stakeholders that Exxaro is well placed for the transition to a low-carbon economy.

The TPI compares companies' expected future carbon emissions with local and international targets as part of the Paris Agreement. It is used as a benchmark to determine commitment to corporate climate action. A high TPI ranking demonstrates that a company is strategically mitigating climate change.

**Sustainalytics**

The Sustainalytics ESG rating measures exposure to industry-specific material risks (including company-specific factors such as the business model) and the company's management of those risks. Exxaro's exposure is rated medium and management is strong, which indicates the robustness of our ESG programmes, practices and policies.

We continue assessing feedback from other rating agencies to identify common assessment areas and opportunities for improvement.

**LOOKING AHEAD**

We are dedicated to improving our resource stewardship, minimising our environmental impact and being socially responsible with maximum positive impact.

We are particularly focused on a just transition to cleaner energy while maintaining the best possible ESG performance.

# Strategic key performance indicators

Our KPIs are outlined in this strategic performance dashboard.

We remain within our sustainability risk appetite and have managed our strategic objectives by monitoring our KPIs through the strategic performance dashboard. This is done quarterly by Exxaro's board and executive committee.

We ensure strategy management is integrated with:

- A sustainability framework
- An integrated risk management framework including clearly defined material matters
- KPIs aligned with material matters
- Connected combined assurance, risks, material matters and KPIs

The board and executive committee measure and manage Exxaro's strategy and performance so that stakeholders can have a transparent and consolidated view of value creation and sustainability drivers.

Built-in risk appetite thresholds enable appropriate strategic decisions.

## HOW TO INTERPRET THE DASHBOARD

The dashboard links strategic KPIs and our material matters to present our sustainable value creation in terms of the relationship amongst the capitals we impact. Performance indicators (out of appetite, worst tolerable, best realistic, target or opportunity) show whether KPIs are within our risk appetite thresholds.

We aim for "target", and avoid "worst tolerable" or "out of appetite" to remain within our defined risk appetite. When necessary, we implement or improve controls to ensure we achieve our strategy objectives. For example, our strategic objectives include improving operational performance using core operating margin as a KPI. We underperform when it is below best realistic.

KPI performance	Current performance					Indicator
Core operating margin	25%					













  

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Opportunity
Core operating margin	<15%	15%	15% to 20%	20%	>20%
Indicator					



Pollution control dams at our ECC operation which Exxaro exited in September 2021

 **NATURAL CAPITAL**










KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>Incidents</b>								
Reportable environmental incidents (level 2 and 3)	Become a catalyst for economic growth and environmental stewardship	6 level 2s 0 level 3s	0 level 2s 0 level 3s		6 level 2s 0 level 3s	0 level 2s 0 level 3s		
<b>Compliance</b>								
Stoppage directives (includes section 54 in terms of MHSA*)	Empower people to create impact	0	2		0	3		
Stoppage directives (includes directives in terms of NWA, NEMA and MPRDA**)	Become a catalyst for economic growth and environmental stewardship	0	0		0	0		
<b>Valid authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)</b>								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	100%		
Projects		100%	100%		100%	100%		
<b>Compliance to valid licences/authorisations in place (EA, IWUL, WML, AEL, EIA ROD*** and reporting)</b>								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	96%		100%	96.47%		
Projects	Become a catalyst for economic growth and environmental stewardship	100%	99%		100%	99.33%		
<b>Environmental liability provisions in place</b>								
Commercial operations	Become a catalyst for economic growth and environmental stewardship	80% and 80% to 100% and 100%	72%		Between 80% and 100%	69%		
Captive operations	Become a catalyst for economic growth and environmental stewardship	80% and 80% to 100% and 100%	109%		Between 60% and 100%	116%		
<b>Environmental management</b>								
Carbon intensity scope 1 emissions (ktCO <sub>2</sub> e)	Be carbon neutral by 2050	Actual for previous year less 5%	3% deterioration		Actual for previous year less 5%	10% improvement		
Carbon intensity scope 2 emissions (ktCO <sub>2</sub> e)	Be carbon neutral by 2050	Actual for previous year less 5%	11% deterioration		Actual for previous year less 5%	9.6% deterioration		
Water intensity (kL/tonne RoM****)	Be carbon neutral by 2050	0.20	0.149		0.20	0.182		

\* Mine Health and Safety Act, 1996 (Act 29 of 1996) (MHSA).

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






























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

\*\*\*\* Run of mine (RoM).

