



Governance for value creation

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

TRANSITIONING OUR LEADERSHIP SKILLS AND FOCUS TO DELIVER WORLD CLASS GOVERNANCE

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

Our leadership

Board of directors

The board is responsible for deciding and supervising the activities (strategic and operational) of Exxaro and its performance while balancing the company's interests as a responsible corporate citizen with the legitimate needs and expectations of stakeholders. We are proud to present the following board members:

CHAIRPERSON

- B Board
- NOM Nomination committee
- REM Remuneration committee
- SER SERC
- A Audit committee
- I Investment committee
- RBR RBR committee



Geoffrey Qhena (56)
Board chairperson and independent non-executive director
Appointed 19 April 2021



Geraldine Fraser-Moleketi (61)
Lead independent non-executive director

MEMBER

- A Audit committee
- I Investment committee
- REM/NOM Remuneration and nomination committee
- SER SERC
- RBR RBR committee

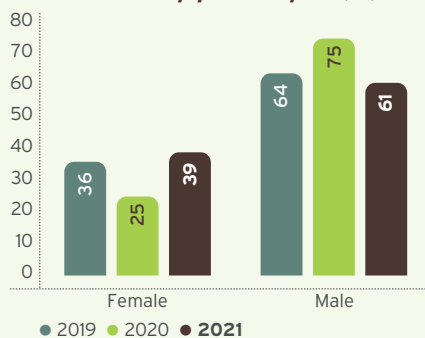


Mxolisi Mgojo (61)
CEO

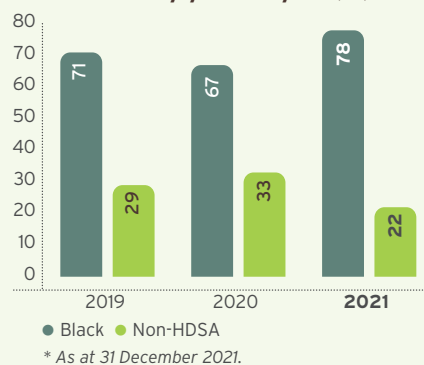


Riaan Koppeschaar (51)
FD

Gender diversity year-on-year (%)*

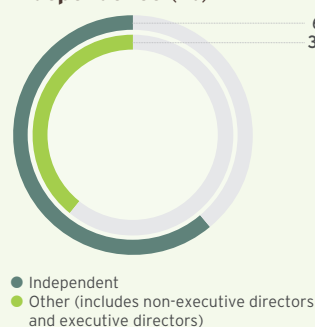


Racial diversity year-on-year (%)*

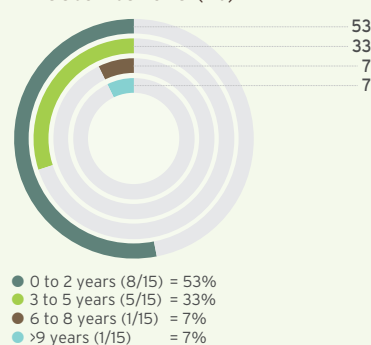


Nombasa Tsengwa (57)
CEO designate
Appointed 16 March 2021

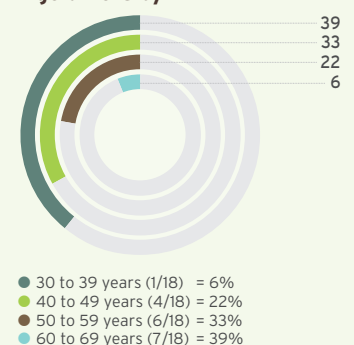
Independence (%)



Director tenure (%)



Age diversity





Isaac Malevu (47)
 Non-executive director
 Appointed 22 June 2021



Isaac Mophatlane (48)
 Independent non-executive director



Jeffrey van Rooyen (71)
 Former board chairperson and independent
 non-executive director
 Retired 27 May 2021



Likhapha Mbatha (67)
 Non-executive director



Mandlesilo Msimang (45)
 Non-executive director
 Appointed 15 March 2021



Peet Snyders (61)
 Independent non-executive director



Zwelibanzi Mntambo (64)
 Non-executive director



Ras Myburgh (63)
 Independent non-executive director



Karin Ireton (66)
 Independent non-executive director
 Appointed 7 February 2022



Mark Moffett (62)
 Former independent non-executive director
 Resigned 11 May 2021



Vuyisa Nkonyeni (52)
 Independent non-executive director



Bennetor Magara (54)
 Independent non-executive director
 Appointed 7 February 2022



