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Navigating this report

We use icons to show:

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

 Read more in this report

Material themes that guide our integrated reporting



Adapting to a changing context



Responsible environmental stewardship



Building sustainable communities



Helping our people thrive



Executing our strategy



Driving business resilience



Principled governance

The capitals we use and affect



Natural



Human



Social and relationship



Manufactured



Intellectual



Financial

Reporting suite

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



Integrated report




Consolidated Mineral Resources and Mineral Reserves (CMRR) report



Group and company annual financial statements



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

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

Connect with us

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

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Driving transition through leadership

Welcome to our 2022 environmental, social and governance (ESG) report. The report outlines the collective impact of our ESG initiatives and commitments to drive our Sustainable Growth and Impact strategy and the just transition to a carbon neutral, sustainable future.

We maintained our leadership position in the FTSE Russell ESG Index driven by exemplary governance, record safety performance, economic empowerment of people and contributing to social progress through infrastructure development.

Delivering these outcomes required Exxaro to exercise strong leadership, teamwork and accountability. Delivery is supported by our board, guided by our strategy and measured through our strategic key performance indicators (KPIs). This was possible through the commitment of every Exxaro employee. When I took the helm as chief executive officer (CEO) during 2022, I invited our employees to “get on the bus” with me as we drive to achieve our mutually beneficial objectives. I invite all our other stakeholders to join us on this journey as well.

I am confident that we are steering our business in the right direction with our Sustainable Growth and Impact strategy. Our capital allocation model is an equitable balance between:

- The sustainability of our existing business through safe operations and prudent risk management
- Return of dividends to shareholders and other benefits to stakeholders
- Growth to ensure our future

We completed the first year of our new remuneration programme, which aligns with management, shareholder and business needs. We are pleased with the outcome for the year despite the need for future refinements to the remuneration structure following engagements with shareholders.



Dr Nombasa Tsengwa

Realising value creation through integrated thinking and sustainability

Exxaro Resources Limited (Exxaro, the company or the group) is a South African diversified resources company with an existing coal and renewable energy business and acquisitive growth prospects in minerals and renewable energy solutions.

 <p>Purpose In line with Exxaro’s purpose of powering better lives in Africa and beyond, our ambition is to provide resources (energy, commodities, capital and people) critical to ensuring a low-carbon world.</p>	 <p>Vision We understand that we cannot grow sustainably without creating a positive impact in the environment and communities we serve. We are committed to responsibly maximising the value of our coal assets by reducing stranded assets, and playing an active role in creating a future that realises our vision: resources powering a clean world.</p>	<p>Values Our success lies in the strength of our culture and values, which strengthen our resilience and ensure we deliver stakeholder value. Our values are:</p> <ul style="list-style-type: none"> • Empowered to grow and contribute • Teamwork • Committed to excellence • Honest responsibility
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Sustainable Growth and Impact strategy
The Sustainable Growth and Impact strategy is an integrated, multi-stakeholder approach to positioning the business for a resilient and sustainable future.

Integrated thinking

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

Our approach to integrated thinking is translated into the value creation message, content and structure of this report.

 Read [our ESG perspective](#) (page 8) for our approach to sustainability.

About this report

The ESG report reflects how we manage and measure our impact on the environment and society, and our commitment to good corporate governance.

We report on our progress in creating and preserving value, and preventing its erosion over time in a transparent and understandable manner.

Boundary

This report contains material information about our ESG performance for the period 1 January 2022 to 31 December 2022 (the 2022 financial year). It covers financial and non-financial environmental and social information of our wholly owned and joint operations in South Africa. The reporting boundary incorporates material information about Cennergi Proprietary Limited (Cennergi). We consolidated material information about Cennergi's safety incidents into the Exxaro group's results. Unless otherwise stated, we no longer include information on Exxaro Coal Central Proprietary Limited (ECC) operations since its disposal in September 2021.

We include limited information on operations where we do not have management control but hold an important equity interest, namely Black Mountain, Richards Bay Coal Terminal Proprietary Limited (RBCT) and Sishen Iron Ore Company Proprietary Limited (SIOC), a subsidiary of Kumba Iron Ore Limited (Kumba Iron Ore), or joint control, being Mafube Coal Proprietary Limited (joint venture (JV)) and Moranbah South coal project (joint operation).

Frameworks and guidelines

The content of this report is guided by:

- Our materiality determination process
- The Companies Act of South Africa, 2008 (Act 71 of 2008), as amended (Companies Act)
- The Integrated Reporting Framework
- International Financial Reporting Standards (IFRS)
- The JSE Limited (JSE) Listings Requirements and Debt Listings Requirements

- Department of Trade, Industry and Competition (dtic) Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice
- The effective parts of the Broad-based Socio-economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III)
- The United Nations Global Compact (UNGC)
- Global Reporting Initiative (GRI) standards
- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹
- The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition (SAMREC Code)
- The Sustainability Accounting Standards Board (SASB)
- The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Assurance

The executive committee, various departmental heads and board sub-committees review the report before submission to the board for review and approval. Certain sections are also reviewed by external assurance providers and external experts. Select strategic sustainability KPIs, marked as reasonable assurance (RA) in this report, were assured by independent assurance provider, KMPG Inc.

 Refer to the [assurance report](#) (page 165 to 169) for details.

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Amakhala Emoyeni windfarm between Bedford and Cookhouse in the Eastern Cape

Materiality

We distinguish the information included in the report through a double materiality determination process. Since 2021, we have applied this process, which considers an outward (impact materiality) and inward (financial materiality) focus. Our impact materiality considers our impact on society, communities and the environment, and our financial materiality considers matters that can impact our ability to generate revenue and preserve shareholder value over time.

We group these material matters into themes that link to the resources we use and affect. The 2022 review resulted in 35 matters under seven themes, and differentiated matters more relevant for either the integrated or ESG reports.

Recognising that materiality is dynamic in nature, the process is conducted annually, allowing us to regularly and timeously reflect on matters that may evolve from being material from an impact perspective, to being financially material.

 Refer to the [integrated report](#) (page 22) for a detailed discussion on this process and the material matters we identified.

Theme	Material matters  ESG	Further details
 <p>Adapting to a changing context The operating context is changing rapidly. Social, political and economic issues all impact our ability to create value. We operate in a long-term asset class with significant infrastructure investment. To remain competitive, we must respond to the current context and anticipate the future.</p>	<ul style="list-style-type: none"> Country risk Geopolitical context Macro-environment Supporting a just transition to a low-carbon economy Commodity price risk 	 Our ESG perspective (page 8)
 <p>Responsible environmental stewardship We acknowledge the impact of mining in our ecosystem. We must ensure we are responsible stewards of natural resources upon which our operations and communities rely to ensure a sustainable future for our employees, communities and the planet.</p>	<ul style="list-style-type: none"> Water stewardship Emissions generation Managing our pollution Closure planning and rehabilitation management Carbon emissions reduction Waste management Biodiversity management 	 Transitioning into a low-carbon business (page 11)  Environment (page 33)
 <p>Building sustainable communities We operate in an environment of stakeholder capitalism#. Our business activities impact our stakeholders and they, in turn, respond to these impacts. Our social licence to operate depends on how we look after our communities and the natural world around us, and adherence to legislation. In addition to the many programmes we have in place to support our communities' health and wellbeing, we are also committed to a socially just transition, sensitive to the potential impacts for Exxaro, our communities, South Africa and the planet. # Where organisations are oriented to serve the interests of all their stakeholders.</p>	<ul style="list-style-type: none"> Social licence to operate – including community relations, collaboration, and engagement Social acceptance and community unrest Supporting a just transition to a low-carbon economy Impacts on local communities (positive and negative) Value sharing Job and business creation Resettlement and land use Human rights 	 Stakeholder management (page 24)  Communities (page 78)  Human rights (page 89)
 <p>Helping our people thrive Exxaro's employees are the enablers of our performance. To deliver on our strategic goals, we foster a culture that supports adaptability and innovation, while leveraging the strength of diversity, equity and inclusion. We are committed to protecting our people's health, safety and wellbeing and building trusting relationships.</p>	<ul style="list-style-type: none"> Health, safety and wellness Workforce: culture, capability, diversity, inclusion and innovation Labour relations 	 Stakeholder management (page 24)  People (page 60)
 <p>Executing our strategy Climate change is not a refutable occurrence. We are committed to the Paris Agreement and have established a strategy and business objectives to respond to both the short and long-term risks and opportunities presented by climate change.</p>	<ul style="list-style-type: none"> Coal portfolio optimisation Diversify into minerals Build a leading global renewable energy solutions business 	 Our ESG perspective (page 8)  Transitioning into a low-carbon business (page 11)
 <p>Driving business resilience Underpinning our strategic objectives is the drive to enhance our business resilience through safe production, delivering financial results, effective capital allocation, compliance excellence, entrenching innovation and capitalising on digitalisation.</p>	<ul style="list-style-type: none"> Supply chain and logistical impediments Financial performance and resilience Capital allocation Cyber risk Innovation and digitalisation 	 Integrated report (page 88)
 <p>Principled governance We conduct ourselves so as to strengthen our business reputation as a good corporate citizen and resilience in a changing environment.</p>	<ul style="list-style-type: none"> Transparency, ethics and integrity Embedding ESG in response to increased regulation and for sustainability Legal, regulatory and compliance 	 Governance (page 92)

Our strategic evolution

We are responsibly transitioning to a low-carbon future by repositioning the organisation into a future-facing minerals and renewable energy business.

