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Our Sustainable Growth and Impact strategy motivates us to responsibly maximise the value of our coal assets in a way that respects the needs of our business and host communities while addressing the potential impacts of climate change on already scarce resources.

CONTINUOUSLY ADVANCING OUR PERFORMANCE GOALS

This chapter reflects our key activities and outcomes across the six capitals of value creation we impact. These performance areas uphold our focus on preserving and building our financial resilience, our unerring commitment to safety, ESG commitments as well as support the delivery of our strategic objectives as we pursue our purpose.

Finance director's overview

Riaan Koppeschaar
Finance director

Revenue of
R32.8 billion
up 13%

Core EBITDA of
R10.7 billion
up 46%

Core equity-accounted income of
R9.8 billion
up 52%

Core headline earnings of
R46.83 per share
up 58%

Cash generated by operations at
R10.6 billion
up 36%

Record total ordinary dividend of
R32.52 per share
up 72%

The strong commodity price performance and our operational excellence efforts have contributed positively to our financial performance. Despite the logistical constraints, our managed operations were able to show strength and resilience, resulting in a 46% increase in core EBITDA to R10.7 billion. The contribution from our non-controlled operations showed a significant increase with core equity-accounted income increasing 52% to R9.8 billion, mainly due to the performance of SIOC. This translated into core HEPS rising to R46.83 compared to R29.73 in 2020. We are pleased to have declared a final ordinary dividend to shareholders of R11.75 per share, bringing the total ordinary dividend for the year to a record R32.52 per share.

GLOBAL ECONOMY AND COMMODITY PRICES

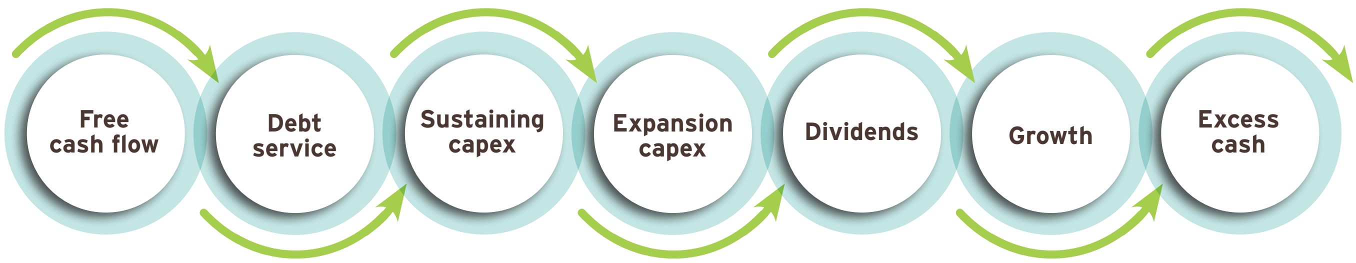
During the second quarter of 2021, global economic activity reached an important milestone, surpassing the pre-COVID-19 pandemic real GDP peak attained in the fourth quarter of 2019. The global economic expansion lost momentum in the third quarter of 2021, as new waves of COVID-19 infections dampened consumer sentiment and halted production. However, after a 3.4% contraction in 2020, global real GDP increased by 5.6% in 2021: its strongest advance since 1973.

The implementation of domestic Chinese policy impacted global thermal coal and iron ore markets. As the world economy recovered from the COVID-19 pandemic-induced slowdown and COVID-19 vaccinations significantly gained momentum, global energy demand increased, but disrupted thermal coal supply chains struggled to catch up. COVID-19 restrictions, wet weather, mine accidents, licence disputes, rail underperformances, protests and strikes contributed to coal supply disruptions. In Europe, the price of coal, gas and LNG, as well as Europe-specific carbon prices, increased strongly for the better part of the year.

Iron ore prices traded at record levels on the back of strong Chinese steel production, supported by the rest of the world's robust demand conditions, before concerns around China's economy slowing, pollution-related steel output cuts and relatively low steel mill profitability, triggered a change in sentiment that led to significant price declines towards the end of 2021.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

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



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

During 2021, we received cash of R25 billion (2020: R10.1 billion), comprising R9.2 billion from our operations (net of tax paid) (2020: R6.8 billion), dividend income received from our equity-accounted investments of R10.0 billion (2020: R3.3 billion) and proceeds received from the disposal of our investment in Tronox Holdings plc of R5.8 billion.

In terms of our capital allocation framework, we utilised this cash to mainly:
- Service our debt (net of interest received) of R0.8 billion (2020: R1.1 billion)
- Sustain our operations with capital expenditure of R1.6 billion (2020: R2.2 billion)
- Expand our operations with further capital expenditure of R0.8 billion (2020: R1 billion)
- Pay total dividends of R13.7 billion (2020: R4 billion)
- Implement our share repurchase programme of R1.5 billion

At 31 December 2021, our net cash to EBITDA cover ratio was 0.1 (2020: net debt to EBITDA cover ratio 0.96), which is below our target of 1.5 times.

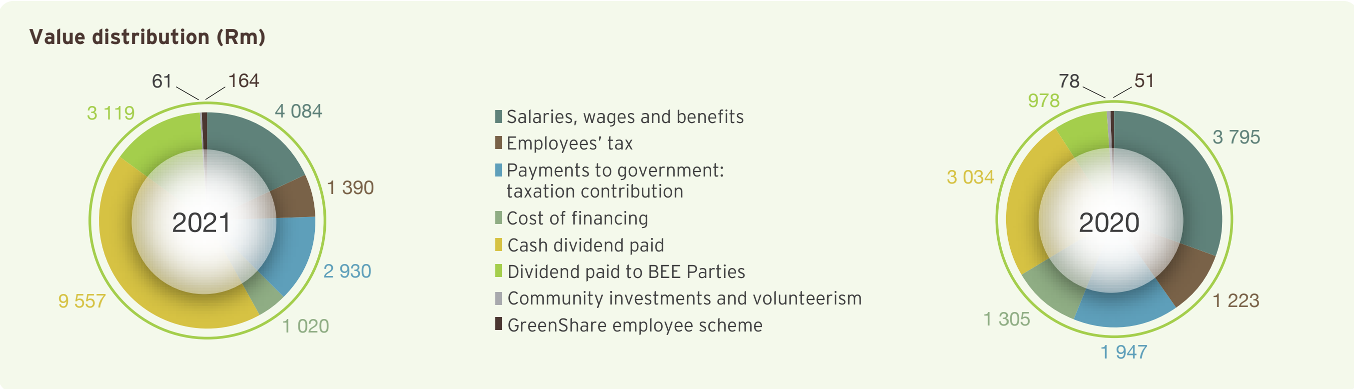
In April 2021, Exxaro successfully refinanced its R8 billion loan facility with various financial institutions, of which R3.25 billion remains undrawn.

Finance director's overview continued

VALUE DISTRIBUTION

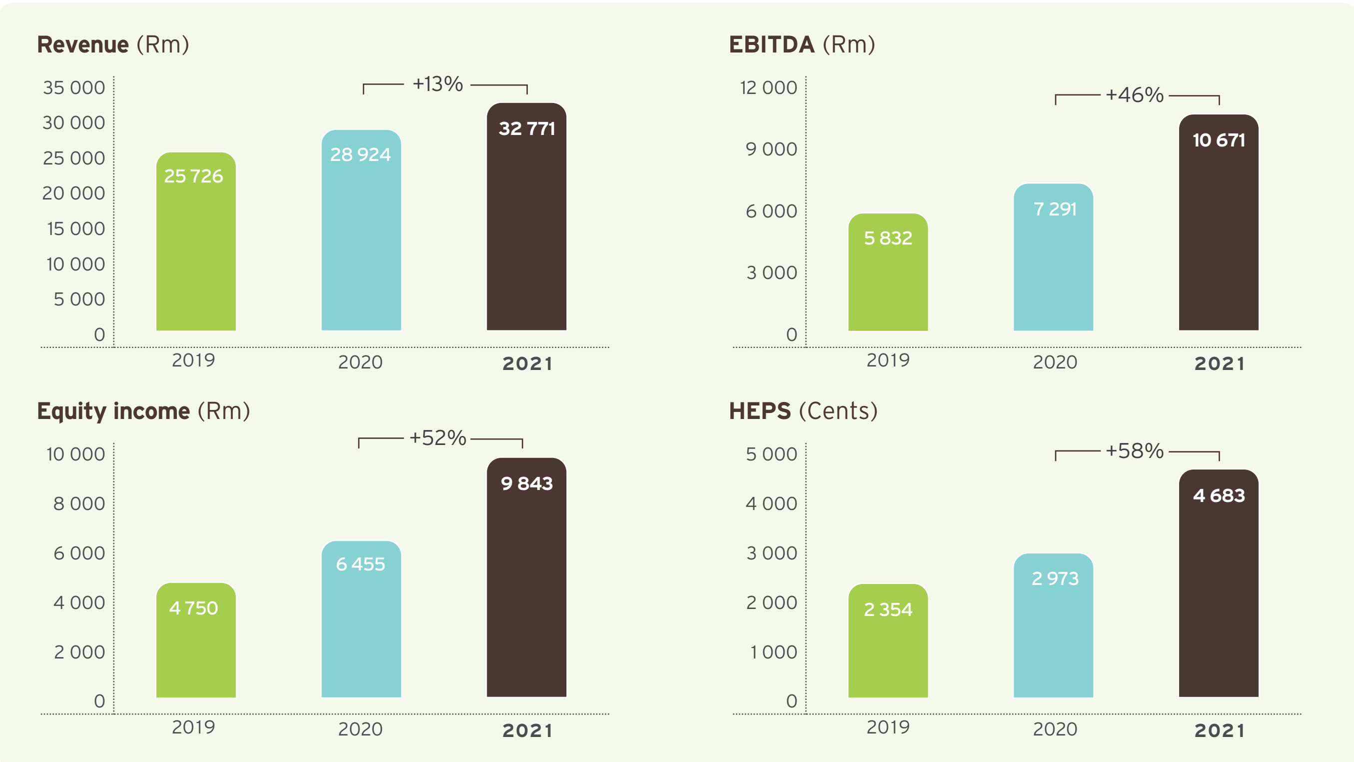
The value generated by Exxaro is distributed to its various stakeholders as follows:

- Employees receive salaries or wages, share-based payments as well as bonuses (where certain performance conditions are met)
- The governments of the countries where Exxaro has operations and investments receive various taxes and royalty payments
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods
- Shareholders receive a return on their investment through dividends and capital growth in the share price
- Providers of finance receive a return through interest and other loan costs
- Communities surrounding our operations benefit through CSI initiatives
- All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion



GROUP CORE PERFORMANCE HIGHLIGHTS

For a better understanding of the comparability of results between the two reporting periods, we have adjusted the financial results with non-core adjustments to derive our core financial results. The non-core adjustments in 2021 are the same as the headline earnings adjustments, resulting in no change between EBITDA and headline earnings to core EBITDA and core headline earnings, respectively. Further details on non-core items are shown under the respective financial performance measures.



Group revenue

Group revenue increased 13% to R32 771 million (2020: R28 924 million), mainly due to the increase in coal revenue and the inclusion of renewable energy revenue from Cennergi for 12 months compared to nine months in 2020.

While coal production and export sales volumes were 10% and 9% lower respectively, a 91% increase in the average benchmark API4 export price to US$124 per tonne (2020: US$65 per tonne) more than offset the impact of the pandemic and logistical challenges experienced.

Group core EBITDA

Group core EBITDA increased 46% to R10 671 million (2020: R7 291 million), mainly attributable to a 38% increase in coal core EBITDA (discussed in more detail under the coal business performance) and the inclusion of Cennergi results for 12 months compared to only nine months in 2020.

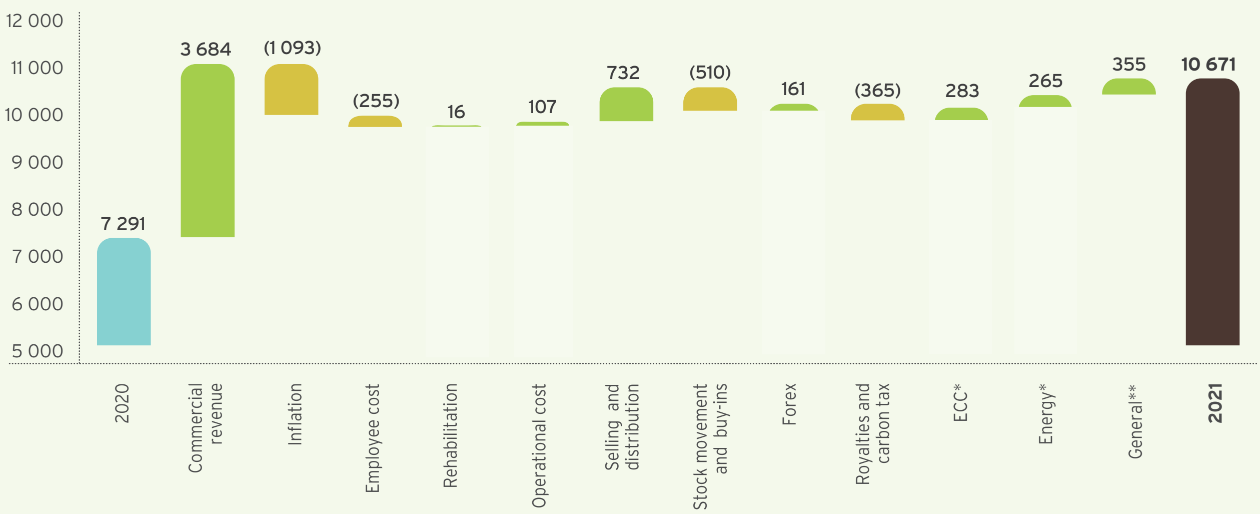
For a better understanding of the comparability of results between the two reporting periods, the table below sets out the non-core adjustments to derive our core EBITDA.

Key items impacting on comparability (non-core adjustments)

Description	2021 Rm	2020 Rm
EBITDA	10 671	7 246
– Insurance claim recovery from external parties		(14)
– Losses on financial instruments revaluations recycled to profit or loss on deemed disposal of Cennergi joint venture		59
Core EBITDA	10 671	7 291

Group core EBITDA increased 46% to R10 671 million (2020: R7 291 million) for reasons shown in the graph below.