Phumla Mnganga (53)
 Independent non-executive director
 Appointed 7 February 2022



Chanda Nxumalo (38)
 Independent non-executive director
 Appointed 1 February 2021



Billy Mawasha (43)
 Independent non-executive director
 Appointed 7 February 2022

Our leadership continued

Our executive team



Mxolisi Mgojo (61)
CEO



Riaan Koppeschaar (51)
Financial director



Nombasa Tsengwa (57)
CEO designate



Vanisha Balgobind (48)
Executive head:
Human resources



Alex De Angelis (41)
Executive head:
strategy and business
transformation



Mongezi Vetu (58)
Executive head:
Sustainability



Johan Meyer (53)
Executive head:
Projects and
technology



Mzila Mthenjane (51)
Executive head:
Stakeholder affairs

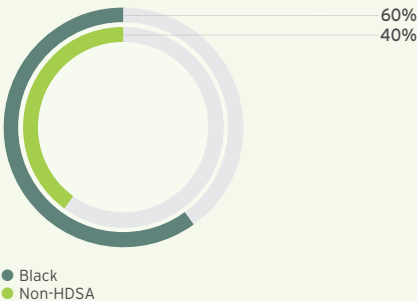


Roland Tatnall (47)
Managing director
energy and Cennergi

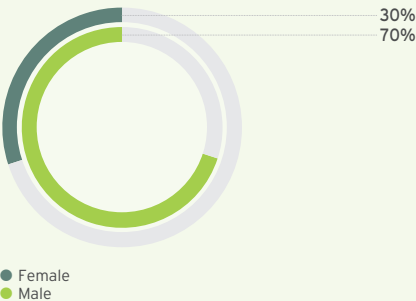


Andiswa Ndoni (54)
Group company
secretary

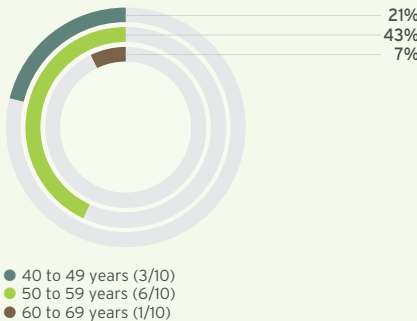
Executive racial proportion (%)



Executive gender proportion (%)



Executive age diversity (%)



Summarised governance report

SDG 16 (peace, justice and strong institutions) seeks to promote peaceful and inclusive societies for sustainable development, to provide access for all, and build effective, accountable and inclusive institutions – from small companies to multinationals and governments. The Exxaro board is committed to contributing positively to achieving this goal, especially through good governance.

The board drives the Exxaro strategy and budget, sets performance and culture expectations as well as the governance framework, including its subsidiary and controlled companies, trusts and joint ventures. The board therefore continues to be the focal point and custodian of corporate governance for the group.

At the core of Exxaro’s corporate governance are principles that guide the board in meeting its responsibilities to the company and its stakeholders, to enable the company to achieve the King IV governance outcomes and fulfil its purpose to power better lives in Africa and beyond. The board therefore regards good corporate governance as fundamentally important to create value and achieve the following governance outcomes in its own ethical and effective leadership:

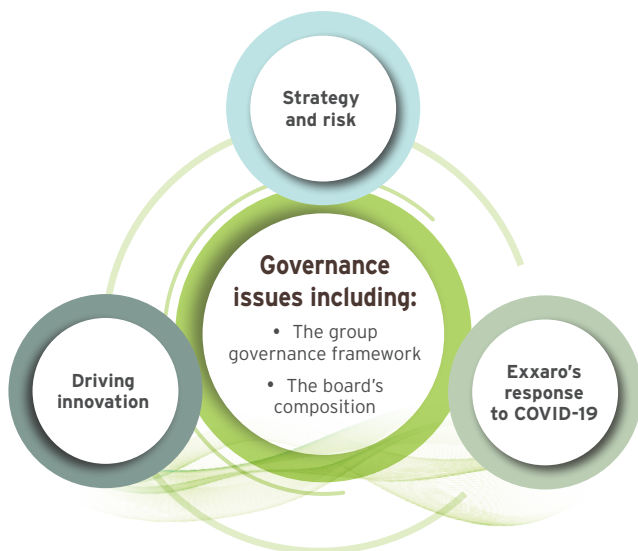


Our board assumes ultimate accountability and responsibility for the company’s performance and affairs. In so doing, it effectively represents and promotes its legitimate interests. As a responsible corporate citizen, it also considers its material stakeholders’ legitimate interests and expectations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

Summarised governance report continued

BOARD FOCUS AREAS IN 2021

The board annually identifies key focus areas, which may continue to receive attention in subsequent years, such as the following in the reporting period:



Response to COVID-19

Our COVID-19 mitigation measures were informed by the group's health and wellness strategy, based on three pillars: diagnosis, management and prevention.