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










# Strategic key performance indicators continued

## HUMAN CAPITAL

















































KPI	Strategy	2021			2020			Trend based on threshold
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>Safety</b>								
Number of fatalities Lost-time injuries = 12	Empower people to create impact	0	0		0	0		
LTIFR <sup>#</sup>	Empower people to create impact	0.11	0.08		0.11	0.05		
<b>Health</b>								
Number of accepted occupational health cases = 4								
OHIFR <sup>#</sup> reported	Empower people to create impact	0.31	0.16		0.31	0.19		
People who received HIV/Aids awareness training	Empower people to create impact	90% to 100%	79.3%		Between 90% and 100%	84.1%		
Employees who received awareness training and voluntarily tested for HIV/Aids	Empower people to create impact	68% and above	71.3%		68% and above	47.6%		
HIV/Aids prevalence rate compared to country prevalence rate	Empower people to create impact	Less than country prevalence rate	3.7%		0%	8.8%		
COVID-19 infection rate compared to country infection rate	Make our minerals and energy business thrive	Equal to the country infection rate	3.6% below the country infection rate		N/A	N/A	N/A	
COVID-19 recovery rate compared to country recovery rate	Make our minerals and energy business thrive	Equal to the country recovery rate	3% more than the country recovery rate		N/A	N/A	N/A	
<b>Skills</b>								
Skills provision (% of internal appointments for critical skills)	Empower people to create impact	60%	62.17%		60%	88.4%		
Scarcity skills retention	Empower people to create impact	5%	3.7%		5%	3.6%		
<b>Security</b>								
Fraud and corruption/asset destruction	Empower people to create impact	0%	0%		0%	0%		

<sup>#</sup> Lost-time injury frequency rate (LTIFR) and occupational health incident frequency rate (OHIFR).

\* The HIV/Aids stats above are from quarter 4 only and the annual percentage for people who received the HIV/Aids awareness and training stands at 111% and employees who received the awareness training and voluntarily tested for HIV stands at 61%.

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

 **SOCIAL AND RELATIONSHIP CAPITAL**







KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>Employment equity</b>								
Black ownership at group level	Become a catalyst for economic growth and environmental stewardship	30.1%	47.1%		30.1%	38.22%		
People living with disabilities	Empower people to create impact	1.5	1.59		1.5	1.44		
Human resources development spend as % of payroll - Mining Charter III	Empower people to create impact	5%	5.51%		5%	4.92%		
HDP <sup>6</sup> representation - top management	Empower people to create impact	50	66.66		50	66.67		
HDP representation - senior management	Empower people to create impact	60	65		60	57.95		
HDP representation - middle management	Empower people to create impact	60	78.52		60	74.49		
HDP representation - junior management	Empower people to create impact	70	79.52		70	78.15		
Women representation in top management bands	Empower people to create impact	20%	33.33%		20%	33.33%		
Women representation in senior management bands	Empower people to create impact	25%	20.48%		25%	19.32%		
Women representation in middle management bands	Empower people to create impact	25%	38.19%		25%	36.16%		
Women representation in junior management bands	Empower people to create impact	30%	29.25%		30%	26.12%		
<b>Business sustainability</b>								
B-BBEE level	Empower people to create impact	Level 1	Level 2		Level 1	Level 2		
Enterprise development (% of NPAT <sup>6</sup> )	Empower people to create impact	1%	0.308%		1%	0.45%		
Supplier development (% of NPAT)	Empower people to create impact	2%	0.694%		2%	0.86%		
Socio-economic development (% of NPAT)	Empower people to create impact	1%	0.56%		1%	1.23%		
Human resources development spend for black people as % of payroll - B-BBEE	Empower people to create impact	3%	3.20%		3%	3.19%		

<sup>6</sup> Historically disadvantaged persons (HDP) and net profit after tax (NPAT).


















# Strategic key performance indicators continued







## SOCIAL AND RELATIONSHIP CAPITAL continued

KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>SLPs®</b>								
Project delivery measure - local economic development projects per SLP time variance from plan	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	8%		0% behind schedule	11%		
Cost variance from plan	Become a catalyst for economic growth and environmental stewardship	0% over budget	19%		0% over budget	59%		










## MANUFACTURED AND INTELLECTUAL CAPITAL

KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
<b>Capital project delivery measure</b>								
Capital projects time overrun	Make our minerals and energy businesses thrive	0% behind schedule	10.3		0% behind schedule	11.1		
Capital projects cost overrun	Make our minerals and energy businesses thrive	0% over budget	3		0% over budget	6.3		
<b>Operational performance</b>								
System availability (Core PI and ERP Solutions)	Make our minerals and energy businesses thrive	97	99		97	98		
Digitalisation programmes (cost overrun)	Make our minerals and energy businesses thrive	0% over budget	0%		0% over budget	0%		
Digitalisation programmes (time overrun)	Make our minerals and energy businesses thrive	0% behind schedule	0%		0% behind schedule	9%		

## FINANCIAL CAPITAL

KPI	Strategy	2021			2020			Trend based on actual data
		Target	Actual	Indicator	Target	Actual	Indicator	
Core operating margin	Make our minerals and energy businesses thrive	20%	21%		20%	17%		
Core ROCE® excluding Cennergi	Make our minerals and energy businesses thrive	20%	40%		20%	27%		

® Social and labour plans (SLPs) and return on capital employed (ROCE).