Group core EBITDA – higher revenue and cost containment increase profitability (Rm)



* ECC included for 12 months in 2020 compared to eight months in 2021. Energy included for nine months in 2020 compared to 12 months in 2021.
** Total EBITDA variance for Matla included in General ± R13 million.

The positive revenue impact is discussed under group revenue.

Inflationary pressure on costs was driven by diesel and electricity tariff increases that were significantly higher than the PPI inflation rate. Employee cost was higher due to bonus payments in line with performance targets, as well as higher costs incurred on the ESOP scheme, which included the payment of a special dividend associated with the disposal of our shareholding in Tronox Holdings plc.

Operational costs decreased, in line with lower production volumes and cost saving initiatives, which were partially offset by lower buy-ins from our Mafube joint venture, but at higher prices. Selling and distribution costs are in line with lower export sales volumes. Lower production volumes resulted in higher inventory drawdowns from our stockpiles and some third party buy-ins to meet our contractual sales volumes.

The net positive forex variance is a combination of realised and unrealised forex differences on foreign debtors and cash balances attributable to the fluctuation in the rand/US dollar exchange rate.

Royalties expense increased in line with higher revenue as well as lower capital expenditure to offset against the revenue.

Group Core equity-accounted income

Core equity-accounted income from associates and joint ventures (after adjusting for non-core items) increased 52% to R9 843 million (2020: R6 455 million), mainly as a result of SIOC which benefited from a high iron ore price.

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

Core income from equity-accounted investments

	Core equity-accounted income/(loss)		Dividends received	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Coal: Mafube	375	67		
Coal: Tumelo[1]	29			
Coal: RBCT	(18)	8		
Energy: Cennergi[2]		13		144
Energy: LightApp	16	(18)		
Ferrous: SIOC	9 035	6 123	9 991	3 119
TiO_2: Tronox SA[3]	54	226		
Other: Black Mountain	352	122		
Other: Other[4]		(86)		
Total	9 843	6 455	9 991	3 263

[1] *Disposed on 3 September 2021 as part of the ECC operation.*
[2] *Application of the equity method ceased on 31 March 2020 after which Cennergi was consolidated.*
[3] *2021 equity income up to the date of disposal on 24 February 2021.*
[4] *Includes the investment in Insect Technology, which was fully impaired at 31 December 2020 and the investment in Curapipe, which was sold on 9 November 2020.*

Group earnings and core earnings

Headline earnings increased 56% to R11 568 million (2020: R7 417 million). The increase in headline earnings is mainly due to a 47% increase in group EBITDA and a 48% increase in equity-accounted income from SIOC, driven by high iron ore export prices and price premia. There was a slight decrease in the weighted average number of shares (WANOS) to 247 million (2020: 251 million) due to shares repurchased and cancelled in terms of the R1.5 billion share repurchase programme. The total number of shares repurchased was 9 401 662, representing 2.62% of Exxaro's issued share capital before the buyback.

The earnings increase and the change in WANOS equates to basic HEPS of 4 683 cents per share (2020: 2 955 cents per share).

Key items impacting on comparability (non-core adjustments)

Description	2021 Rm	2020 Rm
Headline earnings	11 568	7 417
– EBITDA adjustments		45
Core headline earnings	11 568	7 462

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2021 Rm	2020 Rm
ASSETS		
Non-current assets	63 298	65 824
Property, plant and equipment	38 351	38 395
Intangible assets	2 927	3 095
Right-of-use assets	401	453
Inventories	145	128
Equity-accounted investments	17 322	20 006
Financial assets	3 237	2 141
Deferred tax	369	1 076
Other assets	546	530
Current assets	12 419	9 033
Inventories	1 606	1 821
Financial assets	311	169
Trade and other receivables	2 701	2 827
Cash and cash equivalents	7 042	3 196
Other assets	759	1 020
Non-current assets held-for-sale		3 749
Total assets	75 717	78 606
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	983	1 021
Other components of equity	1 560	2 495
Retained earnings	37 007	35 265
Equity attributable to owners of the parent	39 550	38 781
Non-controlling interests	10 548	9 340
Total equity	50 098	48 121
Non-current liabilities	20 841	19 103
Interest-bearing borrowings	9 255	7 448
Lease liabilities	470	493
Other payables	53	24
Provisions	2 201	1 946
Retirement employee obligations	159	147
Financial liabilities	406	782
Deferred tax	8 271	8 236
Other liabilities	26	27
Current liabilities	4 778	10 244
Interest-bearing borrowings	1 000	6 163
Lease liabilities	34	29
Trade and other payables	2 230	2 940
Provisions	101	185
Financial liabilities		49
Overdraft	1	17
Other liabilities	1 412	861
Non-current liabilities held-for-sale		1 138
Total liabilities	25 619	30 485
Total equity and liabilities	75 717	78 606

Property, plant and equipment decreased by R44 million when compared to the corresponding period last year, which includes R1 635 million spend on sustaining and environmental capital (stay-in-business capital) and R836 million on expansion capital, offset by depreciation charges of R2 445 million. The net movement further included the disposal of the ECC* operation and borrowing costs capitalised.

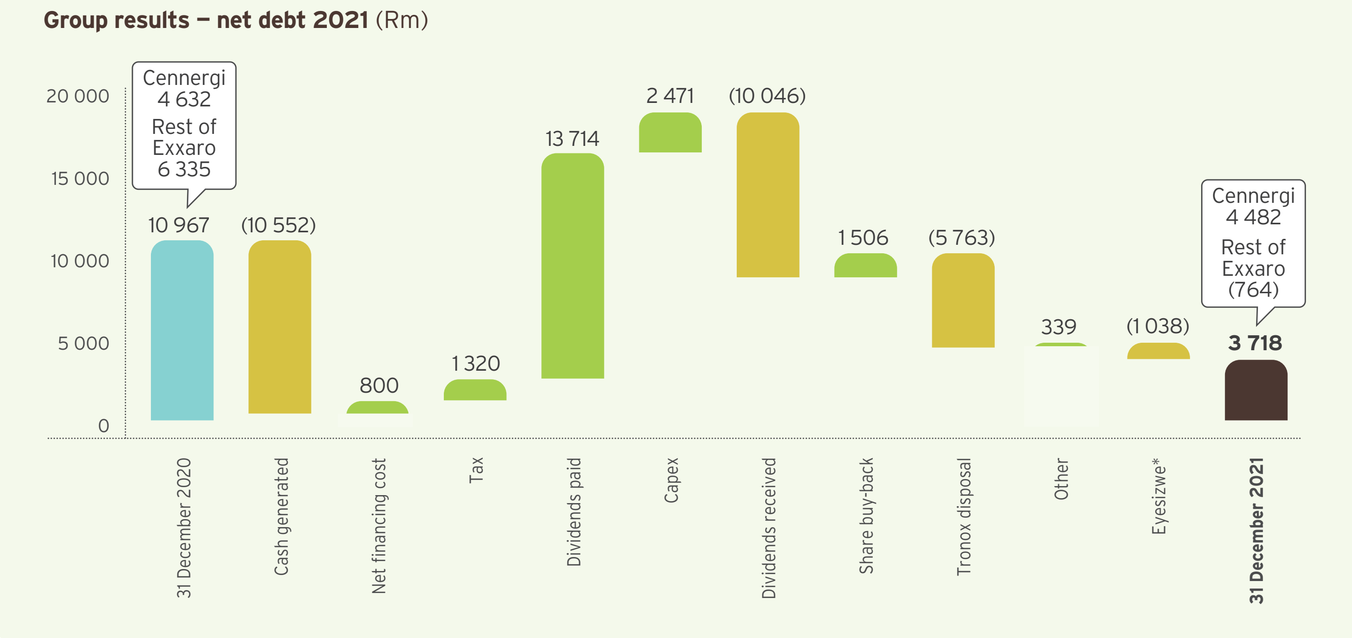
Cash and cash equivalents increased 120% to R7 042 million when compared to the previous year. Cash flow generated by operations of R10 552 million (2020: R7 770 million) and dividends received from investments of R9 991 million (2020: R3 263 million) were sufficient to cover our capital expenditure and ordinary dividends paid.

** Divestment concluded in September 2021.*

Debt expenditure

Our positive operational results and monetisation of our investment in Tronox Holdings plc strengthened our balance sheet, resulting in a net cash position of R764 million (excluding Cennergi's net debt of R4 482 million), compared to net debt of R6 335 million (excluding Cennergi's net debt of R4 632 million) at 31 December 2020.

The graph below summarises key movements in the net debt balance for the year ended 31 December 2021.



SALE OF NON-CORE ASSETS AND INVESTMENTS

Exxaro concluded its strategy to monetise its investment in Tronox Holdings plc when Tronox Holdings plc exercised the "flip-in" call option for the Tronox SA shares. This became effective on 24 February 2021 and resulted in the deemed disposal of the Tronox SA shares in exchange for Tronox Holdings plc ordinary shares. On 1 March 2021, all Tronox Holdings ordinary shares were sold.

On 8 April 2021, Exxaro signed a sale and purchase agreement to dispose of our ECC* operations to Overlooked Colliery. All conditions precedent to the sale and purchase agreement were fulfilled and the transaction became effective on 3 September 2021.

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

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

** Divestment concluded in September 2021.*

KEY FINANCIAL PERFORMANCE INDICATORS

The achievement of our key financial performance indicators is presented in the table below.

All internal KPIs are well within target, indicating a healthy balance sheet and strong cash flow generation. The impact of various coal sensitivity measures as well as the key financial risk factors can be further used to stress test our current headroom.

We have also comfortably met all our bank covenants for the year ended 31 December 2021 as well as the previous financial year.

Performance — key indicators	Target	2020	2021
Internal KPIs			
EBITDA interest cover* (times)	>4	15	75
Net debt/(cash):equity* (%)	<40	17	(2)
Net debt/(cash):EBITDA* (times)	<1.5	1.0	(0.1)
ROCE (%)	>20	25	45
Bank covenants**			
Net debt/(cash):equity (%)	<80	14	(1)
EBITDA interest cover (times)	>4	11	35
Net debt:EBITDA (times)	<3	0.7	0.0

** Excluding Cennergi since consolidation of 100% of results since the step-up acquisition from 1 April 2020.*
*** Including dividends received from associates and contingent liabilities, except DMRE guarantees and excluding Cennergi consolidated results.*

COAL SENSITIVITY ANALYSIS

The following diagram indicates certain sensitivities on the coal net operating profit.

Measure	Sensitivity	Impact on NOP* (Rm)	
Royalty cost	1%	(296)	296
Environmental rehabilitation discount rate	1%	(230)	230
Domestic sales volumes	1%	(117)	117
Export price per tonne	US$1	(113)	113
Exchange rate	10 cents	(65)	65
Export sales volumes	1%	(36)	36
Labour	1%	(28)	28
Railage	1%	(19)	19
Fuel	1%	(9)	9
Electricity	1%	(5)	5

** Net operating profit.*

KEY FINANCIAL RISK FACTORS AFFECTING OUR PERFORMANCE

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These include market risk (including foreign currency risk, commodity price risk, interest rate risk and price risk), credit risk and liquidity risk.

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of foreign currency exchange rates, commodity prices, interest rates and changes in the environmental rehabilitation funds' portfolio of assets' quoted prices.

Price risk management

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

Foreign currency risk

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

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

Uncovered cash and cash equivalents amount to US$49.85 million (2020: US$116.35 million).

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

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

	2021			2020		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	14.78	14.88	15.94	16.45	16.43	14.62
€	17.47		18.04	18.76		17.97
AU$	11.11		11.55	11.35		11.27

Commodity price risk management

The group entered into commodity FECs to hedge certain of its export product exposure in terms of coal prices for the period ended 31 December 2020. The commodity price hedges on coal matured in April 2021, realising a total loss of R43 million. There were no commodity FECs at 31 December 2021.

Interest rate risk

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

As part of the Cennergi business combination, the group assumed Cennergi's borrowings and interest rate swaps as financial liabilities in 2020. The contractual terms of these borrowings required interest rate swaps (hedging instruments) to be entered into to swap out the floating interest rate of the underlying project financing (hedged items) for a fixed interest rate. This was required to fix the future expected returns given the long-term nature of the project financing. The group amended its interest rate risk management strategy taking cognisance of the assumed Cennergi borrowings and interest rate swaps.

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

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

Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for the loan facility and bonds is summarised below for Exxaro:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2021		
Non-current interest-bearing borrowings: loan facility and bond	4 704	4 704
Current interest-bearing borrowings: loan facility and bond	851	851
Total interest-bearing borrowings: loan facility and bond	5 555	5 555
Total borrowings (%)	100	100
At 31 December 2020		
Non-current interest-bearing borrowings: loan facility and bond	2 748	2 748
Current interest-bearing borrowings: loan facility and bond	6 053	6 053
Total interest-bearing borrowings: loan facility and bond	8 801	8 801
Total borrowings (%)	100	100

Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in three-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

The exposure profile is summarised as follows:

	Percentage exposure			
At 31 December	**2021 %**	**2020 %**	**2021 %**	**2020 %**
Project financing nominal amount	100	100	(4 700)	(4 810)
– Linked to fixed rate	3	3	(145)	(158)
– Linked to floating rate	97	97	(4 556)	(4 652)
Project financing nominal amount linked to floating rate	97	97	(4 556)	(4 652)
Interest rate swap notional amount (swap floating rate to fixed rate)	(81)	(81)	3 808	3 885
Effective floating rate exposure on project financing[1]	16	16	(748)	(767)
Tsitsikamma SPV			(748)	(767)

[1] *Represents 40% exposure on the Tsitsikamma SPV project financing.*

Finance director's overview continued

Liquidity risk

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

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

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

	2021 Rm	2020 Rm
Amount approved	49 438	48 476
Total borrowings	(10 255)	(13 611)
Unutilised borrowing capacity	39 183	34 865

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2021 and 2020 financial years.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Credit risk

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group's exposure and credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually.

Exxaro has concentration risk because of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represent its estimate of expected credit losses for trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month expected credit loss component that results from possible default events within the 12 months after the reporting date and a lifetime expected credit loss component that results from all possible default events over the expected life of a financial instrument.