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

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

The importance of health, safety and wellness is a focused item on the agendas of board, board committee and executive committee meetings to enable feedback on the organisation's endeavours in this regard, including COVID-19 responses.

The board was comfortable with the governance processes applied across the group and various measures put in place during the pandemic to ensure the business is more resilient and responsible to withstand challenges into the future.

 For details on Exxaro's COVID-19 responses, refer to page 125.


Climate change response

We intentionally focus on positioning Exxaro for growth, anchored on the just transition principle, which seeks to balance our financial performance, South Africa's economic development needs, ecosystem protection and society's adaptive capacity in the face of climate change.

Exxaro believes that our greatest opportunity is to help steer South Africa towards a sustainable future through an undiluted focus on low-carbon minerals and energy with a goal to be carbon neutral by 2050 through consistently reducing our direct emissions. The board is committed, beyond compliance, to mitigating the impact of climate change.

Specific actions in 2021 to honour this commitment included:

- The disposal of 21.975 million shares in Tronox. The funds from the disposal will be used to invest in renewable energy projects, repay debt and make distributions to shareholders in accordance with Exxaro's capital allocation framework
- The board and executive leadership were presented with the latest climate change assessment report released by the Intergovernmental Panel on Climate Change and the role of the board in responding to climate change
- Due to the direct impact of climate change on the coal business, in 2020, the board identified the need for an experienced non-executive director with environmental, sustainability and climate change knowledge. Following a rigorous process, this appointment was finalised on 7 February 2022
- The board's governance structure was revisited, giving the RBR committee oversight of Exxaro's strategic, financial and operational business resilience, specifically considering our response to the low-carbon transition, building a resilient and future-facing portfolio, and increasing customer diversification and revenue streams
- A group-wide internal employee communication plan has been developed for Exxaro's Climate Change Response strategy, which is being rolled out throughout the organisation into 2022

 For details on our Climate Change Response strategy, refer to our ESG perspective in the ESG report.

MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

Quarter 1

- Monitored interventions as COVID-19 concerns remained a top risk
- Considered and provided input on the suite of annual reports
- Adopted the board diversity and inclusion policy with amended targets

Quarter 2

- Noted COVID-19 measures, specifically the vaccination programme and registration of Exxaro facilities as vaccination centres
- Appointed one new non-executive director
- Approved the annual reporting suite for the year ended 31 December 2021

Quarter 3

- Monitored the implementation of POPIA measures, which was noted as satisfactory
- Considered the performance achievement and STI scheme implementation
- Noted the need for additional skills composition of the board, which was driven by the remuneration and nomination committee

Quarter 4

- Approved the update of board and board committee annual work plans
- Approved the update of the group delegation of authority
- Considered the line-of-sight incentive scheme, performance achievement policy and alignment of international outbound policy

Governance

Group governance framework

The reporting period was particularly important from a governance perspective with the board focusing on reviewing governance structures in the group, board committees' terms of reference as well as delegations of authority to create and preserve value for agile decision making in the minerals and energy businesses while maintaining decentralised decision making in the more mature coal business.

King IV recommended practices for group governance require the board to assume responsibility for governance across the group. The board exercises this responsibility by adopting a group governance framework that provides direction on how the relationship between the holding company and subsidiaries should be structured and managed.

Board composition

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

- The succession of the board chairperson was addressed with the appointment of Geoffrey Qhena in April as chairperson designate with the retirement of Jeff van Rooyen at the 2021 AGM
- The identification of new directors to take over as chairpersons of committees in future as part of succession planning
- The board adopted a diversity and inclusion policy with new targets in March 2021
- The succession of the CEO, Mxolisi Mgojo, was addressed through the appointment of Nombasa Tsengwa as CEO designate and executive board member on 16 March 2021 (her appointment as CEO will become effective when the CEO retires, being 1 August 2022)
- The board filled four non-executive director vacancies, including the role of the chairperson in terms of the required skills and experience identified by the board as well as its diversity and inclusion policy:

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

- The board continued to search for independent non-executive directors to address independence, gender diversity as well as specific skills and experience requirements (which included **energy, ESG, remuneration and hard rock mining**) in line with the Exxaro strategy and succession planning. The following appointments have been made in 2022:

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

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

Strategy and risk

King IV prescribes that the board should appreciate that an organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process. The review of corporate responses, social justice movements and other material economic and business impacts, analyst reports on megatrends with a view to identifying material business environment developments and data points, is a continuous process.