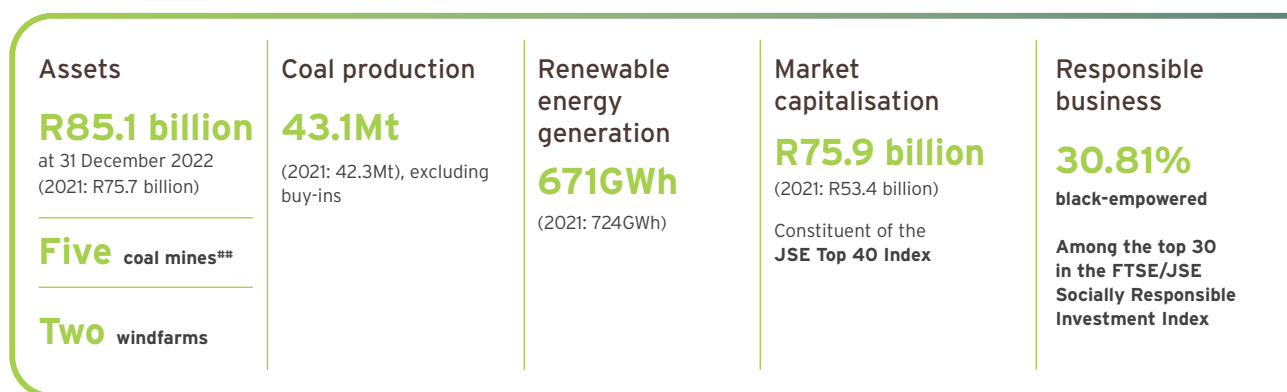
<p>2006</p> <ul style="list-style-type: none"> • Kumba Resources Limited (Kumba Resources) unbundled its iron ore business and created two separate focused mining groups – Exxaro Resources and Kumba Iron Ore (listed on the JSE in the general mining sector) <p>Listing share price: R57.58</p>	<p>2013</p> <ul style="list-style-type: none"> • Frost and Sullivan Visionary Innovation Leadership Award • Deloitte Best Company to Work For • Best risk information system implementation award (Institute of Risk Management South Africa) <p>Closing share price: R146.46</p>	<p>2019</p> <ul style="list-style-type: none"> • Coal Safe Awards for Matla 1 and Leeuwpans mines for 40 fatality-free years • Newcomer Award in Absa Business Day Supplier Development Awards 2019 • Coal Safe Best Safety Performance for a company with over 10 000 employees <p>Closing share price: R131.14</p>
<p>2007</p> <ul style="list-style-type: none"> • Acquired Namakwa Sands • Sipho Nkosi appointed CEO • Deal of the Year Award; creation of Exxaro Resources Limited <p>Closing share price: R103.45</p>	<p>2014</p> <ul style="list-style-type: none"> • Top 10 global leaders in Carbon Disclosure Leadership Index <p>Closing share price: R103.50</p>	<p>2020</p> <ul style="list-style-type: none"> • Cennergi became a wholly owned subsidiary of Exxaro on 1 April 2020 • Collaborated with communities, public and private sectors to mitigate COVID-19 (donated R20 million to Solidarity Fund) • Published climate change position statement • Secondary listing on A2X Markets <p>Closing share price: R138.90</p>
<p>2008</p> <ul style="list-style-type: none"> • Signatory to the UNGC • Included in JSE Socially Responsible Investment Index <p>Closing share price: R71.90</p>	<p>2015</p> <ul style="list-style-type: none"> • Best Corporate Governance Award for Africa region (Ethical Boardroom magazine) • Acquired Total Coal South Africa <p>Closing share price: R44.04</p>	<p>2021</p> <ul style="list-style-type: none"> • 2020 ESG report won the ESG Investing best sustainability reporting award • Best manager of the year award for CEO, Mxolisi Mgojo • Remaining Tronox shareholding sold in March 2021 • Disposed of our equity interest in ECC in September 2021 <p>Closing share price: R154</p>
<p>2009</p> <ul style="list-style-type: none"> • Exxaro's Evergreen Awards instituted to recognise top performers in various categories <p>Closing share price: R104.50</p>	<p>2016</p> <ul style="list-style-type: none"> • Mxolisi Mgojo appointed CEO • 10-year black economic empowerment (BEE) ownership structure unwinds • Cennergi windfarms commissioned <p>Closing share price: R89.50</p>	<p>2022</p> <ul style="list-style-type: none"> • 2021 integrated report ranked fifth at the 2022 EY Excellence in Integrated Reporting Awards • Achieved five fatality-free years in March 2022 • Exxaro appoints its first female CEO, Dr Nombasa Tsengwa on 1 August 2022 • Launched Social Impact and diversity, equity and inclusion strategies • Repacing of the energy business • Reaffirmed our strategy <p>Closing share price: R217.31</p>
<p>2010</p> <ul style="list-style-type: none"> • Reduced HIV/Aids prevalence to 13% (the national rate was 25%) <p>Closing share price: R136.24</p>	<p>2017</p> <ul style="list-style-type: none"> • Replacement BEE transaction implemented <p>Closing share price: R162.50</p>	
<p>2011</p> <ul style="list-style-type: none"> • Progress with energy and carbon management measurements across the business <p>Closing share price: R168.00</p>	<p>2018</p> <ul style="list-style-type: none"> • Mid-cap winner in Chartered Secretaries Southern Africa Integrated Reporting Awards <p>Closing share price: R137.87</p>	
<p>2012</p> <ul style="list-style-type: none"> • Carbon Disclosure Project Leadership Index top score of 100 points • Among top 10 companies worldwide delivering highest returns to shareholders over 10 years • Cennergi (JV with Tata Power) formed to realise renewable energy ambitions <p>Closing share price: R169.00</p>		

About Exxaro

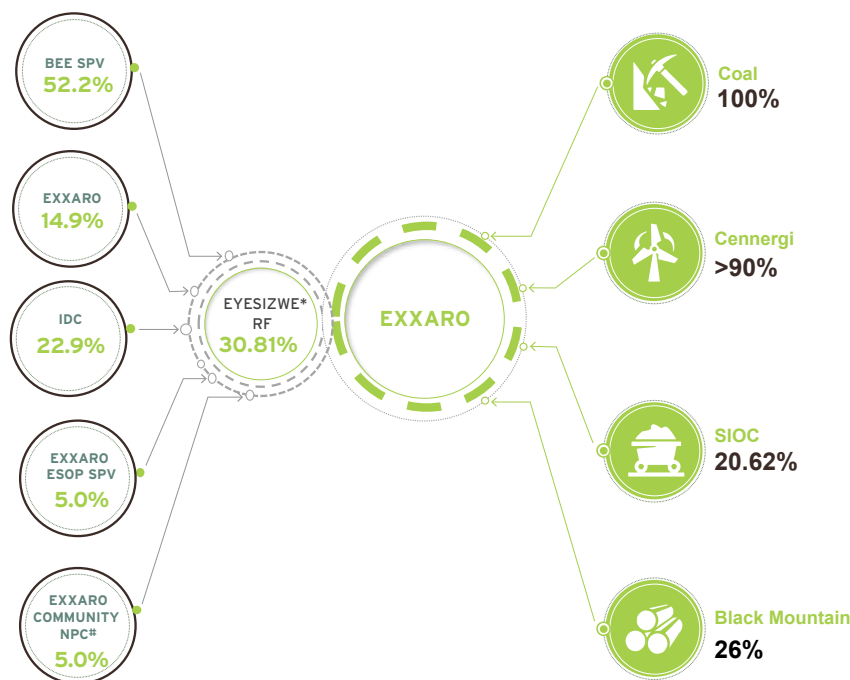
Our business's sustainability and impact depend on our contribution to accelerating economic growth, practicing environmental stewardship and driving positive change.

Our diversified asset portfolio comprises interests primarily in thermal coal (where we are among the top five South African coal producers), a growing renewable energy solutions business and equity-accounted investments in ferrous (iron ore) and zinc among other base metals. We will contribute to a more sustainable future by expanding our business portfolio to include manganese, bauxite and copper. Our business interests in Europe comprise a marketing and logistics office in Switzerland. A joint operation with Anglo Coal Grosvenor Proprietary Limited, the Moranbah South project, is conducted in Australia.

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



Ownership structure



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

Our coal mining business is structured under four legal entities, all managed and operated by Exxaro, supplemented by a 50% JV with Thungela Resources Limited in Mafube and a 12.04% legal equity interest in RBCT.

Our renewable energy business, Cennergi, consists of 229MW of wind generation assets in the Eastern Cape that contribute to the national energy supply.

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

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

We continue evaluating our options to dispose of our shareholding in Black Mountain.

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

Exxaro Matla Setshabeng NPC.

**Including one joint venture, Mafube.

Our assets

Minerals business

Our minerals business comprises coal operations and our equity investments in iron ore and zinc. We have deep roots in mining with a track record of operational excellence and delivering value. Our coal asset base is a key differentiator and critical part of how we create value for our stakeholders. Only mineral assets with Measured and Indicated Resources are listed in this report. Inferred Resources are reported in the supplementary [CMRR report](#).



- Largest high-quality Coal Reserves remaining in the country, providing a platform for early value returns
- Largest supplier of energy coal to Eskom and ArcelorMittal South Africa Limited
- Produced 43.1Mt of thermal and metallurgical coal (2021: 42.3Mt), up 1.9% in 2022 - the majority of power station coal is supplied to Eskom
- Grootegeluk is one of the largest integrated mining and beneficiation operations globally, running the largest coal beneficiation complex, and the only producing mine in the coal-rich Waterberg, adjacent to Eskom's Matimba and Medupi power stations
- As at 31 December 2022, 15% of R1.7 billion capital expenditure was spent on greenfield and brownfield expansion projects (2021: 34%, R2.5 million)

Limpopo



1 Grootegeluk complex

Location: West of Lephalale
Market: Domestic and export
Product: Thermal and metallurgical coal
Coal Resources (inclusive):
 • Measured: 3 039Mt
 • Indicated: 967Mt
Coal Reserves:
 • Proved: 2 034Mt
 • Probable: 550Mt
Mining method: Open-cut
Run of mine (RoM): 56.52Mt
Life of mine (LoM): 19+ years*



2 Thabametsi

Location: West of Lephalale
Market: Domestic
Product: Thermal coal
Coal Resources (inclusive):
 • Measured: 270Mt
 • Indicated: 749Mt
Coal Reserves (inclusive):
 • Probable: 130Mt
Mining method: Open-cut
RoM: Project
LoM: 24 years

Mpumalanga



3 Belfast

Location: South of Belfast
Market: Export (alternative domestic)
Product: Thermal coal
Coal Resources (inclusive):
 • Measured: 101.6Mt
 • Indicated: 8.0Mt
Coal Reserves:
 • Proved: 35.8Mt
 • Probable: 1.4Mt
Mining method: Open-cut
RoM: 2.65Mt
LoM: 11 years

Mpumalanga



4 Leeuwpan

Location: South-east of Delmas
Market: Domestic and export
Product: Thermal coal
Coal Resources (inclusive):
 • Measured: 65.8Mt
Coal Reserves:
 • Proved: 36.1Mt
 • Probable: 3.3Mt
Mining method: Open-cut
RoM: 3.71Mt
LoM: 7 years



5 Matla

Location: West of Kriel
Market: Domestic (Eskom)
Product: Thermal coal
Coal Resources (inclusive):
 • Measured: 657Mt
 • Indicated: 91Mt
Coal Reserves:
 • Proved: 130Mt
 • Probable: 38Mt
Mining method: Underground
RoM: 6.16Mt
LoM: 2+ years*



6 Mafube JV (50%)

Location: East of Middelburg
Market: Domestic and export
Product: Thermal coal
Coal Resources (inclusive):
 • Measured: 125.0Mt
 • Indicated: 16.3Mt
Coal Reserves:
 • Proved: 80.6Mt
 • Probable: 40.8Mt
Mining method: Open-cut
RoM: 5.44Mt
LoM: 21+ years*

7 Moranbah South project (50%)

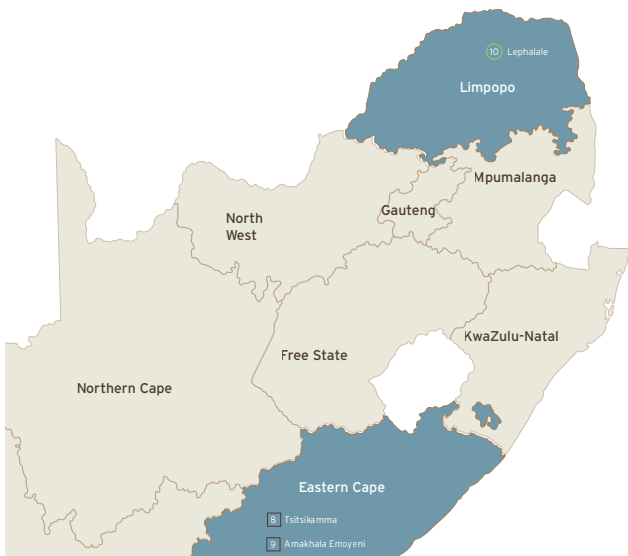
Location: Queensland, Australia
 Undertaking prefeasibility study to inform decision for development prospects.