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

Detail of the trade receivables credit risk exposure:

At 31 December	2021 %	2020 %
By geographical area		
RSA	88	72
Europe	8	16
Asia		12
USA	4	
Total	100	100
By industry		
Public utilities	67	57
Mining	5	6
Manufacturing	2	1
Merchants	15	30
Food and beverage	1	1
Steel	9	4
Cement	1	
Other		1
Total	100	100

OUTLOOK

Economic context

In the first half of 2022, the post-pandemic economic surge is expected to subside, as pent-up demand is exhausted, allowing for a downshift in global real GDP expansion. The withdrawal of fiscal and monetary policy stimuli will weigh on global growth as governments contain spending and contend with higher debt burdens. COVID-19 vaccination rates are expected to increase further, and barring any renewed infection rate increases, enabling affected economies to reopen.

The pandemic has strained South Africa's fiscal position, with public sector debt unsustainably high. Furthermore, South Africa experienced its worst-ever year of rotational power cuts, with Eskom continuing to highlight the impact of high debt burdens, illegal connections and weak cash flow. South Africa's electricity constraints are expected to continue into 2022 impacting growth prospects.

The rand/US dollar exchange rate is expected to remain volatile in the first half of 2022, depending on whether the surge in inflation largely reflects transitory factors.

Exxaro will also continue to closely monitor the impact of the Russian/Ukrainian conflict and how it will impact the global economy and supply chains.

Commodity markets and price

The domestic unsized market will continue experiencing pressure due to the increased volumes in the domestic market on the back of lower rail performance as domestic mining operations continue to struggle to excavate coal destined for the export market. On the international front, we expect the demand for coal to remain strong as supply is constrained. The influence of high gas prices and expected cold weather in the northern hemisphere, as well as the Russian/Ukrainian conflict will continue to drive demand for our coal.

Lower steel production is anticipated in China, due to power shortages, a property sector slump, emission controls and a broad-based economic slowdown.

Global iron ore supply growth remains a further downside risk to the expected softer market, albeit that the Russian/Ukrainian conflict may cause supply disruption.

Operational performance

As previously communicated, poor logistical performance is impacting our ability to produce and export coal at desired levels. This highlighted the importance to respond quickly to value chain interruptions, and through our integrated operations centres and M2R optimisation strategy, we have the visibility required to respond effectively.

To remain competitive across various markets, our operational excellence and digital programmes are focused on specific projects across the value chain, aimed at managing stock levels, productivity and production costs.

The prefeasibility study to determine the way forward for the Moranbah South hard coking coal project started during the third quarter of 2021 and is expected to be completed by the first quarter of 2023.

Riaan Koppeschaar
FD

4 April 2022

Operational performance

Our manufactured capital comprises the physical mining and energy assets we require to deliver our products, primarily coal and energy. Our operational performance is impacted by the quality of the assets we own and how effectively we utilise these assets.

Exxaro's manufactured capital consists of four mines, two coal project and two windfarms. These assets are substantial in size. It is critical to invest in their upkeep and performance, and optimise their utilisation in delivering our products. It is also important to invest in these assets as they will deliver our strategic goals.

We strive to positively impact the operational performance through:
- Capital investment
- Optimisation strategies
- Divestment of non-core assets

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	• Geopolitical context • Macro-environment • Supporting a just transition to a low-carbon economy	• Transition at speed and scale • Make our minerals and energy businesses thrive	SUSTAINABLE CITIES; RESPONSIBLE CONSUMPTION; CLIMATE ACTION
Executing our strategy	• Coal portfolio optimisation • Diversify into minerals • Build a leading global renewable energy solutions business		

HOW WE WILL ACHIEVE THIS

To achieve excellent operational performance, we need to be strategic on our portfolio of assets and optimise the use of our manufactured capital. We do this through operational excellence and digitalisation programmes, optimisation strategies, internal cost savings and utilising data science for decision making.

Our operational performance areas comprise:
- Coal performance
- Energy performance
- Ferrous performance
- Divestment of non-core assets and investments

COAL

Achievements in 2021

- Product volumes of 42.477Mt
- Sales volumes of 42.759Mt
- Export volumes of 7.632Mt

Despite changes in the coal portfolio, with some operations diminishing reserves, rail constraints and COVID-19, our operational excellence and digitalisation programmes focus on safety, productivity improvements and cost management that deliver value. Through our integrated operations centres and M2R optimisation strategy, we continue to enable timeous decision making, allowing our business to focus on the controllable elements, thus limiting the impact of the disruptions in the value chain. We are continuing with our drive to enhance this process through our data sciences and advanced analytics, which is a large part of our digital programme going forward.

The API4 price for coal exported from Richards Bay was strong in 2021, averaging US$124/t versus US$65/t in 2020. Thermal coal prices reached record highs in October 2021 with the API4 price peaking at US$247/t. Prices were driven by an international seaborne market that experienced supply chain disruptions such as bad weather and mine incidents. Shortage of LNG and gas also drove coal prices in Europe higher as gas-to-coal switching took place.

Material handling at our Grootegeluk BU

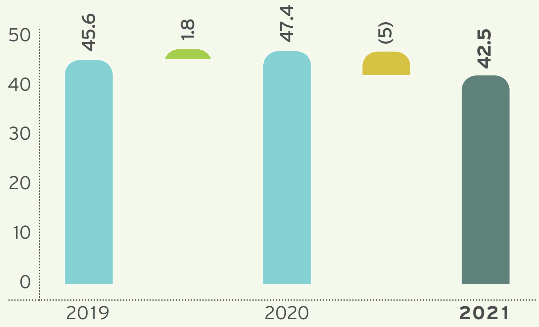
Cost per tonne

Cost per tonne was impacted by lower operational cost linked to lower production volumes, positive foreign exchange realised as well as decreased distribution cost from decreased exports. This was partially offset by inflation, increased employee cost as well as an increase in rehabilitation cost linked to updated rates and increased royalty on increased revenue.

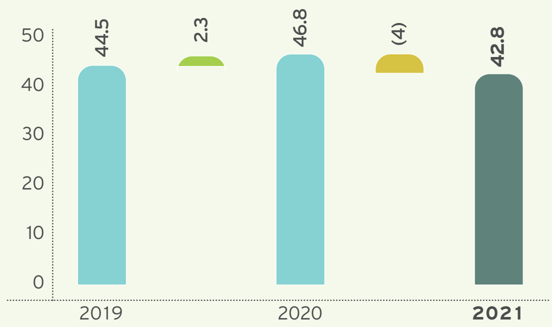
In addition, to respond to the challenging conditions mentioned before, specific internal cost saving initiatives were deployed to address the challenges. These initiatives were implemented successfully and assisted to partially offset the impact of the lower volumes.

To further remain competitive across various markets, our operational excellence and digital programmes continue to focus on specific projects across the value chain, which are aimed at managing stock levels and productivity, thus reducing overall production costs.

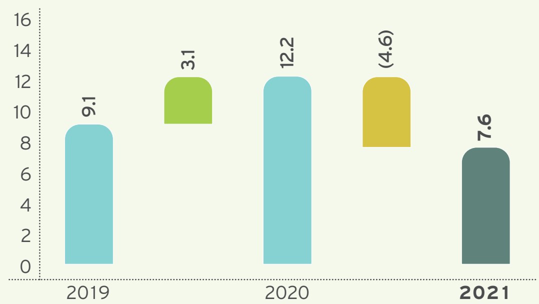
Total coal product (Mt)



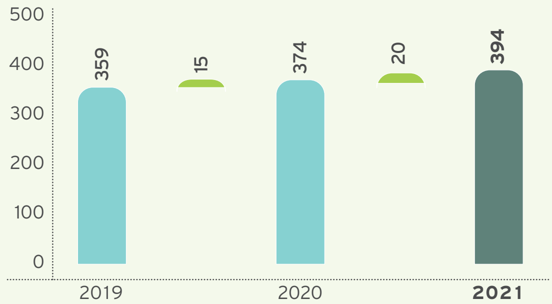
Total coal sales (Mt)



Coal exports sales (Mt)



Cost per tonne (R/t)



ENERGY

Cennergi

Energy core EBITDA was R914 million (2020: R648 million for the nine months since acquisition). Apart from three months' additional results, as Cennergi is now consolidated for the full period, the EBITDA has increased mainly as a result of CPI contractual increases.

The two windfarms' performance generated 724GWh in 2021, marginally lower than 2020 (727GWh in the full 12-month view) due to lower than expected wind speeds, which impacted energy generation.

FERROUS

SIOC

- Core equity-accounted income of R9.035 billion (2020: R6.123 billion) primarily driven by higher iron ore prices and price premia
- Dividends received of R9.991 billion to Exxaro in 2021 (2020: R3.119 billion)

DIVESTMENT OF NON-CORE ASSETS AND INVESTMENTS

TiO_2

Exxaro concluded its strategy to monetise its investment in Tronox Holdings plc on 1 March 2021. As part of this divestment Tronox SA shares have been disposed of.

Black Mountain

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

ECC* and Leeuwpan

We undertook a strategic decision to dispose of our ECC* and Leeuwpan operations, having identified these assets as non-core to the future objectives of Exxaro. The resultant sale of ECC* to Overlooked Colliery was concluded in September 2021. On Leeuwpan, the disposal process is well underway and good progress has been made.

** Divestment concluded in September 2021.*

Business resilience

We leverage intellectual capital, the unique combination of knowledge, experience, innovation and systems that differentiate Exxaro, to enable our response to challenges in the market.

The world is evolving at an unprecedented pace, technologically and in terms of rapid innovation and ideation. Consequently, we need to adapt, leveraging our collective knowledge, skills and resources to ensure our business is responsive while safeguarding our people, assets and the business. This, in turn, will ensure we create value for our stakeholders over time.

We strive to positively impact our intellectual capital through:

- Maintaining our competitive advantage through innovation and digitalisation
- Building on an already successful business as we transition, using our intellectual capital and differentiation with a long-term vision to develop a sustainable, growth-orientated, values-driven company
- Becoming a leading international renewable solutions provider by the end of the decade

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	• Geopolitical context • Supporting a just transition to a low-carbon economy	• Transition at speed and scale • Make our minerals and energy businesses thrive • Become a catalyst for economic growth and environmental stewardship	RESPONSIBLE CONSUMPTION, CLIMATE ACTION, PEACE AND JUSTICE, PARTNERSHIPS
Executing our strategy	• Build a leading global renewable energy solutions business • Stakeholder relationship building		
Driving business resilience	• Capital allocation • Innovation and digitalisation		

HOW WE ACHIEVE THIS

To achieve business resilience, we understand that our daily operations must be able to overcome challenges and adapt to change in global and local markets. We do this through efficient project portfolio management and capital allocation, increasing our competencies across mining and renewable energy, and investing in innovation, digitalisation and technology.

Business resilience comprises:

- Capital allocation
- Investments in renewable energy
- Driving innovation and information management
- Stakeholder relationship management (page 32)

PERFORMANCE AT A GLANCE

	Inputs	Outcomes
Capital allocation	• Commissioned four modules for the GG6 expansion project's new small coal plant • Developed infrastructure projects for Matla • Engagements with Eskom about funding in progress • R1.5 billion for share buy back • Ordinary and special dividends	• Two product beds were handed over to Grootegeluk • Matla will be able to produce 10Mtpa of thermal coal
Investments in renewable energy	Acquired full ownership of Cennergi in 2020	To be a leading international renewable energy solutions provider by 2030 and carbon neutral by 2050 to: • Fulfil own generation needs • Expand South African services and distributed generation footprint • Potential to decarbonise current business operations (scope 1 or 2 emissions)
Driving innovation and information management	• Collaborating with companies and individuals through open innovation • Developed RRODA • Cybersecurity awareness campaigns	• Core system availability: 99.55% (2020: 98.86%) • Cyberintrusions: Zero (2020: zero)

Capital allocation

Exxaro continues to focus on the portfolio of growth and sustaining capital projects as we improve our product mix, cost and resource efficiency. In terms of the sustainable Growth Impact strategy, no further capital beyond 2021 will be allocated to grow the coal business.

Salient features

Capital expenditure decreased by 22% from 2020 to **R2 404 million**	**R1 564 million** applied to sustaining and environmental capital (stay-in-business capital) (2020: R2 110 million)	**R840 million** invested in **new capacity** (expansion capital) (2020: R950 million)

Our coal business is well positioned to maximise good returns. However, we have re-evaluated our Reserves and taken deliberate steps to reduce the risk of stranded assets. We have increased the proportion of high-quality coal in our product mix and we are continually improving our cost and resource efficiency. Due to the need to reduce carbon emissions in our country and the planet's energy mix to manage the dynamic risks presented by climate change and to create value over the long term, our capital allocation is geared towards projects that drive this agenda as well as grow our renewable energy business and prepare to execute on our minerals strategy.

Waterberg (Limpopo)

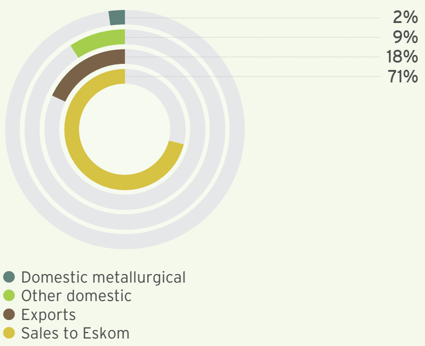
The GG6 expansion project's new small coal plant has been completed with commissioning of all four modules in progress. The construction work of phase 1 within the Grootegeluk plant is complete and producing coal. Construction for phase 2 is forecast to be completed by the fourth quarter of 2021. The last two product beds have been handed over to the Grootegeluk operations. The project forecast final cost remains in line with the approved project budget.

Mpumalanga

We have implemented a programme of infrastructure projects to support Matla to achieve a 10Mtpa production objective once fully ramped up. Exxaro continues to engage with Eskom to release the required funding to execute the full scope of the programme.

Project	Classification (growth/sustaining)	Product	Focus and performance	Capital expenditure	Outlook
LOCATION: WATERBERG (LIMPOPO)					
GG6 expansion	Growth	1.7Mtpa of semi-soft coking coal	Expansion of the existing Grootegeluk plant to enable production of semi-soft coking coal	R5.3 billion	First production through the small coal plant was achieved during the first quarter of 2021, construction was concluded during the fourth quarter of 2021 and the project will close by the second half of 2022.
LOCATION: MPUMALANGA					
Leeuwpan life expansion	Growth	2.7Mtpa of thermal coal	Development of the OI reserve to extend the LoM of the Leeuwpan mining complex by seven years with households and graves to be relocated to Botleng township	R0.6 billion	First production was achieved in the second half of 2018, relocation of Rietkuil families was successfully completed in April 2021 and the project closed in November 2021.
Matla LoM programme	Sustaining	10Mtpa of thermal coal	Infrastructure development to support LoM production	R3.3 billion	Construction work and fabrication of equipment began in the third quarter of 2018. Completion of programme deliverables is expected to conclude in the first half of 2025.