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

# Stakeholder management

In support of Exxaro's purpose to power better lives in Africa and beyond, we aim to improve the quality of our relationships with stakeholders and build long-term, stable and trusting relationships that facilitate business activities and create shared value for all our stakeholders. Our management objective is to mature from ad hoc and procedural engagement levels to the intentional, proactive and predictive management of stakeholder-related risks and opportunities.



## EXXARO'S STAKEHOLDER UNIVERSE

Exxaro's stakeholder universe consists of four broad categories: government, communities, business and value chain participants. Key stakeholders within these categories are those who have a material influence or a high potential of forming part of a network of influence on the execution of the stakeholder excellence agenda.

## Exxaro's approach to stakeholder management

Exxaro's key account management (KAM) approach to stakeholder management is based on the global best practice AccountAbility 1000 Stakeholder Engagement Standard. It is a responsive and proactive method for building stakeholder relationships and managing key business risks, enabling us to better achieve our strategic objectives. A key tenet of the KAM approach is internal engagement among key relationship managers to share or exchange perspectives, facts and experiences of their stakeholder engagements to provide insights on possible opportunities and risks to the business strategy that may arise from individual or a combination of stakeholder relationships.

# Stakeholder management continued

## SUMMARY OF KEY STAKEHOLDER RELATIONSHIPS

Key relationships fall into eight stakeholder groups: government, regulators, employees, labour unions, communities, investors, customers and suppliers. The tables below provide an overview of how we manage relationships with each group. Due to COVID-19, the majority of engagements were conducted virtually and, where in-person, adhered to strict safety protocols.

Ratings on the quality of stakeholder relationships are a reflection of external surveys and/or internal self-assessments. The stable environment is reflected in relationship scores of 2/3 for all stakeholders. Relationships are perceived to be good but we believe there is always room for improvement.

### Stakeholder relationship rating scale

- 0 No existing relationship or the relationship has challenges
- 1 Established relationship but can be improved
- 2 Good relationship with opportunity for improvement
- 3 Very strong relationship based on mutual trust and respect

GOVERNMENT		Quality of the relationship: 2/3
<b>Material themes</b>  	<b>Group risks assessed or managed through engagement</b> <ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Country risk</li> </ul>	
<b>Key stakeholders engaged in 2021</b> <ul style="list-style-type: none"> <li>• Department of Health (DoH) (Limpopo and Mpumalanga)</li> <li>• Department of Cooperative Governance and Traditional Affairs (COGTA) including adviser to minister, Limpopo MEC</li> <li>• Limpopo premier, Stanley Mathabatha</li> <li>• Mpumalanga premier, Refilwe Mtsweni</li> <li>• The dtic</li> <li>• ANC and Action SA</li> <li>• South African Local Government Association</li> </ul>	<b>Why we engage</b> We aim to manage compliance with regulatory requirements, collaborate in finding solutions for socio-economic challenges, and ensure Exxaro is recognised as an investor and good corporate citizen in South Africa through community upliftment initiatives and participation in shaping policies at all levels of government.	
<b>How we engage</b> Our proactive, face-to-face engagement (as far as possible), includes: <ul style="list-style-type: none"> <li>• One-on-one engagements</li> <li>• Dialogue platforms</li> <li>• Provision of quarterly reports</li> </ul> In 2021, we measured the quality of our relationship through a pilot relationship quality assessment.	<b>Engagement trends and challenges</b> <ul style="list-style-type: none"> <li>• The cabinet reshuffle earlier in the year, and November's local government elections entailed building new relationships and realigning priorities. We are watching how the resulting coalition government in many municipalities will manifest</li> <li>• The unrest in KwaZulu-Natal and elsewhere in July had a negative effect on the economy and disrupted many businesses</li> </ul>	
<b>Stakeholder needs and expectations</b> We must engage about arising issues, partner in mutually beneficial projects and support socio-economic development projects	<b>How we respond through the Sustainable Growth and Impact strategy</b> We partner with local government in municipal Integrated Development Plans through our SLP projects. In the past year, we explored opportunities in government's District Development Model in partnership with the NBI's Technical Assistance, Mentorship, Development programme in a municipal capacity building initiative. Our strategy is closely aligned with the country's priorities and clearly indicates how Exxaro is partnering with government.	
<b>Improvements</b> While the overall results of our pilot study (see case study on page 29), indicated a healthy quality of relationships with key stakeholders at the Department of Mineral Resources and Energy (DMRE) and in our host provinces' government departments, it identified areas in need of improvement for either a specific stakeholder or a relationship factor such as accessibility, engagement history, atmosphere and value creation.  For all stakeholders, there is an opportunity to improve the manner of engagement to improve value creation for all. In particular, we need to improve engagement and collaboration with the Department of Social Development in both provinces. While not bad, our relationship with the Victor Khane municipality in Mpumalanga also needs attention. As a result of the findings, we will also be working to collaborate more closely with the DMRE in Limpopo and the province's economic development department.		