An updated strategy process was adopted by the board to provide for a continuous cycle in ensuring an integrated strategy across Exxaro businesses, supporting Exxaro's purpose. As risk management is inherently linked to achievement of strategic objectives, an integrated risk management approach is applied in the strategy review process, including the identification of emerging risks.

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

MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

Quarter 1

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

Quarter 2

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

Quarter 3

- Approved group interim financial results and interim dividend declaration for the six-month period ended 30 June 2021
- Considered the going concern assessment and approved that the group would remain liquid and solvent in the context of the distribution to shareholders as well as the trading statement

Quarter 4

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

* Divestment concluded in September 2021.

Summarised governance report continued

Driving innovation

For Exxaro, innovation is key to a successful, thriving business. Without actively driving innovation practices, businesses stagnate and ultimately fail.

The board recognises that it is imperative for Exxaro to continue innovating and strive for radical and disruptive solutions, not only to address challenges but to drive and support our strategic goals of carbon neutrality.

In addition to initiatives within the group and to promote board effectiveness, the following was put in place to support our board:

- The board, board committees, executive committee and material subsidiaries use a secure platform for collation of board packs for virtual board meetings, which has greatly contributed to effective and secure meetings for several years. The system allows for secure collaboration, information sharing and electronic voting on written resolutions
- Exxaro held its second hybrid AGM in 2021 with shareholders or their proxies participating via electronic communication or in person, subject to COVID-19 protocols. Participants could vote during the AGM through an electronic participation platform. If participants wanted their votes counted, they could submit information captured in the AGM notice to the platform service provider. Each shareholder who provided requested information was given a unique link to participate in the virtual meeting
- The insider dealing environment has greatly improved with an electronic insider register sending automated notices to any person whose name is captured in the register and, when it is removed, providing a clear auditable trail as well as ensuring regulatory and policy adherence
- Compulsory insider dealing awareness training was made available to the board and prescribed officers, as well as employees generally, on MyNexxt to allow completion at own leisure. MyNexxt is a learning management system that takes digital learning and staying connected to a new level by enabling wider accessibility to the platform.

Divestment of non-core assets and investments Tronox SA

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

Tronox Holdings plc

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

ECC operation

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


Leeuwpan

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





Black Mountain

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

KING IV

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

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

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

MATERIAL BOARD DELIBERATIONS OVER THE YEAR IN REVIEW

Quarter 1

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

Quarter 2

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

Quarter 3

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

Quarter 4

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

* Divestment concluded in September 2021.

Ethical culture

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


OUR CODE OF ETHICS – THE FOUNDATION OF AN ETHICAL CULTURE

Building organisational ethics is a journey. Our board assumes responsibility for ensuring that organisational ethics is managed effectively and governs the group's ethics to support the establishment of an ethical culture. Through the code of ethics, the company confirms the organisation's ethical principles that, when followed, promote values such as trust, acceptable behaviour and fairness.

Our values provide general guidelines for our interactions with each other and our stakeholders, and reflect what is important to us and how we conduct ourselves.

Recognising that our public reputation is one of our most important assets, the organisation is committed to achieving the highest ethical standards in our business operations.

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

 The code is available on our website.

MONITORING ETHICAL CULTURE

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

A group-wide ethical risk assessment was conducted by The Ethics Institute in 2021. The assessment sought to measure ethical culture, behaviour and perceptions of how ethics are managed in the group, and to produce an ethics profile, which included a level of ethical culture maturity.

Flowing from this, the ethics committee began formulating a statement of strategic ethical intent and developing an ethics strategy and management plan to address specific identified development areas.

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

FOCUSED GOVERNANCE SESSIONS

The group company secretary hosts two annual, fixed, governance-related intervention sessions for the board.

The themes of the two governance sessions in 2021 were:

- Ethical and effective leadership
- The role of governing bodies in responding to climate change

Both sessions included training by the sponsors on the JSE Listings Requirements as well as the JSE Debt Listings Requirements.