Coal sales by product tonnes (%)



Coal capital expenditure

Capital expenditure in our coal business was 22% lower compared to 2020, mainly due to the timing of key projects as well as the disposal of ECC*.

	2021 actual	2021 previous guidance	2020 actual	% change previous guidance
Sustaining	1 564	1 524	2 110	3
Waterberg	1 285	1 201	1 683	7
Mpumalanga	261	302	411	(14)
Other	18	21	16	(19)
Expansion	840	858	950	(2)
Waterberg	709	738	643	(4)
Mpumalanga	131	120	307	10
Total	2 404	2 382	3 060	1

Eskom

Eskom continues to be a key customer, but its financial and operational performance remain a concern. The power utility's financial position has improved in 2021 relative to 2020, though it continues to experience operational challenges. The long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. Exxaro continues to engage with Eskom on the conclusion of the coal supply agreement for the coal supply from Leeuwpan and the renegotiation of the Matla cost-plus agreement due to expire in mid-2023.

AMSA

Exxaro continues to supply AMSA with 1.2Mtpa of semi-soft coking coal as per the contractual requirements. AMSA ramped up production and restored stability following production disruptions as a result of COVID-19 in 2020. Increased steel demand and improved steel prices have contributed significantly to AMSA's improved financial performance in 2021. AMSA remains a key customer and continues to transform its business to ensure growth and cost competitiveness.

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

Investments in renewable energy

Our investments in renewable energy are a core pillar of our business resilience. We have been deliberate in building our capabilities in renewable energy through our investment in Cennergi, which we acquired full ownership of in April 2020. Scaling our renewable energy business allows us to build on our position as a key anchor of energy security in South Africa, a significant contributor to renewable energy solutions and decarbonisation. Through entry into the renewable energy space, we are exposed to renewable energy industry trends and risks. Cennergi proactively manages its assets and makes business decisions tailored to maximise impact in the short, medium and long term. The company achieves this through executing wind energy and operational energy yield assessments to understand any changes in the performance of assets, or potentially the wind regime.

Cennergi takes all reasonable measures to ensure that the facilities it owns and services are operated in accordance with world-class standards. This is done to ensure that the facilities realise maximum benefits and profitability, and partners in a manner that is fundamentally safe, promotes social development and is environmentally effective. This is achieved through rigorous controls, continuous monitoring, legal and regulatory compliance assessment, effective contract management as well as full-time on-site presence. By following this approach, Cennergi ensures that its business model is consistent with best industry practice and provides a competitive edge to our shareholders – not only for our two current assets but also for our future energy projects.

Windfarms consist of complex electro-mechanical machinery operating in harsh environments and can from time to time suffer technical faults leading to loss of generation. However, the learnings derived from such losses are important, and stringent adaptive monitoring and control measures are implemented to ensure that such events are minimised in the future. This hands-on approach by Cennergi, and the continuous efforts of our wind turbine suppliers Nordex and Vestas, enable our facilities to achieve an availability of approximately 98% over the past five years. Although the wind cannot be controlled, Cennergi perseveres to focus and optimise the aspects of the business that are controllable or partially controllable, and this has allowed us to achieve our availability targets.

Cennergi continues to work closely with its wind turbine suppliers to ensure that the operational boundaries are continually pushed while maintaining a balanced view of current generation targets and future reliability.

Driving innovation and information management

Within Exxaro's context, innovation is defined as the discovery, incubation and implementation of cutting-edge solutions to add value by refining efficiency, increasing effectiveness and enhancing competitive advantage.

Highlights

First South African mining company to develop a digital mine	Developed the ultra-high dense medium separation technology that allowed SIOC to extend its LoM
Recently collaborated with the University of Pretoria to develop extended reality technologies for the mining industry, particularly for health and safety	Mining and energy teams have developed a digital renewables tool that will enable us to get a competitive advantage in the South African landscape

** Divestment concluded in September 2021.*

We further categorise innovation as sustaining, incremental, radical and disruptive. We have an innovation management strategy aimed at identifying areas where innovative solutions will add value to our bottom line, sourcing innovators, technical disruptors or experts to support us in implementing these solutions without losing sight of why we need innovation. This strategy is underpinned by gaining access to an open innovation ecosystem through partnerships and could have a global reach of capabilities to assist in solving business-related challenges.

We face many challenges in identifying, sourcing and implementing radical and disruptive innovation because we need to remain mindful of our core business, However, the innovation management team identified open innovation as the best way to source radical and disruptive innovation while not inhibited by their typical constraints, for example search engine algorithms. Open innovation is an innovation management strategy that promotes collaboration with people and organisations outside the company.

The open innovation ecosystem can be accessed through:

- Intracompany collaboration with companies connected to technology disruptors
- Publicly open challenges with companies on open platforms for individuals to participate
- International subject matter experts that companies can communicate with

Open innovation shows that knowledge and creative initiatives outside the company can contribute to achieving strategic goals and that we do not need to own intellectual property to derive value from it.

Data analytics

In the past years, we have put significant effort into maturing our data analytics capabilities to further drive business value. To date, we have delivered comprehensive data collection and analytics-enabled visualisation of value chains at BUs and supported data science enablement to build prediction models. Our focus on taking our current data from operations, external and functions and using the insights to identify new revenue streams that were previously not known will accelerate in coming years, and our immediate focus is on industrialising models that will unlock business value by predicting potential challenges and opportunities through insights-driven decision making.

Cybersecurity

Digitalisation of mining operations has given rise to cybersecurity risks. This has required us to intensify efforts to protect our information and other digital assets to prevent the loss of sensitive data, disruption of operations, financial loss and reputational damage. Cybercrime is ever evolving and requires us to implement robust response plans to mitigate this risk.

To do this effectively, we are focusing on key initiatives that enhance our ability to identify, detect, respond and recover from cyberattacks. These initiatives include understanding our information and operational technology assets and vulnerabilities, deploying solutions that enable us to monitor our threat landscape, system hardening, managing identities, data loss prevention and integrating our security tools with existing information technology service management platforms that enable rapid response to incidents. As most cybersecurity breaches are caused by human error, we remain focused on driving cybersecurity awareness campaigns to educate our users to remain vigilant to existing cyberthreats.

RRODA

Cennergi's vast experience and digital tools, developed by Exxaro, are redefining the way companies select renewable energy sites. By augmenting Exxaro's mining capability, we developed an advanced integrated system that can remotely assess the feasibility of any location, called RRODA. It enables us to identify, screen and select a location that will maximise the company's energy yield and dividend sustainably. Our proprietary algorithmic selection criteria combine inputs of above-surface renewable datasets with our vast subsurface mining databases to provide an unparalleled view of how best to site a company's renewable energy solution.

Beyond the mining community, RRODA provides an overview of a company's land, creating a digital terrain model that allows us to immediately calculate the levelised cost of electricity down to a single pixel. Our five-step process considers multiple variables, including environmental conditions and local wildlife. The consolidated data produces a scale of sustainability that streamlines the site selection process by predicting its viability accurately.

DELIVERING ON OUR STRATEGY AND FUTURE FOCUS

We will be futureproofing Exxaro and enabling a sustainable future for our business. We aim to fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification. As the company matures, we will build on an already successful platform, leveraging our skills and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company, a leading international renewable solutions provider by the end of the decade.

Our **capital allocation and project execution** remains focused on leveraging the growth investments already made, supporting our early value coal strategy and sustaining our businesses by implementing our portfolio of stay-in-business capital projects. Our early value strategy means we are strategic about our capital allocation. Allocating capital to the coal business will ensure we sustain a robust coal portfolio with strong cash flow generation. We continue disposing of non-core assets. We successfully exited ECC* and our disposal of Leeuwpan is well underway. To ensure our coal business remains resilient, we will continue spending stay-in-business capital. We are targeting average capital of between R2 billion and R2.5 billion annually in real terms.
As part of the early value strategy, the GG6 expansion is nearing completion and the last capital will be spent in 2022.

For our energy business, Exxaro is targeting an additional 3 000MW (net) capacity by 2030 with total capital deployment in the region of approximately R45 billion. We estimate that one third will be our equity contributions and two thirds project financing. This could potentially provide approximately R6 billion in EBITDA in real terms. We are aiming to achieve equity returns on a portfolio basis of 15%.

We are assessing new markets for potential entry that meet our investment criteria, building strong foundations for the future and **investing in renewable energy** assets that enable us to transition to a low-carbon world.

** Divestment concluded in September 2021.*

Driving innovation

We are assessing new markets that meet our investment criteria for potential entry, building strong foundations for the future and investing in renewable energy assets that enable us to transition to a low-carbon world.

In the past decade, the South Africa renewable energy industry has developed mostly around the Renewable Energy IPP Procurement Programme; a well-structured programme with standardised process solutions for providing renewable energy to the South African power grid, backed by a sovereign guarantee. Renewable energy supply to private customers was mostly limited to small-scale (<1 MW) embedded generation solutions. The promulgation of the amended Schedule 2 of the Electricity Regulation Act in 2021 served to increase the threshold for embedded generation from the previous 1MW to 100MW without the need for a generation licence. This unlocked the potential for supply to large private customers and multiple customers from a large generation facility.

As each customer has a different load profile and different energy supply needs, there are various options and combinations of generation technologies (eg wind, solar PV and energy storage) and delivery mechanisms which include behind the meter or wheeling solutions through the national and/or municipal grid to serve customer needs. This short-term innovation creates opportunities and is the key to unlocking new approaches and new solutions for affordable and sustainable renewable energy systems, and to optimise the energy system and maximise customer value.

Therefore, our business transformation processes prioritise innovation. Our objective is to drive energy innovation to ensure we deliver innovative solutions to our customers that continuously contribute to achieving Exxaro and our customers' decarbonisation and sustainability objectives, provide more efficient and cost-effective ways of accessing clean energy and meeting rising energy demands, while contributing to economic growth and sustainable livelihoods.

In addition to short-term innovation that focuses on optimisation of our products and services, we continuously assess longer-term opportunities to create a sustained competitive advantage.

To this end, we have adopted a three-horizon model of innovation. In this model:

- Horizon one "Now" refers to our ability to manage and optimise our current business, continuously improving the solutions we provide to our customers
- Horizon two "Next" refers to the innovation that allows us to lead and act on new opportunities
- Horizon three "New" refers to our innovative capacity to envision and learn from current trends, and emergent opportunities arising from significant shifts in market structure or new technologies

Our investments focus on horizon one proven technologies, however, we monitor developments in horizon two and three to enable us to quickly adopt new innovative solutions, technologies and solutions.

We have adopted a systems approach to develop optimised energy solutions and drive energy innovation through identifying priority areas for innovation, skills development, fostering the development of a range of energy options to meet the varying needs of end-users and contributing to the development of comprehensive energy policies which foster innovation. As such, we are embracing open innovation, recognising that innovation is amplified when knowledge and ideas are not isolated within our organisation. Rather, partnerships and collaboration with key stakeholders such as government will also be critical in our drive for innovation. This is because we recognise that a systems approach is required to solve systemic problems. The government stakeholder group is of particular importance since it plays a key role in driving energy innovation and implementing the incentives and regulations needed to stimulate investment in energy innovation and its deployment and uptake.

In addition, we have internally developed innovative processes and tools that differentiate our energy solutions in the market. This includes RRODA, to quickly and efficiently identify appropriate sites and solutions for customers. The combination of the knowledge from our minerals and energy businesses ensures RRODA considers all above and below surface constraints and factors that may impact the levelised cost of energy through risk-based scenario analyses, for the optimisation of site selection and high-level design parameters, and to quantify tariffs and savings to the customer.

CASE STUDY

Digital transformation

Through our Digital@Exxaro programme we have enabled value driven intelligent integration of our value chain to deliver on near real-time optimisation of our operations.

There are several initiatives that have been implemented as a result of this programme and one such initiative is the Thickener SMART Control solution that has been implemented at Belfast Coal Mine.

BACKGROUND

Issues related to treating ultra fines experienced at other mines in Mpumalanga highlighted an opportunity to improve the design of the Belfast coal beneficiation plant. The average standing time in most of the Mpumalanga operations, as a result of ultra-fines circuit overloads, can be as high as 48 hours per month. These challenges usually occur when treating RoM that is weathered or contains an excessive percentage of ultra fines. The thickener is then overloaded with ultra-fine material, which requires the beneficiation plant to be stopped until the ultra-fines circuit has been cleared of material build-up.

SOLUTION

To solve this problem, the thickener smart control solution was implemented. The solution influences the operation of the thickener by measuring certain parameters such as rake torque, overflow clarity and thickener underflow density. These parameters are then used to pre-empt overloading of the ultra-fines circuit. As soon as the thickener smart control detects the build-up of fines, it automatically reduces plant feed tonnage. This decreases the ultra-fines feed into the thickener until the circuit is cleared.

VALUE REALISED

The implementation of this solution enabled the collection of data which was to predict and prevent the occurrence of system overloads. This enabled better management of the thickener and lessened occurrences of black water.

Ultimately, the system has improved plant utilisation by reducing downtime hours from the anticipated 48 hours to an average of 10 hours per month.

DOWNTIME HOURS

Hours per month

Our people

Our human capital is the centre of success of our business.

Attracting and retaining the right employees with the necessary skills for now and into the future remains challenging in a competitive market. To ensure that we have the right people, we invest in, upskill and offer our employees an attractive value proposition. This investment extends to potential future employees and the communities who provide labour to our operations. We are also mindful of the safety and health of our employees and host communities, and strive to achieve zero harm through collective responsibility, commitment and risk awareness.