* Adequate Reserves well beyond expiry of mining right.



Renewable energy business

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



Cennergi is a southern African-based independent power producer (IPP) that focuses on developing, owning and operating renewable assets. Cennergi has two established wind projects (the Tsitsikamma community and Amakhala Emoyeni windfarms).

The renewable energy business is also developing the 68MW Lephalale solar project in a ring-fenced SPV that will supply renewable energy to Grootegeluk, reducing the carbon footprint and electricity costs of this mining operation. The energy business has also concluded a joint development agreement with Enertrag, an established German IPP, to develop projects in Mpumalanga for the mining industry.

Eastern Cape



8 Tsitsikamma community windfarm

Location: Near Tsitsikamma
Capacity: 95MW
Number of turbines: 31 x 3.1MW
Performance: Generation output in line with P50 targets since 2016
Customer: Eskom
Power purchase agreement: 20 years
Commercial operation: 2016
Shareholding: Cennergi (75%), RE Times (16%) and the Tsitsikamma Development Trust (9%)



9 Amakhala Emoyeni windfarm

Location: Near Bedford and Cookhouse
Capacity: 134MW
Number of turbines: 56 x 2.4MW
Performance: Consistent performance since 2016, albeit at lower than planned P50 generation numbers
Customer: Eskom
Power purchase agreement: 20 years
Commercial operation: 2016
Shareholding: Cennergi (95%), Cookhouse Community Trust (2.5%) and the Bedford Community Trust (2.5%)

Limpopo



10 Lephalale solar project

Product: Solar energy
Capacity: 68MW
Customer: Exxaro Coal Proprietary Limited (Grootegeluk)
Power purchase agreement: 25 years
Commercial operation: 2025
Shareholding: 100% Cennergi Holdings Proprietary Limited
Financial close: 31 March 2023
Estimated commercial operation: 2025

Our ESG perspective

Our business activities impact our people, the environment and broader society. Therefore, we have a responsibility to reduce our negative impacts, increase our positive impacts, and ultimately create mutually sustainable value for stakeholders and ourselves.

The ESG imperative

The ESG imperative considers external factors such as social and environmental change, including decarbonisation and reducing poverty. We are driven to play our role in ensuring a fair and equitable society and adjusting our practices to ensure environmental sustainability.

We are committed to protecting our ecosystems and driving environmental and social sustainability given our impact, which includes:

- Operating in mining, which is a socially and environmentally impactful industry
- Operating in South Africa; a water-scarce country with socio-economic challenges
- Being a critical supplier to South Africa's coal-based energy provider, Eskom

Our approach to ESG

We integrate sustainability into our business processes and strategies, and consider our ESG impact in delivering on our purpose, realising our vision and performing against our strategy.

A synthesis of our Sustainable Growth and Impact strategy

	Strategic objectives
Sustainable <ul style="list-style-type: none"> • Be carbon neutral by 2050 • Maximise value from coal through early value and market to resource strategy • Reduce climate-related risks • Deliver positive impact through our Social Impact strategy 	<ol style="list-style-type: none"> 1 Transition at speed and scale 2 Make our minerals and energy businesses thrive 3 Empower people to create impact 4 Be carbon neutral by 2050 5 Become a catalyst for economic growth and environmental stewardship
Growth <ul style="list-style-type: none"> • Diversify into resilient future-facing minerals and renewable energy, ensuring a significant earnings before interest, taxation, depreciation and amortisation (EBITDA) contribution in these areas by 2030 • Grow renewable energy business to 1.6GW (net) by 2030 • Ensure disciplined capital allocation to maximise value, supported by a robust investment process 	
Impact <ul style="list-style-type: none"> • Deliver social, economic and environmental benefits • Contribute to sustainable livelihoods • Strengthen contribution to a just energy transition • Go beyond compliance to achieve sustainable impact 	

Responding to the energy and just transitions is a critical factor of our strategy. [Transitioning into a low-carbon business](#) (page 11).

Our sustainability framework

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

Our Sustainable Growth and Impact strategy considers ESG matters across the asset, portfolio and enterprise levels. We have embedded ESG into our capital allocation model and remain committed to our ambition to become carbon neutral by 2050.





Our approach is driven by:

Supporting global decarbonisation and energy transition objectives

We published our [climate change position statement](#) (sustainability tab) in 2020, which details our aspirational target to be carbon neutral by 2050. To deliver this, we developed our [Climate Change Response strategy](#) (2020 investor tab) aligned with TCFD recommendations and our efforts to build portfolio resilience in line with our Sustainable Growth and Impact strategy.

Supporting global best practice and recommendations

 <p>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p> <p>We support TCFD recommendations and align our reporting and business processes accordingly</p> <p> TCFD index (refer to the databook)</p>	 <p>We participated in the UN Climate Change Conference of the Parties (COP27)</p> <p> Climate change resilience (page 38)</p>	 <p>We are a signatory to the UNGC Active level and support the 10 principles</p> <p> 2021 UNGC COP</p> <p> Human rights (page 89)</p>	 <p>CDP climate change and CDP water programme participation</p> <p> Climate change resilience (page 38) and water security management (page 45)</p>
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Our executive remuneration includes material ESG targets for water and energy efficiency. [Remuneration report](#) (page 145)

Our group short-term incentive (STI) scheme incentivises delivery against key financial, operational and ESG goals aligned to approved annual business plans.

[Governance](#) (page 92)

We are guided by umbrella and respective ESG policies, procedures, strategies and frameworks that support our approach to ESG management and performance.

[Environment](#) (page 33), [social](#) (page 59) and [governance](#) (page 92)



ESG responsibility and accountability

The board is ultimately responsible and accountable for the delivery of ESG commitments. The board is supported by:

- The risk and business resilience (RBR) committee for environmental and climate change impact and management
- The social, ethics and responsibility committee (SERC) for the oversight of:
 - Health and safety
 - Engagement and development of our people
 - Community support and development
 - Stakeholder engagement

Implementation is overseen by the relevant executive heads and operationalised by business unit (BU) managers.

[Governance that supports our sustainability drive](#) (page 95)



Delivering measurable results and impact

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

Benchmarking our ESG progress against our industry sub-sector peers who exemplify global best practice

[Measuring our performance](#) (page 17)

Reporting on progress against strategic KPIs and targets. We also aim to continuously improve our ESG reporting. Selected key sustainability metrics in this report were independently assured by KPMG

[Strategic KPIs](#) (page 19) and [assurance criteria](#) (page 167)

Considering and responding to our stakeholders' needs and expectations

[Stakeholder management](#) (page 24)

Our ESG perspective continued

Exxaro is committed to improving disclosure, and we recognise that transparency and accuracy are critical to this. During the year, we received the following accolades in recognition of our continuous efforts:



We received a Transition Pathway Initiative (TPI) ranking of **4/4**. This high score reflects our commitment to managing our greenhouse gas (GHG) emissions and shows stakeholders and investors that we are in an excellent position to benefit from opportunities presented by the low-carbon transition.



Exxaro ranked in the **top 10** in the sub-sector basic resources in the FTSE Russell ESG rating.



We received a **level B** score in the management band. This is the same as the Africa regional average of B, and higher than the coal mining sector average of C. Our score shows that we are taking coordinated action on climate issues.



Exxaro claimed **second place** Best Sustainability Reporting Award in the metals and mining category in the 2022 ESG Reporting Awards.



We featured in the latest top 100 **Vigeo Eiris ranking** of the best emerging market performers.



Exxaro won an award for being a **fatality-free business** (with 10 000 or more employees) at the COALS SAFE 2022 conference held by the South African Colliery Managers' Association.



We are committed to promoting workplace equality. We are proud to announce that, in recognition of these efforts, we were included in the **Bloomberg 2022 Gender Equity Index**.



Exxaro ranked **fifth at the annual awards** – an achievement that represents admirable progress over the past two years – from 13th in 2020 and 37th in 2019.



We sustained our **A rating** and improved in the environmental category in the ESG ratings by Morgan Stanley Capital International (MSCI).

Our ESG performance is unpacked in the sections that follow.

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

Transitioning into a low-carbon business

Transitioning our business is a direct response to the threat of climate change. We aim to achieve our goal of being carbon neutral by 2050 in a just manner. We are transitioning into a resilient, diversified resources business and decarbonising our portfolio.