As the regulatory environment within which Exxaro operates is continuously changing, and to systematically develop directors' fields of knowledge and skills, a structured, themed programme was recommended by the company secretary for 2022.

AVOIDING CONFLICTS OF INTEREST

The group has a conflicts of interest policy, which is reviewed regularly. In line with the JSE Debt Listings Requirements, the company's conflicts of interest policy and register, reflecting material disclosures, are on the company's website.

The policy places an obligation on directors, prescribed officers and employees (as well as their related parties) to firstly avoid conflicts of interest. It also lists several conflicts that are not acceptable to the company and may not be approved when declared.

Annual general declarations are required from directors, prescribed officers and employees.

In addition to the annual declarations, an item dealing with the declaration of interests at the beginning of each meeting appears on every executive committee, board, board committee and management committee agenda.

Summarised governance report continued


FRAUD AND ETHICS HOTLINE

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

Based on the importance of retaining the integrity of the hotline, it is deemed necessary that Exxaro should, as far as reasonably possible, protect the interests of the disclosing parties. As the hotline plays an important role in combatting fraudulent activities, we have successfully defended an application for the disclosure of an anonymous complaint, which could have undermined the system's confidentiality.

SUPPLIER CODE OF CONDUCT

Our supplier code of conduct drives our commitment to ethical conduct with suppliers and service providers. The code communicates our mandatory standards and suppliers must live up to this code. We also conduct rigorous audits to ensure compliance.

-  The code is available to current and prospective suppliers on our website.

RESPONSIBLE CORPORATE CITIZENSHIP

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

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

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

The SERC's roles and responsibilities include overseeing how the consequences of our activities and outputs affect our status as a responsible corporate citizen in the following areas:

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



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

Performance and value creation

BUSINESS CONTINUITY AND CRISIS MANAGEMENT PLANS


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

The RBR committee oversaw the process of updating the following business continuity governance documents:

- Emergency response plan
- Crisis management policy
- Business continuity plan
- IM disaster recovery plan to reflect changes in the internal and external environment

Furthermore, this process sought to align BUs with the board-approved business continuity plan template, which is aligned to ISO 22301 and British Standards Institution 11200:2014.

Flowing from a review of the roles and responsibilities of the board committees in 2021, the board approved the change of the role and responsibility of its sustainability, risk and compliance committee to focus on risk management, business resilience and compliance. The committee was renamed the RBR committee to reflect its increased responsibility.


 Refer to governance in the ESG report for more information.

PIVOTING STRATEGY

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

The board is charged with monitoring the implementation of the Sustainable Growth and Impact strategy. KPIs were identified that track the execution of the strategy. KPIs were determined for the board and group executive committee, and the process of reviewing and aligning the board committees' KPIs will be finalised in 2022.

Exxaro uses a strategic performance dashboard that supports reporting on the achievement of KPIs that track execution of our strategy. The dashboard was reviewed in 2021 and its reporting philosophy revised. To measure execution of Exxaro's refined Sustainable Growth and Impact strategy, reporting will focus on exceptions (out of appetite or worst tolerable) going forward to track performance towards the achievement of the strategy and desired portfolio.

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

INTEGRITY IN REPORTING

The board ensures the integrity of our integrated report and its alignment with best practice in integrated reporting, including other reporting by the company, from time to time.

The board also oversees the publication of our annual financial statements, ESG report, and the reports of our audit committee, SERC, RBR committee, investment committee, and remuneration and nomination committees as well as the remuneration report and other online or printed information that complies with legal requirements and meets the legitimate and reasonable information needs of stakeholders.

TRANSPARENCY

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

Summarised governance report continued

Adequate and effective control

GROUP GOVERNANCE FRAMEWORK

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

To further allow Exxaro's core businesses to thrive in an increasingly dynamic market and industry sector as well as to continue to support the execution of the approved strategy, the group governance was extensively reviewed in 2021. The board has subsequently adopted a new framework that provides an overview of its governance structures, principles, policies and practices, which together enable us to meet our statutory and regulatory requirements as well as direct how people interact with us and stakeholders.