We strive to positively impact our human capital through:
- Our commitment to achieving zero harm
- Working with employees and contractors to eradicate any safety incidents
- Continuously investing in our employees' development and growth
- Respecting the human rights of our workforce and those who may be affected by our operations
- Investing in community development through our SLPs and ESD programmes

Material theme	Matter	Our strategic response	Our impact on the SDGs
Helping our people thrive	• Health, safety and wellness • Workforce: culture, capability, diversity, inclusion and innovation • Labour relations	• Make our minerals and energy businesses thrive • Empower people to create impact • Become a catalyst for economic growth and environmental stewardship	GOOD HEALTH, QUALITY EDUCATION, GENDER EQUALITY, ECONOMIC GROWTH

For a detailed overview of our human capital approach and performance, please see the social chapter in our ESG report.

HOW WE ACHIEVE THIS

Our people and partners have the capabilities, mindset, environment and passion to achieve our purpose, and we as a company can build on each other's creativity and experience. We have several measures to ensure we empower our people to create impact.

The board, supported by the SERC, has ultimate accountability for our people's health, safety, engagement and development. The executive head: human resources, supported by various management departments, is responsible for developing and implementing employee-related strategies.

The Central Transport Department team at our Matla BU

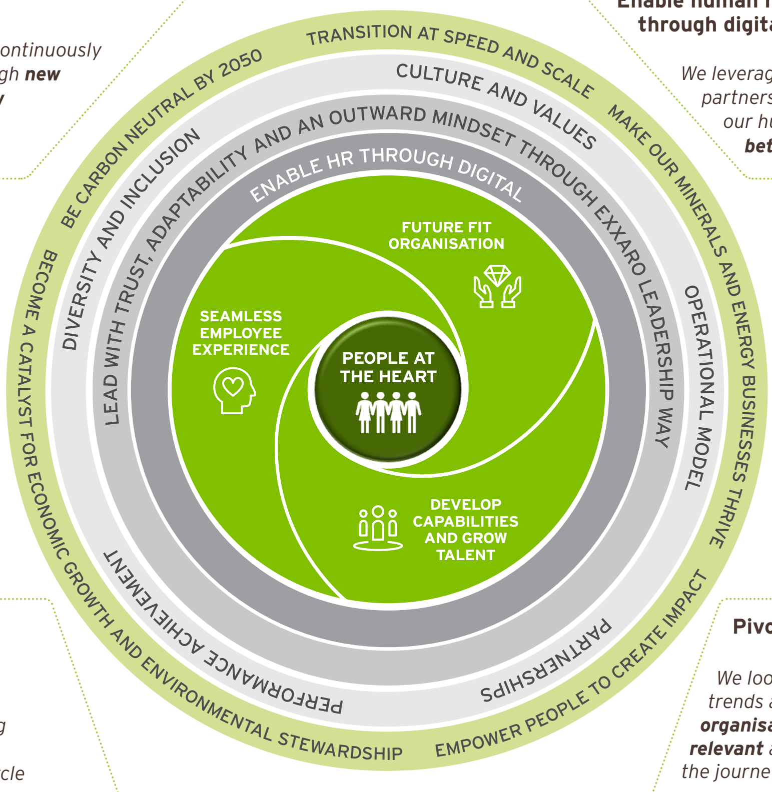
We have a robust people strategy forming the foundation of our employee engagement approach. Our people strategy is based on six pillars:

People-fit organisation

*We **differentiate** ourselves by continuously evolving, creating impact through **new ways of work** and perusing **new opportunities***

Enable human resources through digital

*We leverage internal and external partnerships to **continuously optimise** our human resources services to **better service our people***



Develop capabilities and grow talent

*We **evolve** by demonstrating **excellence**, sharpening skills, pushing limits, and realising our true potential*

Lead with trust adaptability and an outward mindset through Exxaro Leadership Way

*We **empower our employees to truly live** our values, foster a culture of **trust without fear***

Seamless employee experience

*We **collaborate with our employees** to create compelling **human-centred experiences** throughout the employee lifecycle*

Pivot the organisation

*We look at current and future trends and continuously **pivot our organisation** with speed to **remain relevant** and take our people along the journey*

Catalyst for the five Strategic Growth and Impact strategic objectives

These pillars are underpinned by a commitment to a people-fit organisation, developing capabilities and to enable human resources through our purpose to power better lives in Africa and beyond.

Diversity and inclusion

The diversity and inclusion strategy is a key conduit for successful delivery of our business strategy as it enables us to positively grow and harness the diverse talent across our company. The delivery of the diversity and inclusion strategy is managed through a framework, which ensures adequate focus and momentum on key transformation milestones. Our commitment to diversity and inclusion aligns with our values and culture to achieve our purpose. To support this commitment, our diversity and inclusion policy was approved in 2021.

Snapshot of our workforce

Our workforce comprises Exxaro's full-time employees and contractors as well as our renewable energy business workforce. As Cennergi's two operational sites are SPVs, their operational employees are hired by the contractors on site.

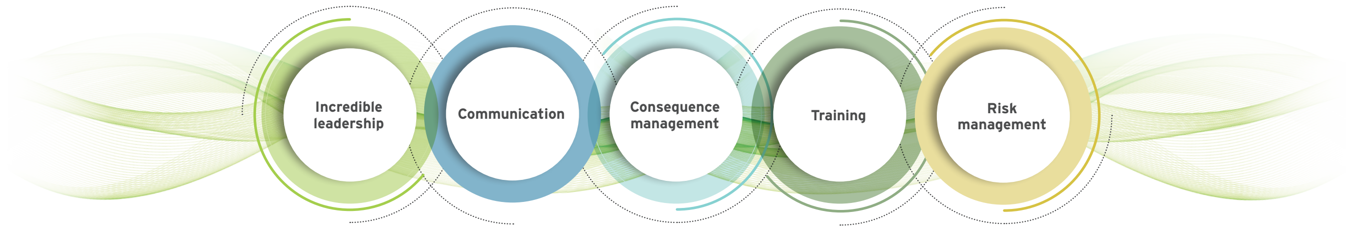
Exxaro
Employed 18 813 people (2020: 22 466) – 35.84% full-time employees and 64.14% contractors

SAFETY

Safety remains a top priority for us due to the nature of our operations. We have a moral and legal obligation to ensure that all employees return home unharmed at the end of each workday, and continuously monitor and improve our safety measures.

Safety is explicitly linked to our strategic objective: make our minerals and energy businesses thrive. To deliver on this, we have an effective safety strategy, supported by our response to safety incidents and reducing and eliminating safety-related risks.

Safety strategy
We are guided by our safety strategy in our efforts to achieve zero harm, focusing on five areas:



We review the strategy annually, and the focus areas have been reviewed and judged appropriate each year since their institution in 2009. We also review our safety targets every year based on prior performance, and apply stringent management protocols, programmes and systems.

We manage our safety through risk reduction and elimination interventions, incident analysis, benchmarking our performance against industry standards and training.

We are proud of our safety performance during the year; a true reflection of our commitment to our people's safety.

Five years fatality-free (as at 3 March 2022) Target: zero	**One high-potential incident (HPI)** (2020: three) Target: zero	**LTIFR 0.08** (2020: 0.05) Target: less than 0.08	**12 lost-time injuries** (2020: nine)

The DMRE issued two section 54 notices (mining activity stopped) and two section 55 notices (mining in affected area stopped) (2020: three), which were resolved amicably	No safety-related grievances were raised against Exxaro in 2021	No fatalities at Cennergi's two windfarms and one lost-time injury at Amakhala Emoyeni

The leading causes of incidents and sources of safety risk have remained consistent from 2012 to 2021. These are trackless mobile machinery, fall of ground, energy and machine isolation, lifting and material handling, and poor risk awareness and discipline.

To focus attention on these high-risk and high-consequence areas, each cause is assigned to an executive team member. Executives publicly engage with stakeholders across our operations about the importance of care and caution in each instance.

The group performed well in comparison with industry averages.

We provide comprehensive training to address safety risks. In 2021, these included:
- Global Minerals Industry Risk Management training for leadership and front-line employees for risk and hazard identification and decision making
- Training for safety representatives
- On-the-job training for our people
- Cennergi provides daily safety toolbox talks, weekly risk sessions, annual safety awareness days and held two safety indabas in 2021.

In pursuit of our zero harm vision, we launched our Khetha Ukuphepha campaign at our BU safety indabas in 2020. This campaign continues to communicate that zero harm is possible and remains the cornerstone of our zero-harm pledge.

In 2022, our aim is to encourage safety performance, record zero fatalities, zero HPIs and further reduce our LTIFR.

HEALTH AND WELLNESS

Employee health and wellness contributes significantly towards improving quality of life, employee morale, productivity and safety performance – all critical for productivity and sustainability in the mining industry.

We have several measures in place to ensure the health and wellness of our people and communities including, among others, our response to COVID-19, foregrounding mental health and consideration of the basic conditions of employment required by legislation. Our health and wellness strategy guides our approach to managing health and wellness throughout the business.

Our health and wellness strategy drives our continued management of health and wellness in the group. It emphasises a preventive and employee-driven approach, and aligns our health and wellness portfolios for a holistic and integrated management programme.

The strategy identifies occupational and non-occupational health risks and their causes, solutions to mitigate these risks, impacts of the risks on the business, and the best approach to ensure an environment that empowers employees to manage and protect their health.

We base our approach to health and wellness on three pillars: prevent, diagnose and manage.

Occupational health performance I **zero harm remains our driver**

Improved hygiene and safe workplace

Integrated healthcare and wellness management

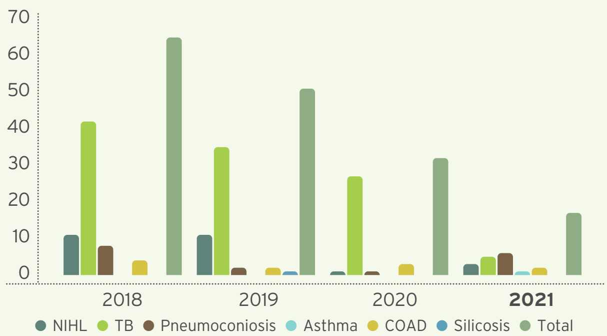
Coordinated access to public and private healthcare

Employee-driven preventive healthcare

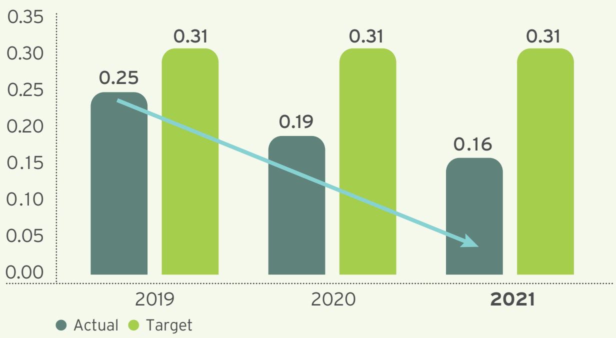
Highlights

- From 2018 to 2021 the group recorded a 74% reduction in reportable occupational health incidents
- 56% improvement on the OHIFR over the past four years
- No cases of silicosis have been reported

Occupational diseases: reported cases



Occupational health incident frequency cases



During the year, we achieved positive health and wellness outcomes. Among others, we successfully managed the impact of COVID-19 on our business, mitigated occupational and non-occupational diseases, rolled out an employee assistance programme and certificate of fitness, and made significant headway in foregrounding mental health issues. Unfortunately, we faced several challenges, including permits for our COVID-19 laboratory and employees' hesitancy regarding vaccines.

At Cennergi, the COVID-19 lockdowns implemented to protect our health brought about a level of wellness-related stress and a change in the way we work. Therefore, our 2021 focus was to support employee health and wellbeing through the new normal and counselling was made available. We also hosted a wellness day and promoted World Mental Health Day and Breast Cancer Awareness Month.

Our response to COVID-19

COVID-19 remained a significant health risk during the reporting period. Our response, in line with our health and wellness strategy, prioritised preventing, reducing and managing infections.

As at 31 December 2021, the group had 6 816 confirmed (310 active) cases and a recovery rate of 95%. The group has since achieved an 86% vaccination rate exceeding both the national target of 70% and mining industry target of 80%.

We remain committed to preventing further loss of life and implementing COVID-19 preventive measures in accordance with government regulations and recommendations.

We ran a series of initiatives to protect our employees' health during the pandemic, details of which can be found in our ESG report.

COVID-19 statistics	Exxaro	Cennergi	Mining industry	South Africa
Cases	6 797	19	62 519	3 603 856
Cases as percentage of workforce	47	21	13	6
Current cases as at 31 December 2021	33	0	408	65 299
Fatalities	33	0	744	95 022

Our people continued

EMPLOYEE ENGAGEMENT

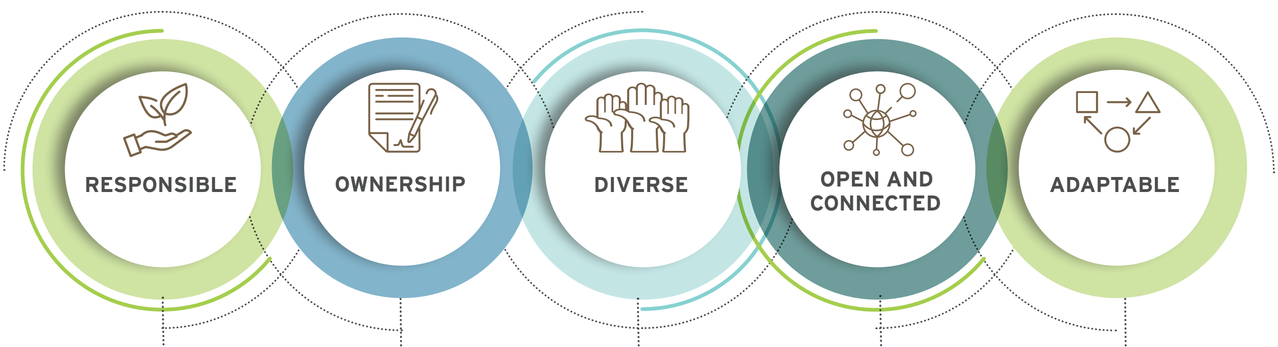
Ensuring our employees are actively engaged supports the best interests of our business, host communities, society and the environment. Engaged employees are productive and focused, which enhances safety and supports business stability. Engaging with our employees helps us understand their material needs and concerns to respond accordingly, maintain our employee value proposition as an employer of choice, and attract and retain key talent.