Our response includes leveraging opportunities, managing risks, adapting and responsibly operating in a carbon-constrained economy, considering:



Our approach is guided, informed and executed by:

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

<p>TCFD recommendations</p> <p>The TCFD provides a strategic framework for guiding our Climate Change Response strategy.</p> <p> TCFD index (refer to the databook)</p>	<p>Climate Change Response strategy*</p> <p>Our Climate Change Response strategy supports our overarching Sustainable Growth and Impact strategy specifically through three of the five objectives:</p> <ul style="list-style-type: none"> • Transition at speed and scale • Be carbon neutral by 2050 • Empower people to create impact 	<p>Decarbonisation plan</p> <p>To actively reduce scope 1 and 2 emissions by 40% by 2026, we address three primary areas:</p> <ol style="list-style-type: none"> 1. Operations optimisation 2. Value chain partners 3. Stakeholder engagement and inclusion (page 24) <p>Details on our efforts to reduce scope 3 (indirect) GHG emissions are outlined in climate change resilience (page 38)</p>	<p>Climate change position statement</p> <p>In March 2020, we communicated our position on climate change clearly in our climate change position statement (sustainability tab)</p>
<p>Governance</p> <p>Our board applies good corporate governance to ensure sustainable growth while transitioning to a low-carbon world, an ethical culture and delivering on the promise of human rights</p>	<p>Managing the risks related to climate change</p> <p> Climate-related risks and opportunities (page 14) are considered as part of our enterprise risk management (ERM) processes, which strive to embed risk management into existing processes to support informed decision making. A detailed climate change scenario analysis was undertaken in 2019 and 2020.</p>	<p>Measurement and reporting</p> <p>GHG Protocol Exxaro measures, manages and reports energy and carbon data in terms of the GHG Protocol.</p> <p>CDP We have participated in the CDP climate change programme since 2008.</p> <p> Climate change resilience (page 38)</p>	<p>Partnerships</p> <p>We aim to support our objectives by creating partnerships that drive climate action and raise employee awareness of climate change mitigation and adaptation.</p>

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

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

Transitioning into a low-carbon business

continued

Becoming carbon neutral through our decarbonisation plan

Our goal:

- To be **carbon neutral by 2050** for scope 1 and 2
- To actively investigate opportunities to reduce scope 3 emissions, as we intend to take our entire value chain along in our journey to decarbonise the portfolio



To achieve this, we will need to actively reduce our scope 1 and 2 emissions by at least 40% by 2026.

Focus areas to meet our goal

1. Operational optimisation

- Early value coal strategy
- Energy management strategy
- Licence to operate
- Operational energy and water efficiency programmes

2. Value chain partnership

- Partnerships with customers
- Resilient supply chain management process to promote decarbonisation

3. Stakeholder engagement and inclusion

- Upskilling of employees and communities
- Investor support for Exxaro's growth

Project delivery via our decarbonisation workstreams

To deliver these focus areas, Exxaro established a decarbonisation project management office and interconnected workstreams. Each has a clear mandate (as below), and ownership at executive level to ensure accountability and delivery.

Portfolio optimisation

Integrate carbon neutral KPIs in organisational portfolio and capital allocation decisions

Sustainable impact optimisation

Investigate how the decarbonisation plan can be integrated into our community development projects

Technology optimisation

Investigate climate-smart technologies to reduce water, energy and waste risk, and develop an implementation approach for the group

Land assets optimisation

Investigate our GHG exposure for agriculture, forestry and other land use sectors, and develop a decarbonisation plan that considers future land use activities

Carbon financial instrument

Investigate global and local climate financing, and determine how to leverage our decarbonisation plan

Legal review

Develop a legal review instrument to track climate legislation across jurisdictions which influence and impact on Exxaro

Supply chain optimisation

Identify climate change risks and opportunities within our inbound and outbound logistics, and develop a mitigation plan

Training and awareness

Work with the Exxaro university chairs to develop tailored climate change training and awareness material for employees and communities

Operation optimisation

Support the streams by coordinating operational teams to provide data and develop site-specific execution plans

Marketing and logistics

Engage and collaborate with end-customers to reduce climate change risks by reducing scope 3 emissions

System modelling stream

Work closely with the stream lead and technical committee to develop a system-based decarbonisation model that will integrate all internal and external dimensions to support operational and strategic decision making for the group

Risk and audit stream

Work closely with the stream lead and technical committee to ensure risks are accounted for from a strategic decision-making point of view for the group and data is transparent and auditable

Governance oversight of climate change

Our board and its committees are ultimately accountable and responsible for responding to climate change, and therefore to ensure management addresses climate change, among other material ESG matters, and ensures integrated business processes and responses. Board responsibilities and activities include:

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

Our board and management monitor our performance against climate change goals as part of the regular internal reporting process. Additional sessions inform our board and management of emerging trends, risks and opportunities. Climate change matters that relate to committees' terms of reference are discussed at each meeting.

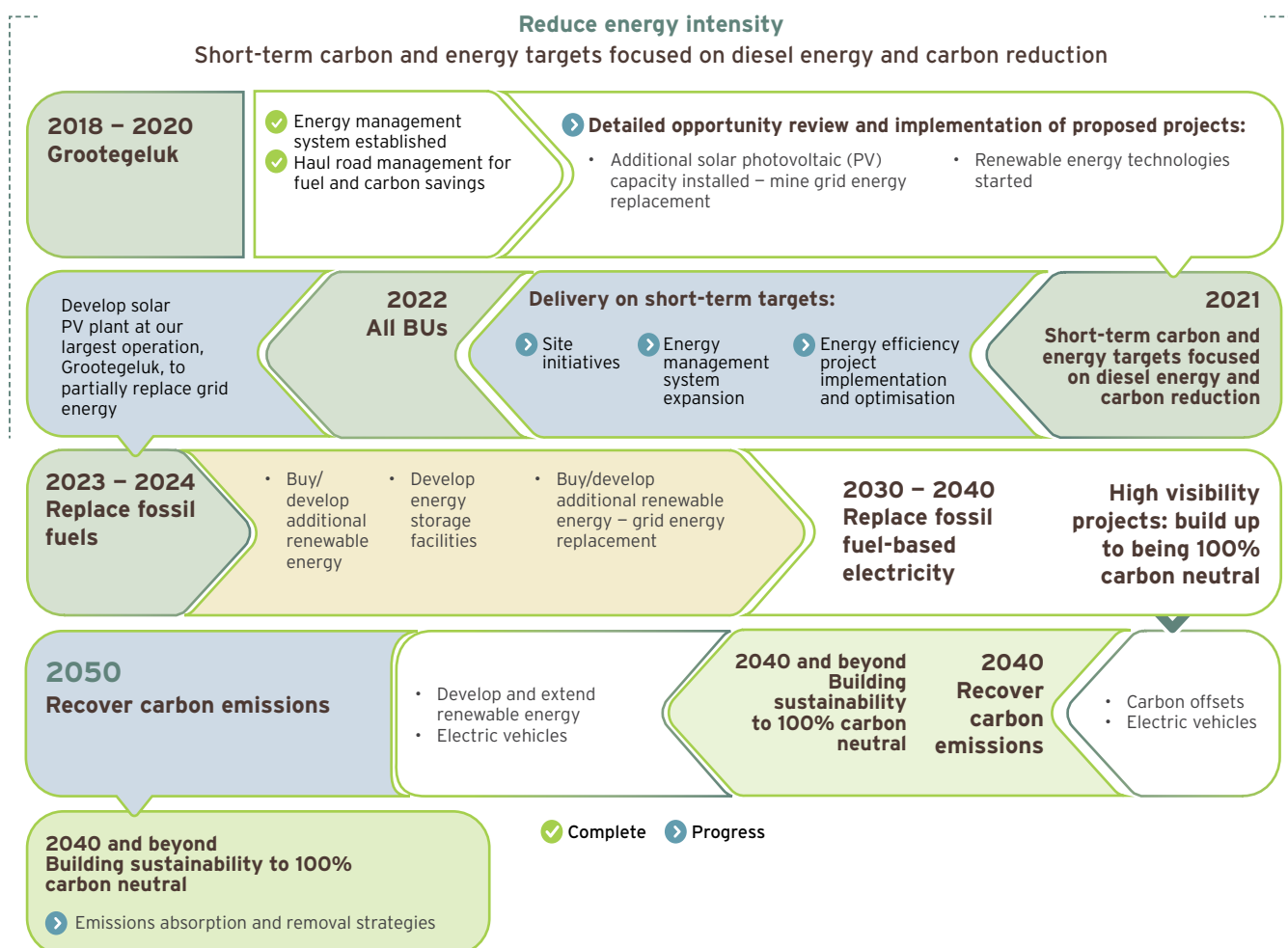
The board has delegated responsibilities for ongoing management of climate change risks and opportunities to the RBR committee (to emphasise climate change issues) and the SERC (to ensure we adhere to just transition principles). These committees meet quarterly and review progress in mitigation, adaptation,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

To enhance our effectiveness as we gear up for our transition, and coordinate our internal and external responses, we have established an ESG steering committee, reporting to our executive committee on ESG performance, measurement and improvements. To ensure alignment with our carbon emissions reduction goals, the ESG steering committee oversees energy management projects and activities. This helps us understand risks and opportunities so that our operations can focus on managing energy consumption, carbon emissions and other climate-related matters.

 [Our ESG perspective](#) (page 8)

Our board and management are committed to understanding and embracing the science behind climate change.  [Governance](#) (page 92)

Our roadmap to becoming carbon neutral




Transitioning into a low-carbon business

continued

Integrating climate change into our strategy

Climate change is one of the forces that shaped our strategy. We conducted a detailed scenario analysis that considered various parameters, assumptions and the resilience of our strategy to climate-related risks and opportunities in line with the TCFD recommendations. These included the transition to a lower-carbon economy consistent with a 2°C or lower scenario and increased physical climate-related risk management to ensure business resilience under these scenarios.

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

 [Our strategy](#) (integrated report, page 44)

 [2020 Climate Change Response strategy report](#) (2020 investor tab) and [2020 climate change position statement](#) (sustainability tab)

 [Risks and opportunities](#) (integrated report, page 26)

Managing climate change-related risks

Climate change-related risks and opportunities are part of our ERM processes; a strategic initiative fully supported by the board and executive management.

We conducted a detailed climate change scenario analysis in 2019 and 2020 to identify these risks and determine their relative significance.

Transition risks		Physical risks	
Credit and insurance risk	1	Water security risk	5
Carbon pricing risk	2	Risk of heatwaves at our operations	6
Market risk	3	Risk of drought	7
Reputation risk	4	Risk of extreme rainfall days	8

Transition risks

1 Credit and insurance risk

Financial institutions are increasingly moving away from funding companies with high climate change risk exposure and intangible carbon reduction targets. Globally, funding of coal-related operations is being diverted to investment that supports a low-carbon economy. Locally, some major commercial banks have indicated that they will no longer fund new coal projects. The financial institutions are increasingly evaluating the impacts of climate change scenarios on borrowers' revenues, costs and property values, and how this could affect the probability of default and loan-to-value ratios at a borrower and portfolio level. This sentiment is likely to grow in the five to 10 years as action to mitigate climate change impacts increases. To manage this risk, the Sustainable Growth and Impact strategy is focused mainly on new renewable generation and minerals that can facilitate a cleaner future. This strategy was presented at our Capital Markets Day in 2021 and many financiers indicated their interest in this new business direction, mitigating some of the financial lending risk.