BOARD COMMITTEES

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

In 2020, the board committees embarked on a significant transformation journey, focusing on reimagining the operating model, acquisitions and evolving the broader business strategy. This was driven by a changing business environment and regulatory developments. To this end, we revisited and enhanced the terms of reference of our corporate governance structures, which in line with King IV, included:

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

The committees' terms of reference were updated in 2021 with key focus areas, annual work plans and objectives being revisited. The mandates of three committees were materially revised:

- The RBR committee (formerly the sustainability, risk and compliance committee)
- The SERC (formerly the social and ethics committee)
- The investment committee

SUBSIDIARY COMPANIES

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

GROUP-WIDE CONTROL FUNCTIONS

Our control and oversight functions consist of the corporate secretariat, risk management, compliance management, legal, strategy, internal audit and assurance, and finance (as it relates to financial compliance), which are responsible for providing enterprise-wide oversight on operational management and consolidated reporting. The heads of these functions have direct access to the board, audit committee, SERC and the RBR committee (as appropriate).

The internal audit function does not receive delegations through the CEO but is delegated authority directly by the audit committee to execute responsibilities in terms of the internal audit annual plan. However, the chief audit officer reports administratively to the FD. The board is ultimately responsible for overseeing the effectiveness of the oversight functions and ensuring an effective internal control environment within the group.

DELEGATION OF AUTHORITY FRAMEWORK

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

Our delegation of authority policy and framework are regularly reviewed to ensure aligned decision making. This also provides direction and clear delegation of power to management. The framework is adopted by our subsidiary company boards and implemented throughout the group as part of the overall group governance framework. A deep dive into the group delegation of authority policy and framework has been scheduled for 2022. In 2021, the energy business delegation of authority was subject to a rigorous process of review by the executive committee and the board with various opportunities to provide input around delegations and oversight requirements. A revised energy business delegation of authority framework was approved by the board and adopted by the Cennergi subsidiary companies. Following this, a review of sub-processes has been scheduled for 2022 as it is a critical governance pillar to ensure an effective control environment and is a key enabler for the achievement of business objectives.

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

TECHNOLOGY AND INFORMATION MANAGEMENT

The board governs technology and information management (IM) in a way that supports the organisation setting and achieving its strategic objectives.

The risk of data theft ranks as the most pertinent risk that IM is addressing due to previous lack of adequate controls. At present, there are several treatment efforts underway to mitigate the risk. Data discovery and classification, roll out of Intune solution for mobile devices and data encryption have been completed. A data loss prevention tool has been deployed and policies applied, which will be ongoing. Exxaro's security posture is continuously monitored and reported to the RBR committee.



Digital dashboard at our Belfast BU

Summarised governance report continued

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

- The IM value realisation framework was completed and is being applied to new projects and retrofitted to projects in delivery and completed. Benefits are being reported at the IM investment review committee (a management committee) meetings
- A new IM delegation of authority, covering aspects such as a new demand management process, will be implemented using ServiceNow
- IM policy documents were reviewed and updated
- The architectural review and approval process was updated to be more dynamic

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

ERM

Our ERM approach provides a framework and process for all types of risk management, regardless of risk or impact type at all levels of the organisation. The same terminology and assessment mechanisms are used for finance, projects, safety and operational risk management. We have a set of risk names, one impact and one likelihood scale used across different disciplines to ensure management concentrates efforts and resources on material activities.

The risk management function, through the combined assurance model, coordinates with internal audit to obtain evidence on the effectiveness of treatment and control activities in achieving the desired and planned risk treatment outcomes. Assurance providers (internal audit, sustainability KPI audits, external assurance providers, self-assessments and accreditation reviews) monitor effectiveness of significant risk treatments and compliance with regulatory requirements, non-binding rules, codes and standards as well as policies and procedures.

The ERM framework was reviewed to update changes in reporting structures and role designations, and to align with current governance practice and standards. The board is satisfied that Exxaro has a mature risk process that ensures risks potentially impacting our strategic objectives are pursued by management to create shareholder value.



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

COMPLIANCE

We are committed to maintaining high standards of integrity, professionalism and ethical behaviour in our relationships. We comply with relevant legal requirements in our jurisdictions, and the law serves as a minimum standard of conduct. Beyond complying with the law, it is important that every director and employee is sensitive to the appearance of improper conduct, and establishes whether or not our actions are honest and responsible.

The group's compliance philosophy is captured in a compliance policy. It supports ethical and responsible corporate citizenship, and seeks to create sustainable value for all stakeholders by striving for operational efficiency, growth and regulatory compliance with applicable laws.

We conducted an audit of our compliance function in 2020 to ensure effective compliance management was applied and key areas were addressed in 2021.

A specific focus area for 2021 was the POPIA project implementation plan roll-out across the organisation to ensure compliance by the group, which included review of policies and adopting new policies, review of systems and processes as well as training throughout the organisation.