We believe that our success in delivering on our strategy lies in the strength of our culture and values. To ensure these are successfully embedded across the business, we have an effective employee relations strategy, supported by engagement structures, union recognition agreements and frameworks in place. We maintain sustainable human resource governance with a comprehensive suite of policies that cover employment, labour relations, occupational health and safety, training and education, among others.

Our employee engagement strategy guides our approach to managing employee needs and expectations so that we can maintain a healthy and productive workplace. Our digital tools such as LetsConnect further enable integrated, agile access to information and a personalised experience for our employees.

Our values guide our behaviour at Exxaro

These are underpinned by our culture



Make Exxaro a positive place to be
Acting ethically, with accountability and against misconduct, while treating others with dignity, fosters a safe and healthy work environment.

Success lies with each of us
Contributing to performance and innovation every day, building together, we can drive Exxaro to new heights.

Our potential is in our differences
Harnessing our unique individual skills and opinions enables us to achieve exceptional outcomes.

Working together will bring out the best in us all
Achieving organisational excellence in an open and evolving ecosystem requires collaboration and teamwork.

We cannot move forward by standing still
Succeeding in the ever-changing world around us requires agility as well as willingness to learn and improve.

Our adaptable culture reflects our willingness to learn and improve as we strive towards achieving our strategy. We continue intensifying our employee engagement efforts to share critical information and changes. This includes feedback from our employees through our culture and engagement survey. We conduct the surveys to gain insight, track the efficacy and progress of organisational culture and establish relevant areas of improvement. The organisation further implements respective actions and initiatives to address the identified areas of improvement.

In 2021, the business implemented actions to ensure improvements in the key focus areas identified. These included the following:
- Diverse culture theme: ensuring fairness and equity in the appointment and promotion process. This has been incorporated into the diversity and inclusion strategy
- Rewards: this area is currently being addressed in line with the new incentive schemes through our remuneration function

Labour relations

Our approach to organised labour relations is defined by collaboration and constructive engagement. Union relationships are based on trust and integrity. Our employee relations strategy enables us to proactively maintain a healthy workplace through established engagement structures and dispute resolution mechanisms based on fairness.

Refer to the governance summary on page 81 and the ESG report for more information on how we maintain legal, regulatory and compliance excellence as well as instil transparency, ethics and integrity.

Diversity and inclusion

We are committed to equal opportunity, irrespective of race, religion, gender, health status, sexual orientation or nationality. We believe that our strengthened potential is in our diversity and differences.

The objectives of our diversity and inclusion policy are that Exxaro:
- Plays a leading role in the industry in terms of diversity and inclusion
- Develops appropriate capabilities and leaders in this regard
- Fosters inclusion
- Complies with the overall spirit and intent of South African legislative requirements

We embrace the diversity of our strengths and individual skills to enable exceptional outcomes and promote a culture of inclusivity.

Employment equity

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

Cennergi continues to meet its job creation targets as in the implementation agreement with the DMRE. Employment equity performance for permanent employees is implemented and monitored according to a five-year employment equity plan and tracked by the Department of Employment and Labour.

In a year marked by initiatives aimed at promoting wellness, values of diversity and equity, and the strategic shift towards decarbonisation as a priority strategic goal, it was important for us to ensure that our culture supports, and is accentuated by those initiatives. In particular, the work done in the health and wellness space, and in terms of gender diversity and equity, provided opportunities for our culture to be embedded and foregrounded.

5 180 employees were represented by affiliated unions recognised by Exxaro, being NUM, Solidarity, AMCU, FAWU and NUMSA (2020: 5 119)	**LetsConnect used to further embed our culture through regular communication to employees**	**Achieved an above-acceptable aggregated baseline score of 3.97 in the 2020 culture and engagement survey (against a benchmark of 3.70)**
Average employee turnover rate was 3.7% due to death, resignation and dismissal (2020: 3.6%)	**Level 2 BEE contributor**	**No cases of alleged discrimination or grievances were filed (2020: none)**

Refer to the ESG report for more information about our employee engagement.

Our people continued

MANAGING OUR TALENT

Our ability to deliver on business objectives and ensure business continuity depends entirely on our ability to attract, develop and retain people with the right skills profile aligned with our strategy.

Talent management encompasses a wide range of activities vital to business performance and continuity, including leadership and capability development, meeting compliance targets for sourcing individuals, and managing a sustainable and appropriate talent pipeline.

Through our talent management strategy, we ensure that the business has the right skills at the right time and in the right place, and that a leadership and specialist talent pipeline is developed for critical positions.

The strategy is evolving to support capability development of our workforce in delivering our strategy and by applying practices applicable to new ways of work. In line with the talent management strategy, connect2NEXT culture journey and demands of the COVID-19 pandemic, we focused on digitalising learning to enhance our talent offerings and used technology to give better access to learners.

Initiatives included:
- A new recruitment platform
- Interactive platforms for engaging the talent pipeline of professionals in training (PIT) and bursars
- MyNexxt learning platform to enhance the learning experience
- Interactive and online wellness programmes including financial wellness to support employee wellbeing
- New psychometric capability assessment tools aligned with our strategy

These initiatives form the foundation of a new hybrid work environment, reducing standard times of learning interventions and thus creating more available productive hours.

Succession planning ensures workforce continuity by identifying and preparing suitable internal candidates for positions while ensuring a sustainable leadership pipeline for critical positions through talent mapping. The cluster health across D and E Paterson bands is satisfactory with 31% of the E Band and 26% of the D Band clusters having black employees that are immediately or medium-term ready for the next higher level position. Our robust annual succession planning cycle runs through talent reviews across BU and functional forums.

We are developing and implementing new learning and development interventions in our capability learning catalogue.

The strategic workforce planning division is responsible for workforce planning over the medium to long term. Its key focus is to use workforce planning market data to give input into talent sourcing and development strategies, and ensure that capability frameworks are created and aligned to the new growth strategy.

Since 2018, the division has worked closely with business leaders in coal operations to create opportunities that would drive early value creation for the coal business and help map out the roles that will transition in a digitalised environment. The result of this was a new capability catalogue aligned to the Digital@Exxaro strategy and a new learning platform.

We recently started engaging with stakeholders from our minerals and renewable energy businesses about their workforce requirements. Mapping competencies to new learning interventions will allow employees to reskill and upskill according to the business strategy.

Cennergi prioritises internal recruitment of high-potential people, where possible, to retain valuable talent and promote the growth of its management service expertise, and offers STI rewards to employees, based on individual and company performance.

We invested significantly in our people during the year through new learning and development initiatives. COVID-19 regulations restricted traditional learning, recruitment and selection for learnerships, PIT, bursars and internships. This ultimately affected our SLP commitments and targets. We were able to curb some of these adverse effects by offering virtual learning through the MyNexxt digital learning platform. It provides blended learning and e-learning instead of the traditional classroom method. Our assessment and recruitment processes were digitalised into interview guides, online interviews and online assessments. We continue investigating hybrid training models to provide flexibility while improving the employee value proposition for learning and development opportunities.

Spent R276 million on training	**Contracted nine full-time people with disabilities**	**121 employees attended various leadership programmes**	**Enrolled 201 employees in management programmes**
Invested R1.02 million in adult education and training	**Supported 28 full-time bursars**	**85 PITs in the talent pipeline**	**54% of bursaries were awarded to full-time female students in engineering and mining disciplines**

We spent R276 million or 5.8% of our payroll on training and development this year (2020: R227 million or 5.04%), including:
- R157 million on job-related operational and technical training (operator training and mobile equipment licences) (2020: R114 million)
- R104 million on bursaries, training professionals, internships, learnerships and skills programmes to secure our talent pipeline (2020: R93 million)
- R5 million on developing targeted employees in management programmes, leadership roles, postgraduate studies and support functions (2020: R7.4 million)

Women in mining

We proudly support active women in mining structures across our operations, in collaboration with transformation structures, that highlight and resolve issues affecting women in the workplace.

We empower female employees who make up 26% of our workforce (2020: 24%). We grow this talent pipeline through our PIT programme, which enrolled 41% female candidates in 2021 (2020: 38%).

In 2021, 54% of bursaries were awarded to full-time female students in engineering and mining disciplines at universities in South Africa (2020: 39%).

Our learnership and internship feeder schemes in 2021 comprised 51% women (2020: 40%).

Exxaro is recognised as a leader in gender empowerment as we understand the barriers women face in the mining industry. Our initiatives include:
- Fast-tracking and executive mentorship programmes
- Gender mainstreaming and sexual harassment awareness at all levels
- Encouraging and mentoring young women and girls in our communities to plan their careers and acquire skills to become independent and empowered
- Our gender equality policy

We focus strongly on employment equity plans to increase the number of African females in our feeder schemes and talent pipeline. We sponsored 23 African females in a technical and vocational education and training college to improve opportunities for access to formal learnerships such as artisan training.

In 2021, we had 56% African females with full-time bursaries, 41% PITs, and 51% learners and interns.

Refer to the ESG report for details of our skills development and training initiatives.

CEO designate, Nombasa Tsengwa (in pink) with some of Exxaro's women in mining in 2019

Our people continued

HUMAN RIGHTS

Human rights are the basic rights and freedoms that protect us all. They are based on dignity, fairness, equality and respect. These rights empower and enable employees to speak up and challenge unfairness within the workplace and other stakeholders to hold Exxaro accountable for the impact of its operations should we infringe on these rights.	We recognise that our operations could negatively impact human rights. We are committed to: • Aligning our business practices and strategy with the 10 UNGC principles • Protecting the human rights of our people and communities • Complying with legal and regulatory requirements • Training our employees in human rights • Preventing discrimination, harassment and racism • Regularly reviewing our human rights processes and policies • Providing a flow of information that promotes business sustainability through the ethics hotline • Encouraging open and honest communication between employees and supervisors

We are implementing a human rights framework. We will be reviewing and updating policies to align with the UNGC guiding principles on business and human rights and the Organisation for Economic Co-operation and Development policies, among others. We are also developing a monitoring and evaluation tool to continuously track our progress in compliance.

Cennergi's human rights approach is guided by human resources policies, code of conduct, South African legislation and the company's commitment to the International Finance Corporation (IFC) PS2: Labour and Working Conditions.

Our ESG report and annual UNGC communication on progress are available on our website and provide further detail on topics discussed below.

Exxaro has a labour and human rights policy that documents the company's position and intent concerning the protection of the human rights of employees and people within the company's sphere of influence in the communities in which it operates.

We reviewed human rights policies to ensure alignment with the Constitution of the country and compliance with labour laws	**We continue observing employees' rights to freedom of association – 5 180 (76.9%) of our 6 745 employees are unionised**	**We comply with all International Labour Organization codes**

Proof of our commitment and human rights-related successes include:

We featured in the July 2021 Vigeo Eiris ranking of the 100 best emerging market performers for our approach and ongoing dedication to social responsibility	**We ranked third in the Transparency and Corporate Reporting: South Africa 2020 Report among 100 South African companies under scrutiny for transparency and implementation of anti-corruption programmes**	**We also fulfilled our annual obligations as an active signatory to the UNGC since 2007**

We **do not tolerate or condone child labour and forced or compulsory labour**, and we are aligned with the Basic Conditions of Employment Act and the Constitution of South Africa in this regard.

Our **induction programmes** educate employees about human rights and our position against discrimination. We train our security personnel in human rights aspects relevant to each operation. We also conduct refresher courses that include human rights issues.

Our policies and structures that **prevent discrimination, harassment and racism** protect employees' human rights. Our diversity and inclusion strategy aligns Exxaro with the South African Constitution and other legislation, the National Gender Policy Framework and the UN Convention on the Elimination of all Forms of Discrimination against Women.

To align and strengthen our human rights protection mechanisms, we engage with the Minerals Council, which has a **guiding framework** for the mining industry, and the UNGC. To inform the framework and obtain insights on effective human rights practices, we conducted a **due diligence review** of our human rights performance in 2021. The review included:
- Consulting with the Minerals Council, UNGC and industry peers
- Extracting indicators from the Corporate Human Rights Benchmark tool to perform an internal gap analysis
- Engaging with internal Exxaro functional champions to assess existing policies and procedures to identify areas of opportunity and improvement

Once the framework is completed, it will allow us to specify formal remedies to address human rights complaints and grievances.

The **Exxaro ethics hotline** aims to enhance an honest work ethic, and provide employees and third parties with a mechanism to bring any unethical business practices to management's attention. It is an essential line of defence, providing a flow of information that promotes business sustainability by helping to identify and rectify problems before they become more prominent, more costly or damage our reputation. The hotline operates 24 hours a day, 365 days a year. Our independent forensic department receives regular analysis and launches objective investigations, which are tabled at regular management ethics committee meetings.

We encourage **open and honest communication** between employees and supervisors. Exxaro's employment contracts advise employees of their rights to lodge a grievance if they are dissatisfied, and we have a grievance procedure. Anyone who feels that their rights have been infringed has a right to lodge a grievance without fear of victimisation.

No human rights-related grievances were lodged against Exxaro in 2021.

Exxaro employee vaccination campaign

Social licence to operate: enabling our legitimacy

Our social and relationship capital refers to mutually beneficial relationships that provide our social licence to operate. To ensure we have a holistic, positive and lasting impact on our people, communities and society at large, we conduct our business activities in a way that promotes development and success for us and our stakeholders.

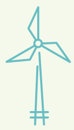
We recognise that South Africa faces many challenges, including unemployment, poor **access to basic services such as electricity, water, sanitation and education,** exacerbated by the effects of COVID-19. As a business, we believe we can help our host communities overcome these challenges.

We aim to positively impact our social and relationship capital by:
- Honouring our SLP and DMRE commitments
- Collaborating for impact
- Engaging in ESD activities that aim to support the creation of new, resilient and sustainable industries, leading to high impact in communities

Material theme	Matter	Our strategic response	Our impact on the SDGs
Building sustainable communities	• Human rights • Job and business creation • Responsible environmental stewardship • Supporting a just transition to a low-carbon economy	• Empower people to create impact • Become a catalyst for economic growth and environmental stewardship	

HOW WE ACHIEVE THIS

As we transform our business, we continue ensuring that our transition contributes to the socio-economic wellbeing of the communities in which we operate. We do this through collaboration efforts driven via our Impact at Scale approach, SLP projects and ESD initiatives.