## CASE STUDY

### Relationship quality assessment

In 2021, our stakeholder affairs department commissioned a pilot assessment of the quality of Exxaro's relationship with three key stakeholders in government: the national DMRE (chief inspector of mines and regional directorates as well as minerals regulation, mine environment management and SLP departments), the provincial governments of Limpopo and Mpumalanga (departments of social development and economic development) and two local municipalities (Victor Khanye and Govan Mbeki).

The assessment measured perceptions of Exxaro's engagement efforts and identified focus areas to strengthen relationships. Perceptions of the relevant stakeholder and their counterparty or "relationship owner" within Exxaro were measured across six pillars: context, history, issues, materiality, atmosphere and value creation.

The relationship quality performance scale considers scores between 0 and 40 as indicative of dysfunctional stakeholder relationships while 40 to 50 is poor, 50 to 60 is weak, 60 to 70 is good, 70 to 80 is strong and 80 to 100 is excellent. Exxaro's overall score across stakeholders was 70, which is on the border of "good" and "strong". Generally, the survey shows that Exxaro enjoys good to high levels of relational capital, which enables effective engagement and mutual value creation.

The heat map format of the results was particularly useful for data analysis to quickly identify improvement areas for management.


Stakeholders were also able to provide personal comments or suggestions to improve relationships with Exxaro. In addition to a commendation in the 2021 survey for Exxaro reducing occupational injuries, stakeholders highlighted expectations for more skills development training, engaging not only when there are issues, job creation, adhering to and delivering on SLPs, improving communication, greater assistance of communities and accountability for mining, localisation, legislative compliance, assistance with service delivery, donating mining houses, relaxing procurement policies, infrastructure and service delivery support, and land.



Exxaro mountain bike academy Cape Epic 2022 team



# Stakeholder management continued

REGULATORS		Quality of relationship: 2/3
<p><b>Material themes</b></p> 	<p><b>Group risks assessed or managed through engagement</b></p> <ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Community unrest</li> <li>• Country risk (political)</li> </ul>	
<p><b>Key stakeholders engaged in 2021</b></p> <ul style="list-style-type: none"> <li>• DMRE</li> <li>• Department of Water and Sanitation (DWS)</li> <li>• Department of Forestry, Fisheries and Environment (DFFE)</li> <li>• Department of Employment and Labour (DEL)</li> <li>• South African Revenue Service (SARS)</li> </ul>	<p><b>Why we engage</b></p> <p>We aim to comply with regulatory requirements, align with new initiatives and demonstrate corporate citizenship.</p>	
<p><b>How we engage</b></p> <p>We proactively engage with regulators to keep all stakeholders informed of compliance requirements and social impact through:</p> <ul style="list-style-type: none"> <li>• One-on-one engagements</li> <li>• Virtual engagements</li> <li>• Dialogue platforms</li> </ul> <p>In 2021, we measured the quality of our relationship through a pilot relationship quality assessment with key government stakeholders, including our DMRE counterparts.</p>	<p><b>Engagement trends and challenges</b></p> <p>The majority of the challenges in engaging with regulators are associated with the COVID-19 pandemic as well as working-from-home policies. This often resulted in challenges with face-to-face engagement as well as the processing and signing off of authorisations. In addition, malfunctioning of the electronic systems for storing and retrieving of documents, as well as sudden multiple government website disruptions, created additional challenges. This resulted in having to resubmit lost files, which impacted timelines.</p>	
<p><b>Stakeholder needs and expectations</b></p> <p>We comply with regulations and assist with the management of socio-economic challenges.</p>	<p><b>How we respond through the Sustainable Growth and Impact strategy</b></p> <p>Our internal auditing processes and strategies aim to improve our performance while our management controls mitigate risks.</p>	
<p><b>Improvements</b></p> <p>Our pilot relationship quality assessment indicated that we have a strong relationship with stakeholders in the DMRE at national level. Relationships at provincial level were effective but were influenced by factors such as the history of the relationship, stability, internal (organisational) stresses and external (environmental) volatilities. Additional efforts will be made to address these elements in the coming years. We will continue to involve the regulator in our annual Sustainability Summits.</p>		



Our community development team member engaging with communities at our Leeuwan mine



EMPLOYEES

Quality of relationship: 2/3

Material themes



Demographics

Gender versus age distribution

Gender	20-29	30-39	40-49	50-59	60-69	Total
Female	393	825	360	158	24	1 760
Male	732	1 808	1 278	951	216	4 985
<b>Total</b>	1 125	2 633	1 638	1 109	240	6 745

How we engage

- We proactively engage and share information through:
- Quarterly and monthly meetings with employees at BUs. In the wake of COVID-19, and aligned to Exxaro's digitalisation strategy, leadership communication and engagements are presented primarily through short videos
  - Digital engagement through information screens, emails, bulk SMS and BU-specific communication campaigns as well as our LetsConnect mobile platform
  - Conducting employee engagement and culture surveys

We measured the quality of our relationship through a baseline employee engagement and culture survey conducted in 2020.