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

2 Carbon pricing risk

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

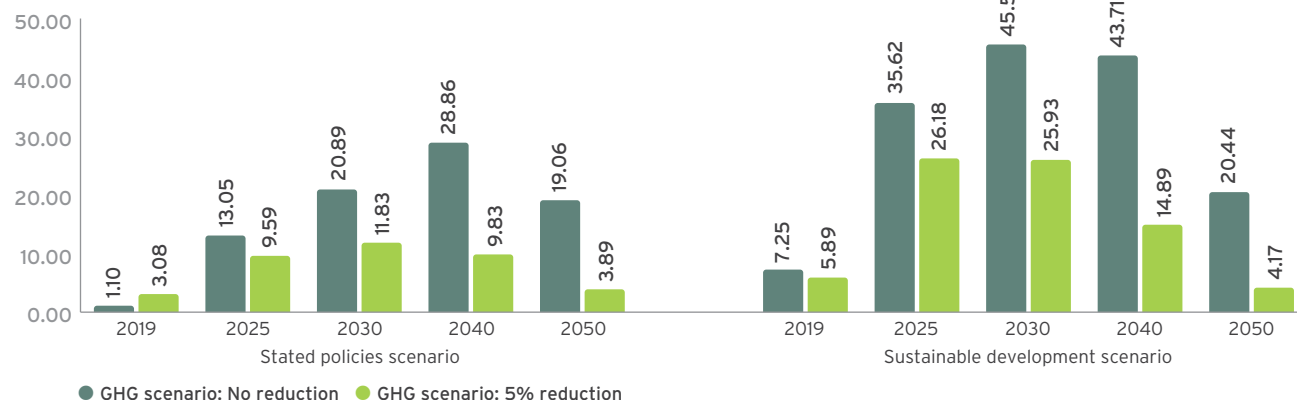
The nominal tax rate is R144/tCO₂e. However, government allows specific tax-free allowances to facilitate a smooth transition to a low-carbon economy and mitigate competition among affected industries, reducing the rate to between R7 and R58/tCO₂e. The carbon tax is based on fossil fuel inputs (such as coal, oil and gas use), and applies to entities with a total minimum installed thermal capacity of 10MW.

The first phase of the carbon tax (up to 2025) is not designed to affect the electricity price but to address concerns raised by the mining sector. National Treasury has been reviewing the impact of the carbon tax, its rates and tax-free threshold levels on business. Our scenario analysis predicts an increase, in line with an international trend, in the South African carbon price. We expect the South African government to increase efforts to meet its Paris Agreement commitments (nationally determined contribution) to transition the South African economy.

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

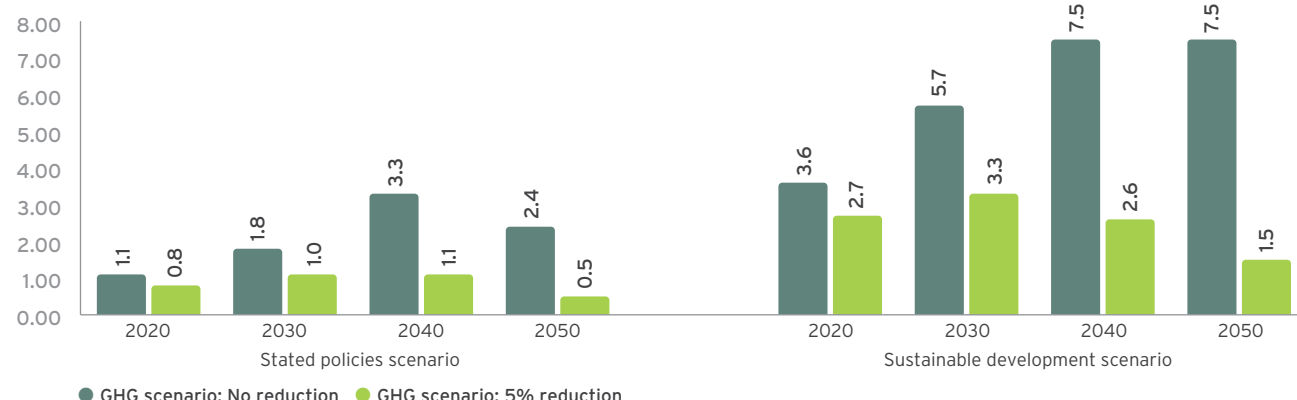
Carbon pricing risk exposure

(US\$m)



Projected increase in operating expenditure due to carbon pricing risk

(% change)



3 Market risk

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

4 Reputation risk

Climate change has been identified as a potential source of reputational risk tied to changing stakeholder perceptions (investors, customers, communities, non-governmental organisations (NGOs) and government) of an organisation's contribution to or detraction from the transition to a lower-carbon economy. We are aware that the mining sector at large is exposed to the reputational risk of climate change – a threat to the credibility of its efforts to reposition itself as a more sustainable sector, and by extension to its licence to operate.

Our approach has been to genuinely commit to climate action, sustainability, accountability and transparency, as well as implementing adequate mitigation, adaptation, governance, risk and communications strategies to ensure a sustainable future for Exxaro and our stakeholders.

Transitioning into a low-carbon business


continued

Physical risks

5 Water security risk

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

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

Exxaro's flagship mine, Grootegeluk, is situated in the Waterberg region. It relies on the Mokolo Crocodile West Augmentation Project phase 1 water supply scheme for reliable water supply. Water from the Mokolo Dam is supplied via a 46km pipeline to the Lephalale area for the town, Eskom and Exxaro. The system can supply 30 million m³ of water per year. Refer to  [water security management](#) (page 45).

6 Risk of heatwaves at our operations

Heatwaves are events where the maximum temperature at a given location exceeds the average maximum temperature of the year's warmest month by 5°C or more for at least three consecutive days. Downscaled climate models show that the Waterberg complex is predicted to experience a relatively higher number of average heatwave days than other Exxaro assets in Mpumalanga. The Waterberg operation will experience between 14 and 19 heatwave days from 2021 to 2040 (relative to 1961 to 1980). Our Mpumalanga operations are predicted to experience between eight and 13 heatwave days for the same period. This risk of heatwaves increases between 2041 and 2060 with Waterberg and Mpumalanga operations predicted to experience heatwave days of between 20 and 26, and 14 and 19 days respectively. An increase in heatwaves could result in negative health and safety impacts for employees, can create occupational health risks such as heat stroke, and restrict employees' physical functions and capabilities. Our proposed actions will enable employees and the business to cope with heat stress, and include developing workplace policies and guidelines that consider the health and safety of workers during heatwaves, with appropriate prevention and adaptation measures.

7 Risk of drought

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

8 Risk of extreme rainfall days

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

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

 [2020 Climate Change Response strategy report](#) (2020 investor tab) and [2020 climate change position statement](#) (sustainability tab)

Measuring our performance

Our ESG performance is benchmarked against our peers who exhibit the global best practice expected by responsible investors.

ESG performance ratings

Global ratings agencies evaluate our ESG performance using publicly available information (annual reports, websites and media) in line with various criteria requirements.

In 2022, we were rated by FTSE Russell, Institutional Shareholder Services ESG, Moody's, Vigeo Eiris, Sustainalytics, MSCI, Bloomberg Gender-Equality Index (GEI) and the TPI.

FTSE Russell ESG Index

The FTSE Russell ESG Index series measures our ESG risks and impact performance with a score out of a total of five rated in terms of themes relevant to our mining context.

The ESG report discloses performance against the following relevant themes:

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

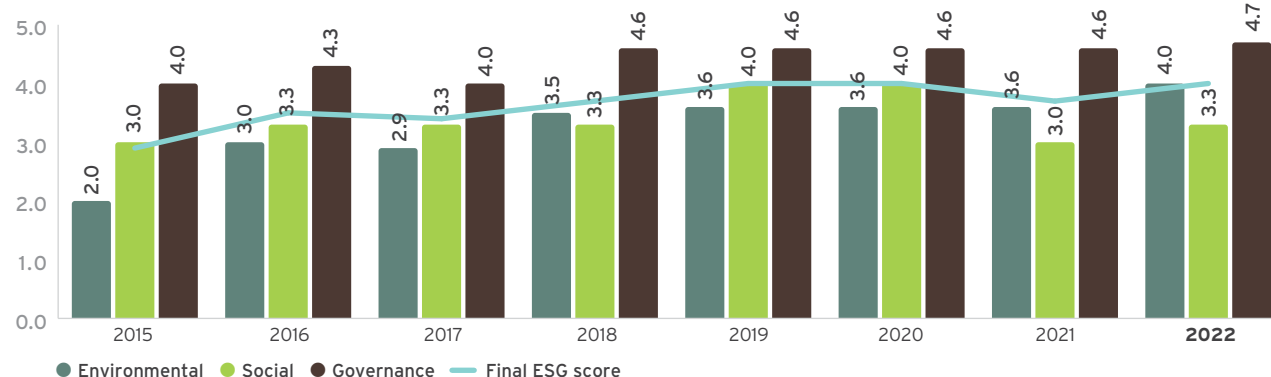
Our risk exposure is classified as medium (orange) to high (red), determined by our business activities. The FTSE Russell ESG Index rating confirms our efficient and strategic response to this exposure.

Our performance

Exxaro's FTSE Russell ESG Index score continued to improve, achieving 4.0 out of 5.0 compared to 3.7 in the previous year. We remain ranked in the top quartile of global performers in the basic resources supersector. Our steady improvement since 2018 is shown below.

FTSE Russell ESG Index – Exxaro's historical performance

(Score out of 5)



We are currently the only basic resources company in level 4.0 among our peers. The biggest driver of our improvement is environment (4/5), specifically climate change. The social element is at 3.3 and governance leads all three elements at 4.7.

	Year-end 2022	
	Exxaro	Global coal sub-sector
FTSE Russell ESG score	4.0	2.2
Environment	4.0	1.9
Social	3.3	1.9
Governance	4.7	3.1

Source: FTSE Russell Corporate Performance Results

Measuring our performance continued

Institutional Shareholder Services ESG

Institutional Shareholder Services empowers investors and companies to build long-term and sustainable growth by providing high-quality data, analytics and insight.

Exxaro was ranked at C- with a very high transparency level and was counted among the industry leaders, which demonstrates our commitment to good corporate governance.

Areas of improvement include publication and disclosure of our  [human rights policy](#) (our business, governance tab) and execution of our social impact plans, new areas of education and land use management.

TPI

Exxaro's TPI ranking was 4/4 in 2022, based on our commitment to managing GHG emissions, which shows stakeholders that Exxaro is well positioned to benefit from opportunities presented by the low-carbon transition.

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

Sustainalytics

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

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

Green Revenues Factor

Exxaro received a Green Revenues Factor rating of 3.64% for the first time. FTSE Russell's Green Revenues data model is designed to measure the revenue exposure of public companies engaged in the transition to the green economy. Capturing these shifts allows investors to quantify the pace and scale of a company's transition to the green economy. We hope to improve our green revenue rating as we expand our renewable energy business.