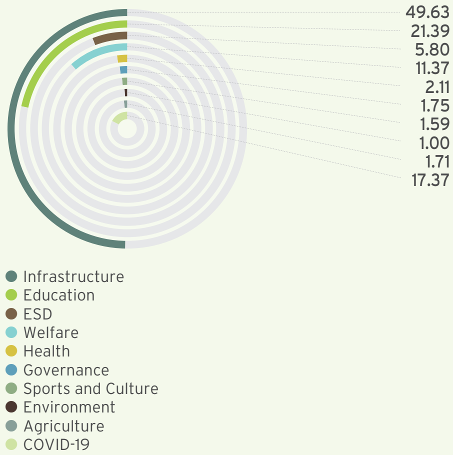
Cennergi is committed to investing 2.1% of revenue in projects that support host communities. Cennergi founded the Amakhala Emoyeni Community Fund Trust and the Tsitsikamma Community Windfarm Trust to disburse and manage its socio-economic development and enterprise development programmes. Community projects outside a 50km radius of those operations are funded through Cennergi's CSI budget.

Our integrated approach to infrastructure development, education, healthcare and ESD aims to advance and strengthen communities. We understand that our success is measured in the short term by delivery of initiatives and, in the long term, by the legacy we leave for our communities.

Exxaro's approach to socio-economic development focuses on sectors aligned to the SDGs and is considered strategic within South Africa's socio-economic development. The contributions to the various sectors are as follows:

Social investment projects in local economic development (Rm)
excluding ESD financial support

2021 total social investment
R113.72m



Our social investment activities continued to gather momentum in 2021 after lockdown disruptions in 2020 with a primary focus on ESD and community infrastructure projects. Unfortunately, some projects were halted by community members who expressed concerns regarding the preferential procurement process. We also experienced delays in the approval of the Belfast, Matla and Leeuwpan SLPs. The DMRE has since approved the Belfast and Leeuwpan SLPs, and has given guidance on the Matla SLP, which will be concluded and submitted for approval in the first half of 2022.

Provided **R127.7 million** to 15 ESD beneficiaries

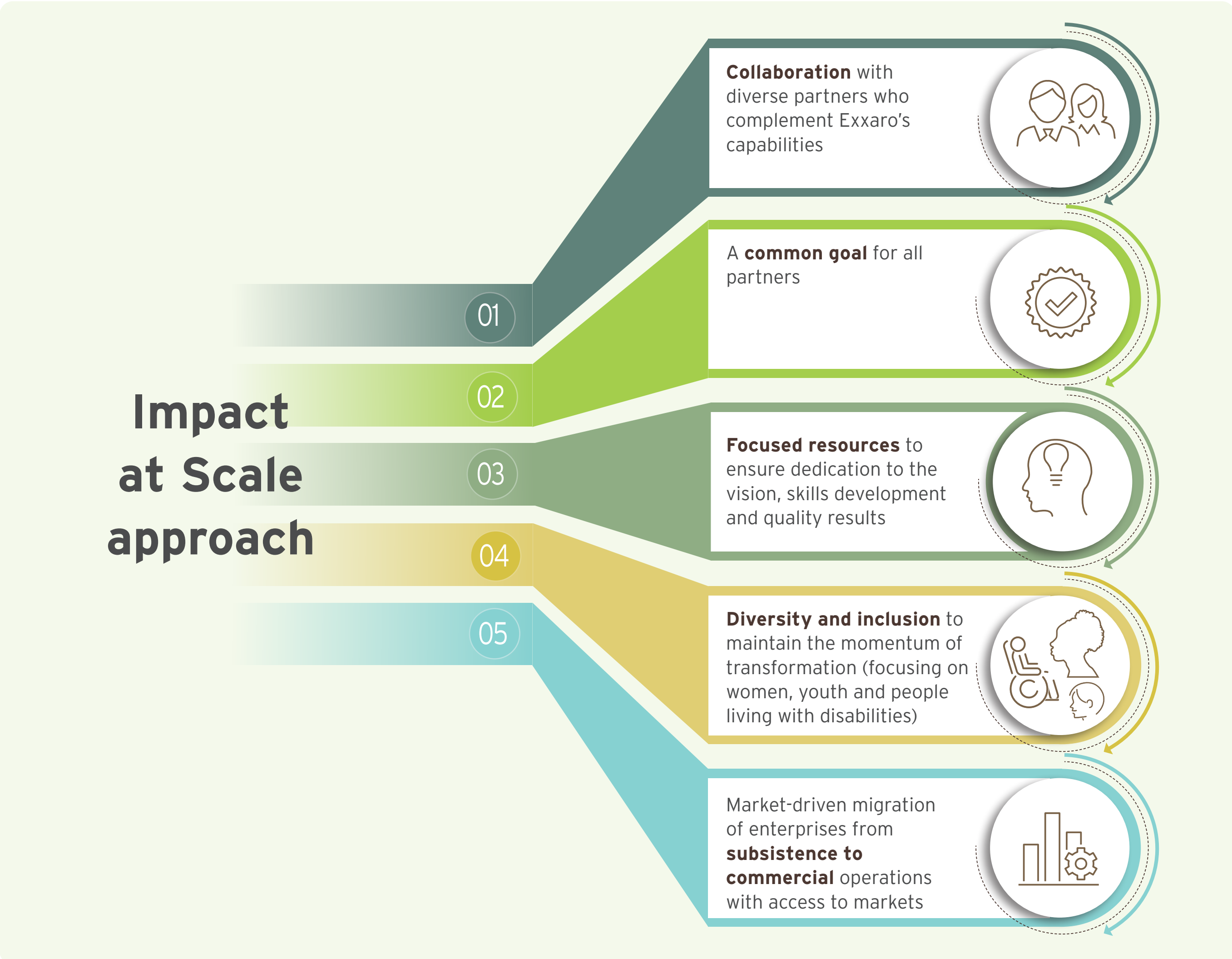
Stakeholder engagement day with local government and host community structures and representatives

Created **205** jobs on infrastructure projects, which included building an ESD hub, social services, water and schools' infrastructure

Socio-economic development expenditure, including SLPs, ESD, CSI and COVID-19 relief, totalled **R241.42 million** (2020: R198.64 million)

Our Impact at Scale concept has driven our approach to community development since its introduction in 2020. It seeks to establish inclusive, collaborative cross-sectoral platforms, initiatives and partnerships to achieve systemic socio-economic impact through public-private partnerships at regional level. These activities complement our SLP, CSI and ESD initiatives.

Our Impact at Scale approach is guided by Exxaro's Sustainable Growth and Impact strategy, and focuses on:



Programmes and partners

- Impact Catalyst platform with Anglo American, World Vision South Africa, the Council for Scientific and Industrial Research, Zutari (formerly Aurecon) and the Limpopo provincial government
- Municipal capacity building programme with **NBI** and **COGTA**
- Community benefit scheme with **Matla Setshabeng NPC**

Aligned with the DMRE's medium-term strategic framework and **government's** District Development Model

Social licence to operate: enabling our legitimacy continued

Our operations have valid mining rights granted by the DMRE, which are at various stages of execution of their five-year SLPs. We delivered our approved SLP projects in 2021, with improved efficiency compared to 2020.

In 2021, we spent R56.44 million on SLPs, which included school infrastructure, delivering the ESD hub and programmes, and water and sanitation infrastructure projects in Mpumalanga and Waterberg. We estimate that approximately 53 000 community members will benefit from services to be provided from these projects. During the construction periods, 202 jobs were created.

ESD programme

Exxaro's coal sites: R4.3 million (non-financial support equivalent) to 126 beneficiaries	**Cennergi: R25 million (18 369 beneficiaries)**

** Excludes SLP ESD non-financial support.*

Exxaro's ESD initiatives are a key component of our socio-economic development response and contribute to achieving our strategic objectives. The initiatives provide financial and non-financial support to small businesses with preference given to businesses in areas where we operate.

We provided R53.3 million to seven enterprise development (qualifying enterprises that are not Exxaro service providers/contractors) and R74.4 million to eight supplier development beneficiaries (qualifying enterprises that are Exxaro service providers/contractors).

These approvals represented 100.2% of the available R127.4 million for ESD loans and grants to create a sizeable self-sustaining loan fund. The higher than budgeted for approvals were also in response to the significantly higher than forecast latest NPAT. The ESD programme engaged the dtic to lessen the impact of the upward change in forecasted NPAT. An option that was proposed to the dtic was for Exxaro to commit to spend the difference between the original and latest NPAT forecasts in 2022, and be evaluated on the original 2021 forecast.

The dtic was not amenable to this proposal and agreed instead that funding commitments made before 31 December 2021 would count towards 2021 recognition, although actual funding would be done in 2022.

What differentiates Exxaro's ESD strategy is our holistic and collaborative approach to development. We developed the contractor development programme with Gordon Institute of Business Science to address the common challenges many SMMEs face such as the basics of running a contract business, operations management and mentorship. Further, Exxaro and Cennergi partnered with SAICA ED to implement SAICA ED's financial excellence programme to enable our suppliers to learn about the financial management systems needed to run effective operations and, in doing so, become more robust and sustainable.

Cennergi's ESD programmes support the development of SMMEs. This aims to promote entrepreneurship, create jobs; increases economic activity in local communities; and empowers previously disadvantage people.

Refer to the social section in the ESG report for more details of our Impact at Scale, SLP projects and ESD initiatives.

COVID-19 support

Exxaro supported the Solidarity Fund with a donation of R15 million and handed over two water bowsers to the Lephalale and Emakhazeni municipalities, to the total value R2.3 million, to address water shortages during COVID-19 lockdown.

Our partnerships with local health departments are outlined on page 125.

Going forward, we intend to power better lives on a larger and more integrated scale, leveraging partnerships to become a catalyst for economic growth and environmental stewardship that we have set out as one of our five strategic objectives. As a catalyst, Exxaro intends to be an agent in starting or accelerating the creation of impact projects rather than controlling the entire process as we do in many other areas of our business.

We will do this by:
- Integrating our existing social and environmental projects to create Impact at Scale
- Securing impact investment funding for sustainable impact projects

Refer to safety, health and wellness in the ESG report for details on our response to COVID-19.

COVID-19 testing facilities at our Grootegeluk mine

Our environment: stewardship and compliance

Our natural capital comprises the resources we draw from our natural environment to run our business and create the products and services we deliver to our stakeholders. We are committed to managing these resources responsibly.

We understand that mining can result in long lasting environmental impacts if unmanaged. Our strategy is anchored on balancing our operational activities with the ability of the environment to regenerate itself.

We are committed to balancing our role as a critical supplier to South Africa's coal-based electricity sector with our deep commitment to sustainable mining and corporate responsibility. As such, we aim to be the most environmentally responsible coal mining company at the forefront of climate change and environmental sustainability as we transition our company to a low-carbon portfolio.

We manage our impact on natural capital by, among others:

- Mining responsibly and committing to environmental stewardship
- Minimising our environmental impact
- Actively participating in the just energy transition to a low-carbon economy
- Reducing the risk of stranded assets, continuously improving our cost and resource efficiency and increasing the proportion of high-quality coal in our product mix
- Incorporating environmental performance principles in our management systems, policies and practices
- Participating in voluntary benchmarks, and supporting/adhering to local and international environmental standards and future-based practices

Using environmental sustainability to guide our business strategies, we strengthen our organisational resilience while ensuring minimum impact on the environment.

Material theme	Matter	Our strategic response	Our impact on the SDGs
Adapting to the changing context	• Supporting a just transition to a low-carbon economy	• Make our minerals and energy businesses thrive • Be carbon neutral by 2050 • Become a catalyst for economic growth and environmental stewardship	CLEAN ENERGY, SUSTAINABLE CITIES, RESPONSIBLE CONSUMPTION, CLIMATE ACTION, LIFE ON LAND, PARTNERSHIPS
Building sustainable communities	• Responsible environmental stewardship		

HOW WE ACHIEVE THIS

Our environmental approach is guided by our Sustainable Growth and Impact strategy and our goal to proactively transition our business to a low-carbon portfolio. To achieve this, we have developed a focused environmental policy that is aligned with company goals and current best practice and standards. This is supported by our all-encompassing group management standards for air quality, water, energy, biodiversity, rehabilitation and mine closure, as well as environmental incident management and reporting. Each BU embeds these standards and maintains ISO 14001 certification for effective environmental management requirements. From 2022, achieving our goals will be further enhanced by linking environmental performance to employee STIs.

Our impact on natural capital relates to air quality, climate change, energy, water and waste management, biodiversity, and environmental liabilities, land management and rehabilitation.

For a detailed overview of our natural capital approach and performance, please see the environment chapter in our ESG report.

Air quality

Managing air quality is a top priority from an operational, social and regulatory perspective. Opencast mining impacts local air quality through construction and vehicle activity on unpaved roads can impact air quality due to releasing pollutants, dust and other particulate matter.

In addition, our pollution prevention plans and regulatory compliance support Exxaro's goal to become carbon neutral by 2050, as they target a reduction in CO_2 emissions linked to energy use.

Managing air quality ranges from our operational approach of prevention and mitigation to engaging with communities. These measures include:
- Proactive air quality management planning
- Risk management
- Monitoring, measuring and reporting via our air quality management system
- Mitigation through applying chemical dust suppressants on unpaved roads
- Adhering to all applicable legislative requirements

In 2021, we continued to implement our air quality reduction initiatives, expanding our monitoring and improving our approach systematically. We installed particulate matter multi-monitors at Grootegeluk to deepen our understanding of the mine's impact on the surrounding environment. We consistently enhance our mitigation measures to reduce the significant impacts on the environment using dust suppression measures that comply with regulated limits.

We aim to maintain our current air quality monitoring network at all BUs and mines in closure to ensure compliance with emissions limits. We are continuously reviewing our air quality management systems at all of our operations align to changes in the mining conditions. In addition, we are continuously investigating alternative dust control measures (wind breakers and other technology for stockpiles) to reduce our dust fallout rate.

Our strategy to go beyond compliance for air quality, will be to actively monitor and measure a broader spectrum of emissions such as Methane, SOx and NOx. Currently methane emissions are reported as fugitive emissions and determined using an empirical estimated method. These efforts will ensure that we lead in our approach to air quality.

Climate change resilience

At Exxaro, we actively respond to the climate change agenda as stipulated by the IPCC scientific findings. The risks it presents, physical and transitional, will impact business sustainability if not actively understood and managed. Conversely, we seek to identify and capture the opportunities that a just energy transition will present.