Stakeholder needs and expectations

Our employee engagement and culture survey in 2020 indicated that we must focus on improving diversity across the organisation, fairness in promotion processes and effective reward systems.

Improvements

We need to improve how we measure employees' understanding of operational issues, policy changes and other communication. We are also aiming to improve our payment administration processes to address isolated errors that directly impact employee morale. This is part of a broader programme to improve the employee experience of Exxaro's human resources processes. We will be reviewing the implementation of our new "line of sight" short-term incentive (STI) scheme at operational level later this year to understand if it is meeting our objectives to improve motivation and performance.

Group risks assessed or managed through engagement

- Social licence to operate
- Labour unrest

Why we engage

We ensure that our employees' focus, profile and development efforts are aligned with our strategy and culture, empowering them with information to manage rapid change and uncertainty.

Engagement trends and challenges

COVID-19 continued to present challenges to in-person engagement with employees during 2021.

How we respond through the Sustainable Growth and Impact strategy

In 2021, action plans for each BU addressed the outcomes of our employee engagement and culture survey. In addition to aligning employees with Exxaro's strategy and culture, we are focusing on enabling our social impact initiatives to fulfil employees' personal needs. Our 2021 internal communication strategy therefore addressed our evolving strategy, ESG priorities, the CEO transition, the new group incentive scheme, our community and ESD initiatives, mental health and wellbeing during the pandemic as well as diversity, equality, inclusion and social justice.



Our head office, the conneXXion, employees celebrating an award received before the COVID-19 pandemic

# Stakeholder management continued

## LABOUR UNIONS

Quality of relationship: 2/3

### Material themes



### Demographics

Exxaro Coal unions	Membership
NUM	2 840
Solidarity	363
AMCU	333
Exxaro Coal Mpumalanga unions	
NUM	1 527
Ferroland Grondtrust	
FAWU	44
FerroAlloys	
NUMSA	54
Coastal Coal	
AMCU	19

### How we engage

- Exxaro has a pluralist approach to union recognition but we only formally engage with unions where we have concluded recognition agreements and these unions maintain their collective bargaining rights. Exxaro's threshold for union representation therefore creates a platform for wider representation of union groups across a broad range of employers in the group. This significantly improves communication between Exxaro and unions, and creates an opportunity for human resources to further strengthen strategic partnerships and co-create solutions with unions to address critical strategic issues. The relationships with our union stakeholders remain stable even within the context of wage negotiations across the group
- We engage through formal structures at BU and employer levels. These are mandatory engagements as per recognition agreements for the purpose of negotiating conditions of employment
- At branch, regional and national level for union leadership across different unions
- We consult on policy and procedure changes and keep unions informed about the Exxaro strategy. Over the past two years, we have also consulted extensively on Exxaro's COVID-19 response strategy

We measure the quality of our relationship through self-assessment and resolution of collective and individual disputes.

### Stakeholder needs and expectations

We respect unions' objectives to ensure fair labour practices, remuneration, benefits and better working conditions for their members. We also value their input in business operations and therefore engage with unions twice a year about our performance and strategic outlook.

### Improvements

The three-year wage agreement finalised in 2021 provides us with time for capability building, relationship building and other projects in collaboration with the unions. We are currently reviewing and improving our human resource management processes, which we anticipate should contribute to further improvements in the relationship with organised labour.

### Group risks assessed/managed through engagement

- Labour unrest associated with wage negotiations
- Community unrest
- COVID-19 context

### Why we engage

We strive for proactive issue resolution, relationship building, risk management, and maintenance of workplace harmony and professional working relationships with labour unions.

We continue to focus on keeping engagement structures with organised labour functional to ensure continuation of a healthy relationship. These engagement structures play a significant role at BU and employer level in dealing with any employee issues. The critical role of these engagement structures came to light in 2021 as we embarked on wage negotiation processes across Exxaro.

### Engagement trends and challenges

- Some newly elected shop stewards need further education on substantive and non-substantive issues. We also need the union officials in the regions to assist us in capacitation of newly elected shop stewards
- Continued impact of COVID-19 on our business in engaging on key issues such as vaccine mandates

### How we respond through the Sustainable Growth and Impact strategy

We meet their expectations in line with our business and people strategies.