Looking ahead

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

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



Monitoring performance in real time at The conneXXion

Strategic key performance indicators

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

We ensure strategy management is integrated with:

- A sustainability framework
- An integrated risk management framework including clearly defined material matters
- KPIs aligned with strategy execution and material matters
- Integrating the combined assurance process, risk management, material matters and KPI reporting

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

Built-in risk appetite thresholds enable appropriate strategic decisions.

How to interpret the dashboard

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

We aim for "target", and avoid "worst tolerable" or "out of appetite" to remain within our defined risk appetite. When necessary, we implement or improve controls to ensure we achieve our strategy objectives.



Matla control room





Strategic key performance indicators

continued

Our KPIs are outlined in the strategic performance dashboard below.




































KEY

Trend[^]

-  Deteriorated
-  Improved
-  Unchanged
-  New KPI this period

KPI threshold	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste or opportunity
Indicator					

Natural capital

KPI	Strategy	2022			2021			Trend based on indicator [^]
		Target	Actual	Indicator	Target	Actual	Indicator	
Incidents								
Reportable environmental incidents (levels 2 and 3)	Become a catalyst for economic growth and environmental stewardship	0 level 2s 0 level 3s	0 level 2s ^{RA} 0 level 3s ^{RA}		6 level 2s 0 level 3s	0 level 2s		
Compliance								
Stoppage directives (includes section 54 in terms of MHSA*)	Empower people to create impact	0	7 ^{RA}		0	2		
Stoppage directives (includes directives in terms of NWA, NEMA and MPRDA**)	Become a catalyst for economic growth and environmental stewardship	0	0 ^{RA}		0	0		
Valid authorisations in place								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	100%		
Projects	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	100%		
Compliance to valid licences/authorisations in place***								
Current operations	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	96%		
Projects	Become a catalyst for economic growth and environmental stewardship	100%	100%		100%	99%		
Environmental liability provisions in place***								
Commercial and captive operations	Become a catalyst for economic growth and environmental stewardship	Between 80% and 80% to 100% and 100%	Between 50% and 80%		Between 80% and 80% to 100% and 100%	72		
Environmental management								
Carbon intensity (scope 1 tCO ₂ e/total kilotonnes mined (kTTM))	Be carbon neutral by 2050	Actual for previous year less 5%	0.5% reduction		Actual for previous year less 5%	Actual for previous year less by more than 5%		
Carbon intensity (scope 2 tCO ₂ e/kTTM)	Be carbon neutral by 2050	Actual for previous year less 5%	0.8% increase		Actual for previous year less 5%	Current year less than previous year		
Water intensity (kL/tonne RoM)	Improving water efficiency	0.15 to 0.18	0.15 ^{RA}		0.20	0.149		
Physical rehabilitation (actual versus budget)	Become a catalyst for economic growth and environmental stewardship	0% deviation from budget	Between 25% and 50% deviation from budget					




























[^] The trend-based indicators are in accordance with Exxaro's internal sustainability framework.

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

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

*** Includes environmental authorisation, integrated water use licence (IWUL), water management licence, atmospheric emissions licence, environmental impact assessment, record of decision and reporting.

 **Human capital**

KPI	Strategy	2022			2021			Trend based on indicator [^]
		Target	Actual	Indicator	Target	Actual	Indicator	
Safety								
Number of fatalities (7 lost-time injuries)	Empower people to create impact	0	1 ^{RA}		0	0		
LTIFR [#]	Empower people to create impact	0.06	0.05 ^{RA}		0.11	0.08		
Health								
Four accepted occupational health cases								
OHIFR [#] reported	Empower people to create impact	0.18	0.16 ^{RA}		0.31	0.16		
People who received HIV/Aids awareness training	Empower people to create impact	90% to 100%	116.5%		90% to 100%	79.3%		
Employees who received awareness training and voluntarily tested for HIV/Aids	Empower people to create impact	68% and above	70.6%		68% and above	71%		
HIV/Aids prevalence rate compared to country prevalence rate	Empower people to create impact	Less than country prevalence rate	1% to 10% less the country prevalence rate		Less than country prevalence rate	3.7%		
Skills								
Skills provision (percentage of appointment of employees within)	Empower people to create impact	60%	64% ^{RA}		60%	62.17%		
Scarcity skills retention (percentage turnover)	Empower people to create impact	5%	4.4% ^{RA}		5%	3.7%		
Security								
Fraud and corruption/asset destruction	Empower people to create impact	0%	0%		0%	0%		

[^] The trend-based indicators are in accordance with Exxaro's internal sustainability framework.

[#] Lost-time injury frequency rate (LTIFR) and occupational health incident frequency rate (OHIFR).



Our employee having a lung function test at Matla clinic

Strategic key performance indicators

continued



Social and relationship capital

KPI	Strategy	2022			2021			Trend based on indicator [^]
		Target	Actual	Indicator	Target	Actual	Indicator	
Employment equity								
Black ownership at group level	Become a catalyst for economic growth and environmental stewardship	30%	47.1%		30.1%	47.1%		
People with disability Representation	Empower people to create impact	1.5%	1.61%		1.5%	1.59%		
Human resources development spend as % of payroll – Mining Charter III	Empower people to create impact	5.0%	5.53%		5%	5.51%		
HDP [†] representation – top management	Empower people to create impact	50%	66.66%		50%	66.66%		
HDP representation – senior management	Empower people to create impact	60%	68.91%		60%	65%		
HDP representation – middle management	Empower people to create impact	60%	80.92%		60%	78.52%		
HDP representation – junior management	Empower people to create impact	70%	81.16%		70%	79.52%		
Women representation in top management bands	Empower people to create impact	20%	33.33%		20%	33.33%		
Women representation in senior management bands	Empower people to create impact	25%	22.97%		25%	20.48%		
Women representation in middle management bands	Empower people to create impact	25%	40.62%		25%	38.19%		
Women representation in junior management bands	Empower people to create impact	30%	32.41%		30%	29.25%		
Business sustainability								
B-BBEE level	Empower people to create impact	Level 1	Level 3		Level 1	Level 2		
Enterprise development (percentage of NPAT [†])	Empower people to create impact	1%	0.4945%		1%	0.308%		
Supplier development (% of NPAT)	Empower people to create impact	2%	0.8301%		2%	0.694%		
Socio-economic development (percentage of NPAT)	Empower people to create impact	1%	0.93%		1%	0.56%		
Skills development expenditure on learning programmes in the learning programme matrix for black people as a percentage of leviable amount – B-BBEE	Empower people to create impact	3.0%	3.15%		3%	3.20%		
SLPs^{†*}								
Project delivery measure – local economic development projects per SLP time variance from plan	Become a catalyst for economic growth and environmental stewardship	0% behind schedule	40% behind schedule		0% behind schedule	8% behind schedule		
Cost variance from plan	Become a catalyst for economic growth and environmental stewardship	0% over budget	16% over budget		0% over budget	19% over budget		

[^] The trend-based indicators are in accordance with Exxaro's internal sustainability framework.

[†] Historically disadvantaged persons (HDP), net profit after tax (NPAT) and social and labour plans (SLPs).

* Refer to page 80 for SLP performance.

Manufactured and Intellectual capital

KPI	Strategy	2022			2021			Trend based on indicator^
		Target	Actual	Indicator	Target	Actual	Indicator	
Capital project delivery measure								
Capital projects time overrun	Make our minerals and energy businesses thrive	0% behind schedule	0.4% over schedule	💡	0% behind schedule	10.3%	💡	📈
Capital projects cost overrun	Make our minerals and energy businesses thrive	0% over budget	0% over budget	💡	0% over budget	3%	💡	📈
Operational performance								
System availability (Core P1 and ERP Solutions)	Make our minerals and energy businesses thrive	97%	97.49%	💡	97%	99%	💡	📈
Information management projects (cost overrun)	Make our minerals and energy businesses thrive	0% over budget	5% under budget	💡	0% over budget	0%	💡	📈
Information management projects (time overrun)	Make our minerals and energy businesses thrive	0% behind schedule	0% behind schedule	💡	0% behind schedule	0%	💡	📉

Financial capital

KPI	Strategy	2022			2021			Trend based on indicator^
		Target	Actual	Indicator	Target	Actual	Indicator	
Adjusted operating margin	Make our minerals and energy businesses thrive	20%	35.2%	💡	20%	24.4%	💡	📈
Adjusted ROCE#	Make our minerals and energy businesses thrive	20%	46.9%	💡	20%	33.6%	💡	📈
Net debt to EBITDA (excluding Cennergi)	Make our minerals and energy businesses thrive	1.5 times	*	💡	<1.5%	*	💡	📈

^ The trend-based indicators are in accordance with Exxaro's internal sustainability framework.

Return on capital employed (ROCE).


* Exxaro is in a net cash position.



Medical professional performing clinical tests at Matla clinic

Stakeholder management

Our business has maintained satisfactory success during a difficult period, which can be, in part, attributed to our strengthening stakeholder relationships. As evidenced by a recent stakeholder survey, relationship strength varies among our stakeholders but is generally higher and comes with commensurate high expectations.




We see our stakeholder relationships as critical enablers of sustainable development and business success. It is through collaborative and mutually beneficial partnerships with our stakeholders that we are able to leverage opportunities, mitigate risks, and respond to issues facing our business in a just, responsible and effective manner.

Our approach to stakeholder engagement

The operating environment is increasingly "noisy" – characterised by loud demands for service delivery and the creation of employment opportunities so as to push out an inch of social progress; an incoherent political context that is creating policy uncertainty; geopolitics and economic and market volatility that has societies screaming for help as livelihoods are threatened by inflation. More and more, business is called upon to intervene and apply its resources to the advantage and benefit of community and society. We have found it possible to respond through intentional engagement. Intentional engagement is the alignment of our thoughts, decisions, actions (and excepted outcomes) when interacting with our stakeholders. This has been our approach since 2017 to guide mutual value creation with stakeholders.

Structure for intentional engagement

Our stakeholder engagement procedures clarify the reasons for, methods and monitoring of relationships and are supported by our stakeholder engagement policy, plans, principles and key account management (KAM) approach. The KAM approach is strategy-led and outcomes-driven, ensuring we address stakeholder issues, manage risks, leverage opportunities and deliver on our strategic objectives.

For more detail on the KAM approach,  refer to page 50 of Exxaro's [2019 integrated report](#)

Our stakeholder engagement plans are aligned with our strategy and include levels of accountability, material issues and risks, and enable us to track feedback, and monitor and report on our performance. We regularly update these plans to ensure they are fit for purpose.