Trust, good reputation and legitimacy

STAKEHOLDER INCLUSIVITY

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

The board approved a stakeholder management policy in 2020. As recommended by King IV, Exxaro's disclosure regarding stakeholder relationship management reflects our management approach, key focus areas and stakeholder management activities.

 See page 27 of our ESG report and  page 32 of our integrated report.

Stakeholder days

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

- To communicate Exxaro's performance and confirm some of the reports shared with the SERC
- For the SERC and the board to engage with a diverse set of stakeholders by listening to community feedback and receiving an account from beneficiaries on Exxaro's social performance and impact

The stakeholder engagements were scheduled over three days:

- Day 1: ESD stakeholders
- Day 2: Socio-economic development stakeholders in Limpopo
- Day 3: Socio-economic development stakeholders in Mpumalanga

Participants included:

- National, district and local government
- Community leaders (including tribal authorities, community structures, NGOs and strategic business partners)
- Union representatives
- ESD programme implementation partners
- SLP, ESD and mega-project beneficiaries

Other external communications

The following external communication (among others) took place in 2021:


- Publication of the annual reporting suite (integrated report, ESG report and climate change position statement) available on the company's website
- AGM (presentation of annual financial statements, the SERC report and various other resolutions for voting by shareholders)
- SENS announcements available on our website
- Interim and annual financial results presentations by executive management
- Results roadshows following the annual and interim results presentations for interaction with investors
- SLP future forums that play an important role in engaging with labour representative groups to promote ongoing discussions about the future of mines, to identify possible challenges and solutions for productivity and employment, and to improve business sustainability
- Capital Markets Day outlining Exxaro's strategy in response to climate change, risks and opportunities, including details on the company's Sustainable Growth and Impact strategy

REPUTATION

Exxaro ranked fifth in the annual Sunday Times Top 100 Companies Awards in 2021. This achievement represents admirable progress over the past 24 months (from 37th place in 2019 to 13th in 2020). The awards celebrate contributions by the private sector to securing investments, creating jobs and keeping our economy robust. The awards also acknowledge listed companies that have earned the highest returns for shareholders over the past five years.

In addition, Exxaro received Top Employers Institute recognition for its industry-leading people development practices. This reflects our dedication to a better working world through excellent human resources policies and people practices. This is the second time Exxaro has received this honour since 2014.

Our continued support of the 10 principles of the UNGC and progress report of 4 August 2021 also highlight our commitment to human rights, labour, the environment and anti-corruption.

 For more information on awards achieved by the company, refer to the ESG report.

Summarised governance report continued

Audit committee

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

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

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

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

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

TERMS OF REFERENCE


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

KEY FOCUS AREAS

| 2021/2022 | Status |
|--|----------|
| Review the strategy in relation to deployment of new postmodern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy | Ongoing |
| Ensure alignment of the combined assurance process, internal audit plan and external audit plan based on a risk-based approach | Achieved |
| Review Exxaro's future strategy relations to insurance cover and self-insurance, taking into consideration global resistance to thermal coal and insurance markets | Ongoing |
| Oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with TCFD | Achieved |
| Approve the levels of materiality to be used for internal audit (including the audit protocols and the classification of findings) and consider levels of materiality for the independent external auditor | Achieved |
| Oversee the transition plans for the internal and external audit functions | Achieved |

CONFIRMATION

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

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

Investment committee

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

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

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

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

Its role includes reviewing the strategic fit, risk appetite and financial, technical and legal due diligences for major investments. The committee will also ensure that governance processes are adhered to and the approved hurdle rates, set from time to time, are met before any funds are committed. An investment opportunity will therefore first serve at the committee where a detailed review shall be conducted in line with the investment criteria approved by the board. After such review, the committee may recommend the investment opportunity to the board for final approval.

TERMS OF REFERENCE

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

KEY FOCUS AREAS

Monitor and oversee Leeuwan divestment

Monitor and oversee Exxaro equity investments into energy projects or acquisitions


Review and recommend for approval the investment guidelines for minerals and energy

Monitor minerals and energy strategic KPIs and dashboard

Determine and refine periodic minerals and energy portfolio reporting requirements

CONFIRMATION

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

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

Summarised governance report continued

Remuneration and nomination committee

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

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

Duties and responsibilities of the remuneration committee

- Remuneration governance
- Oversee the development and regular review of the remuneration policy that articulates and gives effect to the board's direction on fair, responsible and transparent remuneration
- Oversee the implementation and execution of the remuneration policy
- Exercise any power or discretion vested in the board under any remuneration scheme established for the benefit of Exxaro's employees
- Review executive and senior management remuneration and performance measurements
- Oversee fees for non-executive members for services as directors as approved by shareholders
- Provide mandates for non-bargaining and bargaining unit employee salary negotiations
- Governance of performance management

Duties and responsibilities of the nomination committee

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

TERMS OF REFERENCE

The committee's terms of reference were reviewed in 2021, and the board approved the amendments. The terms of reference are aligned with legislation, regulations and King IV. The joint committee terms of reference leverage the benefit of cross-membership for the fulfilment of remuneration matters as well as board governance and nomination matters.