**COMMUNITIES** Quality of relationship: 2/3

<p><b>Material themes</b></p> <div style="display: flex; justify-content: space-around;">   </div>	<p><b>Group risks assessed/managed through engagement</b></p> <ul style="list-style-type: none"> <li>• Community unrest</li> <li>• COVID-19 concerns</li> <li>• Country risk (political)</li> </ul>
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<p><b>Demographics/our communities</b></p> <p>Following the disposal of Exxaro Coal Central (ECC*), effective August 2021, Exxaro operates in four local municipalities in Limpopo and Mpumalanga, with closed mines in another three municipalities, including two in KwaZulu-Natal.</p>	<p><b>Why we engage</b></p> <p>Our desired engagement outcomes include avoiding unrest, which stops production, in favour of proactive resolutions. We also strive to maintain our social licence to operate by providing local employment, procurement opportunities and community development initiatives. Ultimately, we are striving for shared value from local mining activity to build trust and advocacy, and improve Exxaro's visibility in the community.</p>
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<p><b>How we engage</b></p> <p>Our approach to engagement and consultation on issues, projects and activities impacting communities is proactive and intentional. We have internal and external engagement platforms addressing community issues. Internally, the future forum monitors the implementation of SLPs. External forums with municipalities, civil society and traditional authorities address socio-economic conditions at local level. We also have platforms at district and provincial level for greater impact.</p> <p>We measure the quality of our relationship through:</p> <ul style="list-style-type: none"> <li>• Reputation survey conducted every two to three years (last conducted in 2018)</li> <li>• Perception assessment conducted by social facilitators at Belfast and Matla</li> <li>• Social media sentiment</li> </ul>	<p><b>Engagement trends and challenges</b></p> <p>The emergence of "splinter groups" within recognised community representative structures is a threat to constructive engagement and effective implementation of social initiatives. The impacts include:</p> <ul style="list-style-type: none"> <li>• Inconsistent community representation</li> <li>• Unproductive engagement and participation in community forums</li> <li>• Violent community engagement events</li> <li>• Community demands led by individual agendas</li> <li>• Community representatives unwilling to adhere to sound governance processes and rules of engagement</li> </ul> <p>Prevailing misalignment and tension between local government structures, community members and community representation, exacerbated by service delivery challenges, introduces complexity in the local stakeholder landscape and challenges Exxaro's ability to implement SLP initiatives</p> <p>Prevailing health conditions, low literacy and low skills levels within the community are barriers to community members accessing employment and procurement opportunities</p>
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<p><b>Stakeholder needs and expectations</b></p> <ul style="list-style-type: none"> <li>• Ad hoc engagement with community stakeholders typically revolves around demands for exclusive access to employment and procurement opportunities as well as skills development that enables access to employment or procurement opportunities at Exxaro</li> </ul>	<p><b>How we respond through the Sustainable Growth and Impact strategy</b></p> <p>We endeavour to deliver sustainable, scalable and impactful projects with transparent and inclusive engagement. Our ESD programme supports small, medium and micro-enterprises (SMMEs) in creating employment, and we build capacity through skills and enterprise development programmes.</p> <p> For more information about how we are responding to community needs, please refer to the social section (page 108).</p>
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**Improvements**

- One of the objectives of our municipal capacity building programme is improved service delivery. Please refer to page 109 for the outline of the programme
- The free Wi-Fi provided to communities around our Belfast mine enabled our stakeholders to save on the cost of data, directed traffic to the Exxaro community portal for improved access to available jobs, COVID-19 awareness and overall information availability. In 2022, we're planning to roll out the community Wi-Fi programme to our other mining communities
- In 2021, through the Impact Catalyst we concluded a feasibility study on Community Oriented Primary Care, conducted through the University of Pretoria, Faculty of Health Sciences. This programme aims to deliver home-based healthcare, through trained health workers, which will strengthen the existing health services
- We have seen the benefits of social facilitators at some mines in the relationships with community stakeholders, and aim to appoint the same at more BUs. Social facilitators contribute to our understanding of socio-economic challenges in communities, act as intermediaries between the mine and communities, and offer insights into local dynamics
- We delivered our approved SLP projects, spending R56 million, with improved efficiency compared to 2020

\* Divestment concluded in September 2021.



# Stakeholder management continued

	Region	BU	Local municipality	Population	Unemployment rate	Dependency ratio
Mines in operation	<b>Limpopo</b> <b>Waterberg district</b> Population: 745 758 Unemployment rate: 37% Dependency ratio: 65.4%	Grootegeluk	Lephalale	140 240	22.2%	47.5%
		<b>Mpumalanga</b> <b>Nkangala district</b> Population: 1 445 624 Unemployment rate: 37% Dependency ratio: 45%	Matla	Emalahleni	455 228	27.3%
		Belfast	Emakhazeni	48 149	25.9%	47.0%
		ECC* Dorstfontein	Emalahleni	455 228	27.3%	37.9%
			Govan Mbeki	340 091	26.2%	41.0%
		ECC* Forzando North	Steve Tshwete	278 749	19.7%	38.0%
			Govan Mbeki	340 091	26.2%	41.0%
		ECC* Forzando South	Msukaligwa	164 608	26.8%	46.0%
		Leeuwpan	Victor Khanye	84 151	28.2%	45.0%
	Mines in closure	<b>Limpopo</b> <b>Vhembe district</b>	Tshikondeni	Musina	13 200	22.0%
			Thulamela	497 237	58.0%	70.1%
<b>KwaZulu-Natal</b>		Durnacol	Dannhauser	102 161	47.6%	78.5%
		Hlobane	Abaqulusi	243 795	45.1%	72.9%


\* Divestment concluded in September 2021.