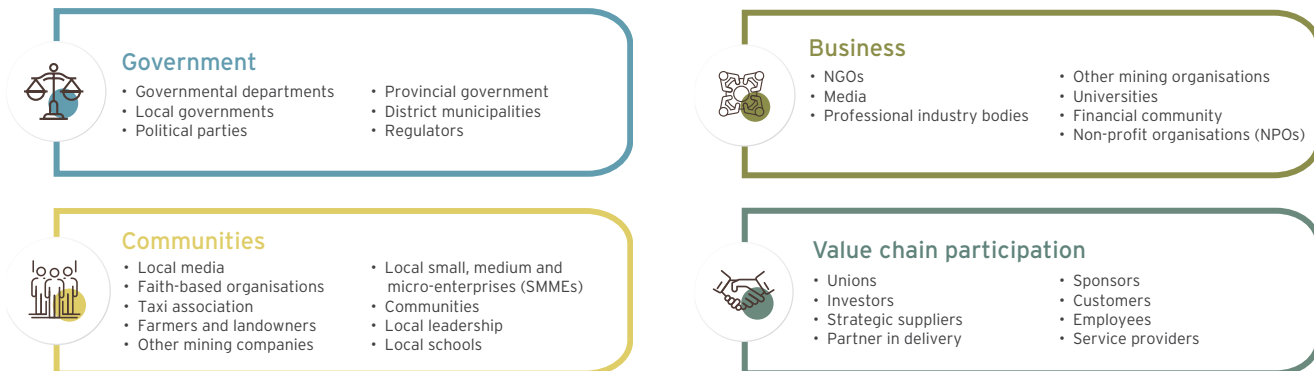
We ensure the effectiveness of engagement by conducting assurance and audits on our procedures. Exxaro's board and executive committee are responsible for stakeholder management and engagement.

We conducted our first reputation tracking survey in 2022 following a baseline study in 2018 with the objective of understanding our evolving landscape of stakeholders, their needs and expectations and our actions towards these expectations. The survey results provided an understanding of prevalent reputation and stakeholder sentiment. Against the 2018 baseline, results showed that Exxaro improved its position as reputational leader in the mining sector and overall sentiment among all stakeholders remained positive, despite a decline among community stakeholders. However, we identified that, as we transition into a low-carbon business, we must engage more and strengthen our relationships further with our stakeholders. The survey results identified issues, needs and interests for us to engage on with each stakeholder group. We have since developed targeted response plans.

 [Case study](#) (integrated report, page 40)

Stakeholder universe

We use our ERM process, regular BU planning, and project workshops to identify and analyse our stakeholders, assessing the impact of our activities on them, and their impact on our ability to deliver on our strategy, contribute to our ESG performance and address risks. We categorise our stakeholders into four main clusters of government, communities, business and value chain participants and identify relevant engagement objectives and strategies as required.



Quality of relationship

The management and quality of our relationships with stakeholders impact Exxaro's ability to deliver on our strategy. We measure the quality of relationships through different assessments (such as reputation, baseline and culture surveys or self-assessments) and our engagement strategies, which include stakeholder feedback and response strategies.

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

Government ★★★★★ Social (page 59)

Stakeholders in this category include the Department of Public Enterprises, Department of Health (DoH), dtic, Department of Cooperative Governance and Traditional Affairs (CoGTA), Presidency, Parliament's Portfolio Committee on Agriculture, Land Reform and Rural Development, Mpumalanga and Limpopo offices of the Premier, Emakhazeni local municipality, local ANC structures, Transnet Freight Rail (TFR), Industrial Development Corporation of South Africa (IDC), South African Local Government Association, Municipal Infrastructure Support Agent and Mpumalanga Economic Growth Agency.

Engagement purpose

- Collaborate to find solutions for socio-economic challenges
- Partner in mutually beneficial projects
- Participate in shaping policies
- Invest in South Africa's socio-economic development
- Support our efforts in driving business resilience and managing country risk
- Demonstrate our ESG performance and how Exxaro responds to ever-increasing demands, responsible environmental management and community commitments through improved communication

Engagement methods

- One-on-one in-person and virtual engagements
- Dialogue platforms
- Events and sponsorships
- Quarterly reports

Stakeholder expectations and issues

- The role of big business in solving broader societal issues
- Responsible water management, minimising environmental impact and overcoming climate change issues
- Community-related actions around post-mine business, job development and broader community upliftment*
- Innovation and industry thought leadership
- TFR performance
- Support with COVID-19 response strategies and vaccination drives
- B-BBEE level – NPAT impact
- Socio-economic development*
- Municipal service delivery*
- Local procurement*

** This is a multi-stakeholder issue. Refer to the communities table for information.*

Our response

We have several partnerships and initiatives that enable us to address government's expectations. These include:

- SLP development consultation and regular project collaboration
- Engaging the Presidential Climate Change Commission regarding our just transition response strategy
- Improving disclosure in our annual reporting suite
- Refining and consolidating our Sustainable Growth and Impact strategy and developed our Social Impact strategy
- Supporting the health departments in Limpopo and Mpumalanga on COVID-19 response strategies, including the vaccine and booster vaccine roll-out programme
- Engagement with the dtic regarding changes in NPAT and double treatment of dividend income
- Continued engagements with CoGTA and the South African Local Government Association to find innovative responses to address service delivery challenges at local government level
- Regular engagement with the provincial leadership of Limpopo and Mpumalanga to discuss development priorities and provide feedback on Exxaro's socio-economic development initiatives

Outcomes and value delivered

- Contributed R13.38 million through SLP projects, particularly infrastructure, skills, local procurement and SMME development
- Corporate social investment (CSI) (including disaster relief): R167.93 million
- Committed R3.5 million over two years to government's anti-gender-based violence (GBV) fund
- Paid R8.9 billion in tax: PAYE of R1.6 billion and company tax contributions of R7.3 billion

Stakeholder management continued

Regulators ★★★★☆ [Environment](#) (page 33)

Exxaro aims to go beyond compliance when conducting our business activities. Stakeholders include Department of Mineral Resources and Energy (DMRE), Department of Water and Sanitation (DWS), the Department of Forestry, Fisheries and the Environment (DFFE), Department of Employment and Labour (DEL) and the JSE.

Engagement purpose

- Manage compliance with regulatory requirements for business sustainability
- Maintain strong relationships with stakeholders at national and provincial level
- Collaborate in shaping policies
- Ensure the success of our current and future businesses
- Communicate and demonstrate how we respond to issues important to government, industry and society while delivering on our purpose

Engagement methods

- One-on-one in-person and virtual engagements
- Dialogue platforms
- Quarterly reports where required

Stakeholder expectations and issues

- Improve communication on plans and strategies
- Delay in Matla IWUL renewal
- Belfast discard dump lining
- Rehabilitation of dumps 4 and 5 at Grootegeluk

Our response

- Quarterly reporting as required
- Improved compliance and risk mitigation through internal auditing processes, strategies and management controls
- Appealed the DWS's decision not to renew Matla's IWUL at the Water Tribunal. The appeal suspended the decision and Matla IWUL remains valid and operational until the appeal is concluded
- Continued investigating alternative solutions to dump lining at Belfast
- Continued engagement with the DMRE regarding Grootegeluk dumps 4 and 5 rehabilitation. The matter is not yet finalised
- Monitoring developments in the implementation of voluntary global standards for ESG reporting
- Monitoring the process towards the finalisation of the Companies Amendment Bill

Outcomes and value delivered

- Good compliance performance
- No regulatory stoppages
- Since the introduction of the internal section 54 standard, there has been a decline in the number of safety stoppages: seven in 2019, three in 2020, two in 2021 and none in 2022



Grootegeluk protest

Employees ★★★★☆ [Employee engagement](#) (page 68)

Understanding our employees' needs and expectations is linked to our success. Employees see us as an agent of change.

Engagement purpose

- Identify opportunities to collaborate on and co-create solutions with employees
- Demonstrate our progress against goals through regular communication
- Align employees' focus, profile and development efforts with our strategy and culture
- Empower employees to manage change through information sharing and capabilities training
- Identify opportunities for skills development as we transform and transition our business
- Strengthen our culture
- Distinguish competitive advantage
- Promote resilient business performance

Engagement methods

- Daily, weekly, monthly and quarterly meetings
- Newsletters
- Digital engagement through short videos, information screens, emails, bulk SMS and BU-specific communication campaigns
- LetsConnect mobile platform
- CEO roadshows
- Ad hoc and annual communication campaigns
- Training initiatives
- Performance management and KPI setting

Stakeholder expectations and issues

- Improved employee relations and relationship management
- Better communication, reciprocal dialogue and including employees in decisions that affect them
- Focus on improving diversity, equity and inclusion
 - Clear B-BBEE implementation and commitment
 - Support women in business and women in the workplace
- Talent management
 - Fairness in promotion processes and effective reward systems
 - Skills development, including mentorship and longer-term support
- Youth development programmes and job opportunities
- Tangibly demonstrate how we are addressing environmental, community, employee and diversity issues (broader social issues)
- Maintain high health and safety standards

Our response

- Developed our Social Impact and diversity, equity and inclusion strategies
- Human rights policy approved
- Ongoing communication of Exxaro's decarbonisation plans
- Our 2022 internal communication plan addressed our evolving group strategy, ESG priorities, the CEO transition, group STI scheme, community and enterprise and supplier development (ESD) initiatives, mental health and wellbeing, and diversity, equality, inclusion and social justice
- Zero tolerance approach to any form of harassment in the workplace
- Launched a GBV campaign to encourage employees to report harassment
- Reported cases of sexual harassment are investigated and strict remedial action taken, including dismissal
- We aim to intensify our engagement efforts by executing our employee engagement strategy and demonstrating how we are delivering on our purpose. We are also incorporating the results of the reputation survey into the employee value proposition to ensure response plans address employee needs and expectations

Outcomes and value delivered



- Paid R4.4 billion in employee salaries, wages and benefits, including GreenShare employee scheme
- Our LTIFR was below our target of 0.06
- 90.05% of employees and contractors were vaccinated against COVID-19

Stakeholder management continued

Labour unions ★★★★ [Employee engagement](#) (page 68)

Our collaborative relationship with labour unions is critical to ensure successful employee relations. Exxaro has a pluralist approach to union recognition but only formally engages with unions where recognition agreements have been concluded and these unions maintain their collective bargaining rights. These stakeholders include elected officials of recognised labour organisations at BU level and provincial or regional level (National Union of Mineworkers (NUM), National Union of Metalworkers South Africa (NUMSA), Association of Mineworkers and Construction Union (AMCU), Food and Allied Workers Union (FAWU)).

Engagement purpose

Through engagements, relationship building and collaboration with labour unions, we aim to better understand their objectives to ensure fair labour practices, minimise the risk of labour unrest and maintain workplace harmony. This enables us to proactively resolve issues or concerns and keep engagements functional.