To positively respond to the climate change agenda, we are pursuing a reduction in our carbon footprint with the goal of being carbon neutral by 2050 for scope 1 and 2 GHG emissions. Delivering on this requires many aspects of our business to transition. Our carbon emissions reductions strategy is driven by our efforts in energy management, where reducing our energy consumption and improving our energy efficiency remains a high priority.

Our approach to climate change is embedded in our Sustainable Growth and Impact strategy as Exxaro repositions our business for climate resilience and business sustainability. This is guided by our:
- Climate Change Response strategy, which is informed by the TCFD recommendations
- Climate change position statement
- Decarbonisation plan

Furthermore, we measure and manage the risks related to climate change through our ERM processes, and measure and report against the Greenhouse Gas Protocol and the CDP climate change programme.

Our absolute carbon emissions (scope 1 and 2) decreased from 1 034 484tCO_2e to 995 082tCO_2e. However, our carbon intensity increased due to production challenges, discussed in our operational performance on page 114. This translates to a 13% increase in carbon intensity despite energy efficiency projects at our operations. We expect an intensity reduction as we implement initiatives to support our STI scheme and our 2050 carbon-neutrality initiatives. Additionally, the grid emission factor increased from 1.06 to 1.08 affecting scope 2 and 3 emissions.

Carbon intensity increased by 13% to **5.51ktCO_2e/TTM kt** (2020: 4.9ktCO_2e/TTM kt)	**Electricity intensity** decreased by 10% to **14.18MWh/kt** (2020: 13MWh/kt)	**Diesel intensity** decreased by 2.05% to **2 000L/kt** (2020: 2 042L/kt)
Scope 1 and 2 emissions **decreased** by 4% to **995ktCO_2e** (2020: 1 035ktCO_2e)	**Scope 3** emissions **increased** by 2.5% to **70 931ktCO_2e** (2020: 69 220ktCO_2e)	We have participated in the **CDP climate change programme** since 2008

We remain cognisant of the changing regulatory landscape and continue to monitor related developments that may impact our business. We will continue contributing to Exxaro's goals to build a climate-resilient organisation – by reducing emissions and extending our influence throughout our value chain. We will progress our efforts to raise awareness, internally and externally, about climate change and the just energy transition required to support South Africa's transition.

Our environment: stewardship and compliance continued

Energy management

Improving energy efficiently is critical, particularly in South Africa, where electricity costs are increasing and primarily generated using fossil fuels. Exxaro is committed to being carbon neutral by 2050 for scope 1 and 2 GHG emissions. We recognise that energy management is the key driver of carbon emissions and therefore critical to the achievement of our decarbonisation goals.

Innovative and efficient energy management is critical on our path to carbon neutrality. As we prepare our business for the low-carbon economy, we must ensure that decarbonisation thinking is embedded throughout our operations with an ongoing commitment to reduce our energy consumption.

Our large-scale investments were previously centred on Grootegeluk, our largest coal mining operation, due to the scale of opportunities and the impact of these initiatives on energy intensity. In 2021, we shifted our focus to include all active operations to implement a cohesive energy management system to baseline energy intensity, set targets, and measure performance of the identified initiatives to reduce energy and carbon intensity in 2022 and beyond. We are driving behaviour change through embedding a culture of energy awareness, reduction and accountability by all employees. This involves ongoing communications, awareness training and engagement. We completed a detailed review of each key BU's energy efficiency opportunities and key focus areas for 2022. Furthermore, we have developed the Exxaro energy and carbon transition profiler dashboard to track fuel and electricity usage at group and BU levels.

These initiatives support the transition to a low-carbon economy and enable our operations to improve energy efficiency by striving to achieve low carbon footprints and optimise energy consumption.

Our energy absolute consumption improved due to energy efficiency projects. Intensity performance regressed due to a decrease of 10% in production tonnages in 2021.

	Electricity	**Diesel**
Total energy consumed **decreased** by 16% in 2021 to **5 411 267GJ** (2020: 6 462 881GJ)	Consumption **decreased** by 0.67% to **601 717MWh** **(2020: 605 770MWh)** Intensity increased by 9% to **14.18MWh/kt**	Consumption **decreased** by 11.73% to **84 852kL** **(2020: 96 131kL)** Intensity **decreased** by 2.06% to **2 000L/kt**

Our 2022 objective is to align the measurement and management of our energy goals across all our BUs. We will confirm and finalise the 2022 targets for operations as well as clarify our five and 10-year goals, and track performance through the energy and carbon transition profiler tool as well as site productivity and energy management services.

In line with our renewable energy strategy, in 2023 we will begin construction of the Grootegeluk solar photovoltaic facility. The Đ70MW facility will be developed with Cennergi and will provide clean, secure energy, significant cost savings and a reduction in our carbon footprint.

Water security management

Water is a strategic natural resource for South Africa and our business. Our mines are in water-scarce areas and the country is experiencing the effects of climate change, particularly increased temperatures and rainfall variability. Furthermore, the International Council on Mining and Metals identified several risks related to mining operations due to chronic changes in precipitation extremes and droughts.

Therefore, it is our responsibility to effectively manage our water supply to safeguard various mine aspects to enable production, dust mitigation on the surrounding communities, effective pollution prevention.

We are committed to responsible and sustainable water use as enshrined in our water management policy. The policy focuses on efficient water reuse and recycling. Our mine and wastewater management policy and strategy follow an integrated water resource management hierarchy that includes:

- Preventing pollution
- Minimising environmental impacts
- Maximising water reuse and reclamation
- Responsible water discharge and disposal
- Water treatment

The policy aligns with the requirements of the National Water Act, 1998 (Act 36 of 1998), supported by the integrated water resource management hierarchy issued by the Department of Water and Sanitation.

We implemented a comprehensive programme on responsible and sustainable water management at our BUs, focusing on water use and related risks. We manage these risks, minimise impacts and operate efficiently by:

Reducing, reusing and recycling water in line with water conservation plans that support the National Water Resource Strategy	Equitable distribution of water resources, considering business growth and sustainable consumption	Our commitment to protecting and improving water quality by discharging water treated in our BUs through our reverse-osmosis water treatment plant at Matla

We continued implementing and improving our water management efficiency, mitigation, maintenance and conservation measures during the year. Highlights include:

- Finalising the Grootegeluk water strategy, which includes a revised water balance simulation over the LoM and recommended changes to infrastructure to enhance water security in short, medium and long-term horizons
- Improvement in managing and desilting pollution control dams to allow for sufficient storage over the wet season to be utilised over the dry season
- Investing in research, new and alternative technologies, and technological changes that will increase process efficiency and water recycling and treatment
- Appointing a new tailings dam operator

46% water recycled (2020: 45%)	**10 890ML** total water withdrawal ↓ (2020: 11 798ML)
10 281ML total water consumption → (2020: 10 924ML)	**149L/t** water intensity (2020: 137L/t) (target 2025: 180L/t)

From 2022, we will measure and link the achievement of our water-related targets to our group-wide STI scheme as a driver of our Climate Change Response strategy and Sustainable Growth and Impact strategy. As part of our TCFD process, the financial and business resilience implications of water security will be effectively quantified. We will continue our efforts to improve our water efficiency through various infrastructure projects and enhancements.

Waste management

Mining activities create various waste streams. The responsible and successful management of waste is critical to maintain our licence to operate, and an important part of how we minimise environmental degradation.

To address and manage this, we develop policies and procedures that align with leading practices, ensuring we leave a positive legacy for future generations.

We have a group environmental policy and waste management standard for hazardous and non-hazardous waste. Our waste management standard enforces a hierarchy that promotes prevention, minimisation, reuse, recycling and energy recovery while ensuring safe waste disposal in line with the National Environmental Management: Waste Act, 2008 (Act 59 of 2008) and supporting legislation.

Our environmental policy includes initiatives such as waste prevention, reuse, recycling, energy recovery and safe waste disposal to reduce environmental and health risks.

In 2021, our waste management team focused on implementing initiatives to better classify, manage and reduce our waste across our BUs as we embrace our cradle-to-grave approach and the ultimate goal of attaining zero waste operations (and implement cradle-to-cradle aspiration). Our waste streams were previously classified in 2013, and we intend to redo this assessment to better classify and manage our performance.

2 914t general waste recycled (2020: 2 914t)	**520t** hazardous waste sent to landfill – a 66% improvement on the previous year (2020: 1 511t)	Added COVID-19 medical waste (masks, gloves and screening waste) as a new stream of hazardous waste

Looking ahead, our focus remains on:

- Improving our disclosure
- Updating our environmental policy
- Updating our waste classification study to quantify the impacts of each waste stream, and identify methods to reduce, avoid and mitigate each waste stream, and the associated cost implications
- Raising our recycling targets to achieve between 80% and 85% diversion of recyclable waste to landfill sites by 2025
- Upgrading and expanding the infrastructure at landfill sites
- Creating linkages between recyclers and recycling buyers using innovative technology
- Facilitating micro-enterprise training and development
- Facilitating access to funding

Our environment: stewardship and compliance continued

Biodiversity

It is an economic and ethical imperative for the industry to prioritise biodiversity conservation for ourselves, the communities that depend on local resources and for the planet.	We are committed to ensuring the protection and conservation of biodiversity-rich ecosystems. We achieve this through our biodiversity programmes, including our alien invader eradication programme, pan research, wetland rehabilitation and offset, and biodiversity relocation initiatives. These programmes not only protect indigenous flora and fauna species but also ensure the expansion of such species to support ecosystems within and beyond the areas Exxaro operates in.

Exxaro takes a holistic approach to biodiversity. Our efforts are aligned with the legislative environmental framework governed mainly by the National Environmental Management Biodiversity Act, 2004 (Act 10 of 2004). Our renewable energy business manages biodiversity around its facilities through an operational environmental management programme, and aligns its approach with the Equator Principles and the IFC's Performance Standard 6 guidelines on biodiversity conservation and sustainable management of living natural resources.
We are committed to:
- Cost-effective solutions
- Environmental responsibility
- Conservation of biodiversity-rich areas within the right mining areas as far as possible
- Management of International Union for Conservation of Nature Red List of Threatened Species
- Control of category 1a, 2 and 3 invasive plants
- Integration of biodiversity into social impact studies

Our programmes include:
- Biodiversity relocation and conservation programmes (these include Manketti Game Reserve surrounding Grootegeluk, African grass owl project at Matla and Cennergi's cape vulture programmes)
- Alien plant eradication
- Pan research and rehabilitation
- Wetland rehabilitation

As part of Exxaro's efforts to consolidate our biodiversity programmes, we will reassess our impacts in 2022 to identify specific targets and related KPIs to measure our performance.

To ensure compliance and continued conservation of areas around our operations, biomonitoring, the implementation of alien invasive control plans and biodiversity management plans will continue and be enhanced at all BUs in the next financial year.

Environmental liabilities and rehabilitation

We are committed to rehabilitation beyond compliance. We believe it is our moral responsibility to conduct concurrent rehabilitation in a changing regulatory, economic and operating landscape. We see environmental rehabilitation as an opportunity to uplift our communities, leaving a positive legacy of alternative sustainable land use. We approach mine closure from a holistic and integrated perspective, understanding that responsible mining practices continually evolve, as we strive to deliver a lasting positive legacy while balancing environmental protection and social wellbeing with financial performance.	Due to the complex nature of environmental liabilities and rehabilitation, Exxaro adheres to several legislative frameworks that guide our management and approach.

All assessments were conducted according to relevant regulations. We review mine closure and rehabilitation financial provisions annually. We use cutting-edge systems and tools to manage environmental liabilities and rehabilitation. This year, we introduced a business analytics service to track expenses against budgeted figures. The application provides interactive visualisations and business intelligence capabilities, enabling timeous mitigation measures to fast-track concurrent rehabilitation.

Rehabilitation plans and closure objectives are amended after environmental management programme performance assessments. Cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted. External auditors visit our sites, review documents and audit the provisions twice a year.

Cennergi reviews its financial provisions for facility closure and rehabilitation annually with a review by an external consultant conducted every third year. Cennergi considers amendments to rehabilitation plans and closure objectives, based on periodic environmental management programme performance assessments. The cost estimates of activities in the concurrent and final closure rehabilitation programme are reviewed and adjusted where necessary.

Each BU has five-year conceptual concurrent rehabilitation plans, schedules and associated budgets to set measurable targets, avoid backlogs and related liabilities, enable managers to implement strategies without cash flow constraints and include concurrent rehabilitation in operational tracking.

9 280ha land rehabilitated (2020: 1 981ha)	**1 933ha land disturbed** (2020: 1 981ha)	**R7 581 million total closure costs** (2020: R9 536 million)

Exxaro's Environmental Rehabilitation Fund (EERF) and additional bank guarantees provide for new developments and cover shortfalls in financial provisions. The EERF's assets are managed in terms of asset and liability modelling aligned with risk, return and liability on each site. The objective is to maximise investment growth in the cost of liability provisions.

Operational closure, concurrent rehabilitation and land management activities directly connect employees, communities, the environment, government and infrastructure, and are part of Exxaro's operating philosophy and moral responsibility. Our land management goals include transferring 90% of post-mining land to emerging farmers in local communities by 2026. We continued to create strategic partnerships with farmers to advance agri-economies in support of government's land redistribution policies.

We actively plan our operations with closure in mind, ensuring adequate financial resources are available to meet our rehabilitation commitments. Four operations were in active closure in 2021, namely Tshikondeni, Durnacol, Hlobane and Strathrae (2020: five). We also strive to integrate land and liability management in daily mine planning. This minimises final closure costs for each operation and optimises final land use after closure. All operations report concurrent rehabilitation KPIs every month on Exxaro's Middle Eye platform.

The social aspects of mine closure are integrated into our approach. These include broader society, employees and communities.

Looking ahead, we aim to continue:
- Embedding rehabilitation and mine closure in our daily management of BUs
- Focusing on rehabilitation standards that ensure sustainable alternative post-mining land use
- Setting clear, measurable, concurrent and ongoing rehabilitation targets
- Building accountability into operational management KPIs
- Reducing or maintaining financial environmental liability levels
- Introducing concurrent rehabilitation reporting
- Developing engagement and management plans with the decarbonisation team to incorporate rehabilitation into carbon-neutrality initiatives

Protecting South Africa's indigenous flora and fauna within our mining rights areas forms part of our biodiversity focus