Health screening at our Grootegeluk mine during a breast cancer awareness campaign

**INVESTORS** Quality of relationship: 2/3

**Material themes**



**Group risks assessed/managed through engagement**

- Short-term outlook of investors
- Climate change activism with increasing pressure from ESG investors to exit thermal coal. In line with the Paris Agreement, many institutional investors are committing to reducing exposure to coal in their portfolios, which will result in significant constraints in access to capital for companies' operating coal assets going forward

**Demographics**

- New entrant in the top 20 shareholder list is Arrowstreet Capital
- From a geographic perspective, the overall shareholding continues to be dominated by South Africa, remaining largely flat for the year at 77% with offshore at 23%

**Why we engage**

Our investors are the owners of our business and have expectations regarding the value creation of their investment in Exxaro. Through clear and transparent communication of our strategy, distribution policies and achievement of key milestones, we can align with their expectations and grow trust in our organisation to protect returns, prudently allocate capital within the business and ensure transparency regarding our future capital allocation plans - all of which strengthens our access to capital.

**How we engage**

Exxaro is committed to ongoing transparent engagement with investors. Given the focus on climate change, we particularly emphasise targeting and engaging with ESG investors to communicate about our Sustainable Growth and Impact strategy, which aims to responsibly optimise our coal business, reposition our business to capture transition opportunities, and prioritise the just transition for workers and communities.

We engage with investors and shareholders by facilitating investor roadshows, including one-on-one and group meetings, hosting capital market days and financial results presentations as well as participation at investor conferences locally and abroad.

We measure the quality of our relationship through the annual investor perception survey.

**Engagement trends and challenges**

- Due to the constantly evolving ESG and regulatory environment, investors are increasingly scrutinising listed companies' strategies for responsibly building sustainable businesses for all stakeholders involved and the planet at large. This has led to a greater demand for improved transparency and reporting around climate change goals from listed companies
- Global investors tightening their criteria around investing in fossil fuel producers to mitigate the impact of climate change will continue to constrain access to capital for coal-intensive companies

**Stakeholder needs and expectations**

Exxaro's growth prospects remain top of mind with the need for clarity on the just transition and implementation of the Sustainable Growth and Impact strategy. In addition, poor performance of Transnet's rail service raises concerns about the negative impact on the coal business while domestic market demand for power station coal remains depressed as Eskom is fully stocked. Additional concerns include the impact of COVID-19, climate change activism amid calls for withdrawal from the thermal coal business, capital allocation and execution risk of the new minerals strategy, and cost escalation.

**How we respond through the Sustainable Growth and Impact strategy**

We want to "power a clean world" with a just transition to a carbon-neutral future. Our Sustainable Growth and Impact strategy aims to diversify our earnings by 2030 as an interim step to becoming carbon neutral by 2050 - by building a resilient, future-facing portfolio; increasing customer diversification and generating multiple revenue streams; and maintaining our own ESG performance to be a catalyst for sustainable economic and environmental development. This strategy is anchored on measurable and multi-stakeholder value creation with a strategic objective of promoting business resilience in the short term and portfolio robustness in the medium to long term. We are well positioned to continue delivering value through portfolio optimisation, ensuring sustainability of our business, operational excellence and capital allocation priorities.

**Improvements**

In addition to its current investor relations programme, Exxaro management is actively looking to engage closely with ESG-focused investors around the issue of climate change and decarbonisation to better understand their investment criteria and to allow Exxaro to articulate its plans and milestones in implementing its Sustainable Growth and Impact strategy to diversify earnings away from coal by 2030 and to becoming carbon neutral by 2050.

In 2022, Exxaro's board will embark on its annual shareholder governance roadshow with domestic and off-shore shareholders to facilitate alignment around and support for Exxaro's organisational priorities, develop stronger stakeholder relationships and to continue to build on the company's positive reputation. The governance roadshow aims to address the outcomes on Exxaro's remuneration policy and gain support for the revised policy, specifically around objective setting process and targets; ESG linkages; and implementation progress. The governance roadshow will also provide the board with a first-hand understanding of how shareholders view the notion of stewardship and their voting intentions, which will enable Exxaro to develop a stronger shareholder value proposition. It will also allow for shareholders to raise any risks and concerns they may have on other governance or ESG issues.

To mitigate against the declining access to capital from institutional investors who are increasingly transitioning capital allocation away from fossil-fuel producers, Exxaro is actively targeting engagement with private wealth funds and retail investors who hold alternative pools of capital.



# Stakeholder management continued

## CUSTOMERS

Quality of relationship: 2/3

### Material themes



### Group risks assessed/managed through engagement

- Key customer dependency
- Eskom systemic risk

### Demographics

Customer category	Market percentage
Electricity generation (Eskom)	71%
Steel manufacturers	2.9%
Boilers and cement users	8.1%
International markets (various)	18%

### Why we engage

We aim to understand our customers and strategic partners and foster mutually beneficial relationships through continuous engagement and information sharing. Engagements focus on the environment, trends and market sentiment, exploring future relationships, and improving operational and financial performance.