KEY FOCUS AREAS

| 2021/2022 | Status |
|---|----------|
| Ensure the implementation of the remuneration philosophy and supporting policies and schemes (incorporating malus and clawback and minimum shareholding requirements) | Achieved |
| Oversee the development of a reward framework based on performance and revised vesting conditions/project incentives/project milestone incentives/project milestones | Achieved |
| Review the nature and adequacy of the performance measurement methodology applied throughout the company | Achieved |
| Review the employment equity plan (ensure diversity in talent and leadership) in support of the overall diversity and inclusion strategy | Achieved |
| Address inequality including gender-based disparity in the adequacy of remuneration | Ongoing |
| Track the formulation and implementation of the group governance framework on remuneration matters for the energy business | Achieved |

CONFIRMATION

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

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

Risk and business resilience committee

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

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

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

The committee's role is as follows:

Risk management

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

The board, management and other personnel execute risk management applied in strategy setting and across the business. Risk management is designed to identify potential events that may affect the organisation and manage risks to be within Exxaro's risk appetite, and ultimately, to provide reasonable assurance regarding the achievement of the organisation's objectives. Risk governance refers to the governance structures and mechanisms established within the organisation in terms of which decisions regarding risk are taken and implemented.

The committee is responsible for reviewing the ERM process, including key risks facing Exxaro, and ensuring responses exist to address these risks.

Business resilience

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

TERMS OF REFERENCE

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

KEY FOCUS AREAS

| 2021/2022 | Status |
|--|----------|
| Review relevance of current KPIs and the completeness of current and emerging risks and whether these are in line with approved strategy | Ongoing |
| Review risk governance efforts to ensure monitoring of key risks impacting the organisation's strategic objectives. This includes the review of completeness of current and emerging risks and whether in line with strategy | Ongoing |
| Ensure effective plans are in place based on the impact of business disruption – plans are up to date and no significant incidents have occurred that led to business disruption | Achieved |
| Review the risk appetite for Exxaro | Achieved |
| Review the key compliance risks for Exxaro related to our licence to operate | Achieved |
| Based on the key risks, recommend the appropriate predictive and proactive reporting and engagement with key stakeholders (including the integrated report) | Achieved |
| Review the governance of technology and information to ensure it incorporates technology and information risks to enable strategy and ensure business resilience | Ongoing |
| Review business resilience key elements to ensure business strategy compliance | Achieved |

CONFIRMATION

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

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

Summarised governance report continued

Social, ethics and responsibility committee

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

COMPOSITION AS AT 31 DECEMBER 2021



ROLE AND PURPOSE

The board included responsibility in the committee's title and mandate. As part of the company's governance review and as an agile response to organisational change, the board chose to strengthen the committee's mandate by entrenching responsible corporate citizenship as part of the committee's focused activities.

It was of paramount importance, being mindful of a difficult business climate which included a change in company strategy, that we maintained organisational ethics in how we conduct our operations.

The SERC performed a pivotal role in the deliberate pursuit of enhanced governance through oversight and regular monitoring of the organisation's actions and outputs, particularly, in the wake of heightened ESG sensitivity, with concern for employee's integrated wellness, health and safety; and in light of stark social inequalities, exacerbated by the COVID-19 pandemic.

TERMS OF REFERENCE

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


KEY FOCUS AREAS

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

CONFIRMATION

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

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

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




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

Combined assurance for effective governance

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

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

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

The board and audit committee assessed the effectiveness of controls for the year ended 31 December 2021 as satisfactory, principally through a process of management self-assessment (including formal confirmation by executive management), reports from internal audit, independent external audit and other assurance providers.

APPROACH, GOVERNANCE AND REPORTING

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

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

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

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

ASSURANCE REVIEW

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

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

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

Outcome of assurance reports 2018 to 2021

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

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

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

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



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