Engagement methods

- Quarterly face-to-face meetings at employer level (EC and ECM) and monthly at BUs

Stakeholder expectations and issues

Our labour unions recognise our commitment to our employees, our high health and safety standards and our efforts to realise our purpose of powering better lives in Africa and beyond. We could, however, increase communication on our current performance, future plans and approach to addressing employee-related issues such as diversity, learning and development, reskilling the workforce and post-mine business development, among others.

Our response

Exxaro has a pluralist approach to union recognition but only formally engages with unions where recognition agreements have been concluded and these unions maintain their collective bargaining rights.

Our Social Impact and diversity, equity and inclusion strategies respond to labour union expectations. We regularly engage with unions at the BUs about our approach to improve the lives of our communities.

The wage agreements signed in 2021 are effective for three years, securing labour stability. This includes a full-time shop steward agreement with NUM ECM and a review of the ECM recognition agreement.

We also continued our efforts to address innovation issues and challenges at BU innovation forums.

In 2022:

- We addressed an issue with NUM on the secondment agreement of full-time shop stewards to the region. We await NUM's response
- Continued addressing innovation issues at BU innovation forums
- Developed our Social Impact and diversity, equity and inclusion strategies
- Continued engagement about our approach to improving the lives of our communities at BU union engagements
- Signed full-time shop steward agreement with NUM ECM
- Concluded the review of the ECM recognition agreement

We aim to improve communication on our environmental stewardship and diversity activities as well as by sharing what we are doing with regards to innovation, SLP delivery and procurement.

Outcomes and value delivered

- Well-established engagement and communication structures
- Union input on business growth strategies
- Training and development
- Regulatory compliance ensures unions are able to negotiate fairly and equitably with Exxaro on behalf of their members

Communities ☆☆☆☆ [Communities](#) (page 78)

We operate in four local municipalities in Limpopo and Mpumalanga, with closed mines in three other municipalities, including two in KwaZulu-Natal. Our operations therefore affect communities within these areas, making them one of our key stakeholders.

Engagement purpose

- Demonstrate and communicate how Exxaro is sharing economic gains fairly with our host communities through local employment, local procurement, community development initiatives, skills development, ESD (shared value narrative)
- Build relationships and understanding of community needs to enable collaboration and success of community projects
- Proactively resolve issues raised by stakeholders before protests emerge (risk management)

Engagement methods

- Quarterly stakeholder engagement forums
- Participation in district and provincial level engagement platforms
- Socio-economic impact assessments every five years
- Quarterly external BU newsletters
- Community protests at mine

Stakeholder expectations and issues

- Local procurement and sustainable job creation
- Learning and development, including youth empowerment, scholarships and learnerships
- Socio-economic, local and supplier development, including support for and empowerment of women-owned businesses and other local SMMEs
- Road and recreational facility infrastructure
- Municipal service delivery including water systems improvement
- Transformation and gender equality

Our response

- Continued engagements with communities and local municipalities through existing platforms such as stakeholder engagement forums to address local recruitment and procurement expectations. In the first quarter of 2022, additional engagements were held with the Emalahleni mayor and municipality to address protests and seek common ground to resolve issues
- Held our second annual community stakeholder engagement days in Mpumalanga and Limpopo
- Initiated engagements with key representatives of CoGTA with the objective of strategic alignment on supporting socio-economic development in traditional authority areas. An invitation was received for Exxaro to present at a sitting of the house of traditional leaders
- A Grootegeluk procurement process to appoint a new social facilitator experienced intense political interference while the supplier appointed to temporarily fill the gap for local verification services was also the target of threats. We continue to adhere to strict processes and standards to manage such risks
- Developed our Social Impact strategy
- Ongoing identification and development of impact projects
- Continued efforts to reflect the diversity of South Africa in SLP projects, including education, as beneficiaries or development partners

We aim to improve communication on our business activities, and demonstrate what we are doing to address social issues through our Social Impact strategy as well as environmental stewardships, post-mine closure and other stakeholder issues.

Outcomes and value delivered



- Contributed R178 million (including donations) to communities, especially our host communities in Limpopo, Mpumalanga and the Eastern Cape
- Our NPC, Matla Setshabeng, donated R127 million
- Invested R13.3 million in SLP infrastructure projects which benefited 83 people through temporary construction jobs and 87 444 people through providing water, sanitation, sports facilities, etc
- Education projects and support programmes to the value of R61 million benefiting more than 25 000 learners
- Employed 685 local people from skilled, semi-skilled and labour categories over and above the core skilled employees from core (main) contracting companies during the execution of our R5.2 billion coal capital expansion programme at Matla (MLOMP)
- Our ESD programme approved R291.2 million in the form of grants and loans to 30 entities
- Total procurement spend on local SMMEs increased from 11.3% in 2021 to 11.5%, exceeding our target of 10%. Through this focus on local businesses, Exxaro empowered 401 local suppliers and 246 local black-owned SMMEs

Stakeholder management continued

Investors



[Chairperson's report](#) (integrated report, page 5)



[Measuring our performance](#) (page 17)



[Our strategy](#) (integrated report, page 44)



[Remuneration report](#) (page 145)

Stakeholders include shareholders and analysts. Our shareholding split is 77% South African and 23% offshore. We engage with ESG ratings agencies such as FTSE Russell, MSCI and Sustainalytics.

Engagement purpose

- Our engagements aim to keep shareholders informed about our strategy, performance, capital allocation, and dividend, remuneration and other governance policies to maintain reputation and promote our ESG performance
- We aim to demonstrate how we protect returns, prudently allocate capital and ensure transparency, all of which strengthens our ability to access capital
- We engage with underweight investors to better understand their position in Exxaro and investment criteria
- Engagement with ESG ratings agencies enables our understanding of how we need to improve our strategy and overall ESG ratings that inform perceptions of our performance

Engagement methods

- Interim and annual results presentations and roadshows
- Finance director's pre-close message and calls
- Annual non-deal and governance roadshows
- Capital Markets Day every second year
- Underweight and non-investor engagements
- Conferences
- Solicited meetings
- AGM
- Annual investor perception survey

Stakeholder expectations and issues

- Diversifying and decarbonising our portfolio remain top of mind for investors
- The impact of climate change activism amid calls for withdrawal from the thermal coal business
- Capital allocation and expenditure
- Delivering on our ESG commitments and targets
- Changes to our remuneration policy
- Providing robust disclosure on how we are addressing ESG issues such as social issues and commitment to climate issues, minimising environmental impacts and protecting biodiversity

Our response

- We presented our refreshed capital allocation model and clarified the changes made to the remuneration policy during a governance roadshow in September ([governance roadshow](#))
- We have considered investors' feedback in our reporting suite and implemented some of these suggestions that would add to the credibility, transparency and robustness of our reports

We will continue to proactively inform and engage regularly with investors with the objective of eliminating ambiguity on our strategic direction, demonstrate how it will make Exxaro more resilient, communicate the successes of our early value coal strategy, and better articulate how Exxaro is proactively addressing societal issues, social injustice and economic inequality through our social impact and diversity, equity and inclusion strategies.

Outcomes and value delivered



- Delivered a dividend pay-out of R6.686 billion (the total dividend distribution for the year is R27.68/share)
- Received several acknowledgements of our ESG performance, including the Sunday Times Top 100 company (fifth) and leading mining company in the FTSE Russell index

Customers ★★★★☆ [Operational performance](#) (integrated report, page 86)

We have domestic and offshore customers in Europe, Asia and other markets. Eskom remains our largest customer with 75% of our sales (2021: 71%). ArcelorMittal South Africa remains critical to our metallurgical coal sales.

Engagement purpose

- Understand customers and strategic partners' requirements through ongoing discussions on environment, trends and market sentiment analysis
- Foster mutually beneficial relationships through continuous engagement and information sharing
- Improve operational and financial performance
- We aim to understand our customers and strategic partners and foster mutually beneficial relationships through continuous engagement and information sharing. Engagements focus on the environment, trends and market sentiment, exploring future relationships, and improving operational and financial performance

Engagement methods

- Outbound marketing
- Email correspondence
- Meetings at different levels in respective customer organisations
- Marketing conferences

Stakeholder expectations and issues

- Quality, consistent and reliable supply of product and responsive service
- Improved communication and demonstrations of our approach to solving societal issues, improving the lives of our communities, minimising our environmental impact, becoming climate resilient and addressing climate change issues

Our response

During 2022 we engaged regularly with customers on strategic and operational issues and responded to market concern around logistical constraints.

We aim to improve how we communicate Exxaro's business performance to customers and demonstrate what we are doing to address societal issues, mitigate environmental impact and address climate change.

Outcomes and value delivered



- Safe production
- Reliable and continuous supply of coal to all customers in terms of quantity/volumes, quality and affordability



Coal transportation at Exxaro

Stakeholder management continued

Suppliers ★★★★☆ [Supply chain sustainability](#) (page 86)

Suppliers are crucial participants in our value chain. We have over 2 500 vendors in the provinces where we operate. We categorise our suppliers as strategic, SMMEs and local.

Engagement purpose

We manage our relationships with suppliers, as part of our risk management approach. Engagements are aimed at achieving mutually beneficial operational, strategic and impact goals through joint initiatives aimed at cost savings, sustainability, supply security and business risk exposure mitigation.

Engagement methods

- Direct, proactive engagement with strategic suppliers
- Ad hoc contract reviews to assess performance and negotiate price
- Quarterly contractor forum platform to share information on developments in Exxaro and safety, health and environmental issues

Stakeholder expectations and issues

- Eskom liquidity
- Coal price
- Timeous communication of business opportunities
- Collaboration for shared value
- Evidence of Exxaro's good corporate citizenship, thought leadership, and strong management

Our response

Our supplier relationship management programme supports Exxaro's strategies by leveraging value chain partner capabilities through regular engagements on cost savings, supplier diversity and transformation (black ownership and participation), supply security and business risk exposure mitigation.

We aim to increase the frequency of engagements to communicate about our systems and processes, contract renewals, our procurement strategy and strategic sourcing successes; communicate our business successes; how we are addressing broader societal needs through our strategy and how suppliers can collaborate on our journey of powering better lives; and keep SMMEs informed about how to work with Exxaro through regular training.

Outcomes and value delivered

- All black-owned SMMEs have immediate payment terms
- R1 097 million procurement or over 11% of our procurement spend is with local SMMEs
- We are constantly looking at ways to improve our systems and processes to improve the ease of doing business with Exxaro
- We are investing money in creating infrastructure and policies to make it easier for emerging suppliers to work with Exxaro



Restoring social livelihoods at Belfast