Customer location	Market percentage
South Africa	82.0%
Africa	2.2%
Europe	0.5%
Asia	9.5%
India	5.7%

### How we engage

We engage regularly via telephone, email and virtual meetings, whenever possible, and at different levels in respective customer organisations. The pandemic has encouraged more frequent interactions with our customers, ensuring that we remain relevant and connected. This has also ensured responsiveness to stakeholder concerns and resulted in Exxaro marketing and logistics addressing issues in a timely manner. This has built relationships and allowed sustainable business to continue in unprecedented times.

- We measure the quality of our relationship through:
- An internal assessment informed by various key data measured
  - Effective and ongoing engagement with customers
  - Effectively dealing with and resolving complaints

### Engagement trends and challenges

- Inability to have face-to-face discussions especially when discussing poor rail performance and the impact on deliveries. However, we continued to engage on a regular basis
- Managing supply-demand logistical challenges that emerged from producers had high stockpiles in 2021 and an abundance of product in the domestic market. The domestic marketing team had to sell coal domestically and establish new customer relationships via mostly virtual customer engagement methods

### Stakeholder needs and expectations

Quality product, consistent and reliable supply of product and responsive service.

### How we respond through the Sustainable Growth and Impact strategy

Exxaro has clearly articulated its strategy to the market. Our stakeholders want to be kept informed and we communicate regularly to meet their expectations.

### Improvements


As we emerge from the restrictions imposed by the COVID-19 pandemic, we hope to have more in-person engagements with our customers to maintain current relations and establish new relationships.



Mine locomotive at our Grootegeluk BU

**SUPPLIERS** Quality of relationship: 2/3

**Material themes**



- Group risks assessed/managed through engagement**
- COVID-19 concerns
  - Eskom systemic risk
  - Community unrest
  - Safety and health concerns
  - Cost competitiveness of products
  - Climate change concerns
  - Country risk (political)
  - Inability to achieve financial targets
  - Low commodity price

- Demographics**
- In Limpopo, Mpumalanga, KwaZulu-Natal and the Eastern Cape, we have 2 741 vendors
  - Procurement spend is segmented based on financial, price, supply and fraud risk
  - Supplier spend is segmented across operational expenditure, capital expenditure, logistics and social investment expenditure
  - Over 60% of Exxaro's procurement spend was directed towards black-owned and black women-owned suppliers
  - In 2021, some 11% of Exxaro's procurement spend was directed towards SMMEs from host communities

**Why we engage**

As part of our risk management approach, we manage relationships with suppliers, crucial participants in our value chain, to achieve mutually beneficial operational, strategic and impact goals. Our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities. Supply chain management achieves this through joint initiatives aimed at cost savings, sustainability, supply security and business risk exposure mitigation. Exxaro is thus at an advantage to extract discretionary value and emerge as a "customer of choice" among strategic suppliers.

**How we engage**

- Direct, proactive engagement with strategic suppliers as part of our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities through collaboration intended to deliver cost savings, achieve the sustainability mandate, ensure security of supply and mitigate business risk exposure so that Exxaro is at an advantage to extract discretionary value and emerge as a "customer of choice"
- Engagement methods include ad hoc contract reviews to assess performance and negotiate price, our quarterly contractor forum platform to share information on developments in Exxaro as well as safety, health and environmental issues and a biannual Supplier Day to recognise top performers

We measure our performance through a reputation survey, various external surveys and a self-assessment. The last reputation assessment was conducted in 2018.

**Engagement trends and challenges**

We will provide an update in the 2023 reporting cycle.

**Stakeholder needs and expectations**

Our stakeholders include emerging and established suppliers. The main expectation from suppliers includes:

- Business opportunities within Exxaro
- To be paid in full and on time
- To collaborate with Exxaro in creating shared value

**How we respond through the Sustainable Growth and Impact strategy**

Exxaro's sourcing strategies set out to concurrently optimise for performance and supply risk, financial and fraud risk and supply chain sustainability. Supply chain management activities and engagements with suppliers are aimed at preventing or mitigating such risks. For example, agile strategic and group sourcing, contract negotiation and innovation discussions are aimed at managing performance and supply risk. We are constantly reviewing and updating our policies and procedures to respond to the proliferation of procurement scams and fraud attempts. Ongoing improvements to our procurement processes are aimed at risk management and increasing transactional speeds for our suppliers.

In delivering on our purpose of powering better lives in Africa and beyond, our supply chain activities are aimed at increasing the participation of black-owned suppliers and those from host communities, reducing the environmental impact of Exxaro's business and enhancing our reputation while upholding sound corporate governance. Exxaro is fully compliant with the preferential procurement requirements of the B-BBEE codes and mining charters.

**Improvements**

We aim to improve engagements through supplier training sessions, hosting Supplier Days and implementing joint innovation initiatives.