

Drivers of value creation

We are driven by our purpose to power better lives in Africa and beyond as we navigate a just transition, considering the needs of our stakeholders, towards a clean world.

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Our business model

Our business model depicts the capital inputs we need to conduct our activities and deliver our products.



Natural capital

The natural resources we rely on to run our business and create our products



Human capital

The people who manage our business and perform our operational activities



Social and relationship capital

The relationships that provide our social licence to operate

Our inputs The resources and relationships we rely on (as at 31 December 2022)

- **RoM:** 74.48Mtpa (2021: 69.4Mtpa)
- **Land managed:** 62 603ha (active and inactive mines)
- **Water consumption:** 10 419ML (2021: 10 281ML)
- **Diesel:** 83 268kL (2021: 84 852kL)
- **Electricity:** 590 078MWh (2021: 601 717MWh)
- **Land rehabilitated:** 2 000ha (2021: 1 933ha)

- **Employees:** 6 745 (2021: 6 745)
- **Contractors:** 12 497 (2021: 12 068)
- **Investment in skills development and talent management:** R331 million (2021: R276 million)
- **Investment in employee remuneration:** R4.3 billion (2021: R4.1 billion)
- **Culture:** connect2NEXT

- **Investment in SLP projects:** R13.38 million (2021: R56.44 million)
- **Investment in ESD:** R291.2 million (2021: R127.7 million)
- **Corporate social investment (CSI)** (including disaster relief funds): R167.93 million (2021: R57.28 million)
- **Stakeholder relationship growth**

The capital constraints and trade-offs we face

These affect our ability to achieve our strategic objectives and value creation.

- Natural resources, including the Mineral Resources we rely on, are finite and must be managed carefully
- Balancing the need for energy that supports economic growth (primarily coal fuelled) with the need to transition to a low-carbon economy

- Attracting and retaining the right employees with the necessary skills for now and into the future remains challenging in a competitive market

- Growing negative sentiment towards companies in the fossil fuels sector
- Increasing expectations on companies to solve societal issues
- Increased reputational risks due to conduct of employees, contractors and suppliers

Our activities

What we do

Our business activities align with our strategy of strengthening our resilience and ensuring we deliver sustainable value through a robust portfolio in a low-carbon economy.

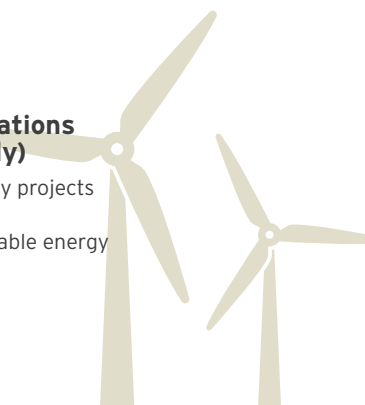
Our activities comprise:

Responsible mining

- Delivering resources to support the country's energy needs
- Responsible environmental stewardship

Renewable energy operations (own use and grid supply)

- Generating renewable energy projects and services
- Build a leading global renewable energy solutions business by 2030





Manufactured capital

The physical mining, energy and property assets that enable us to deliver our products



Intellectual capital

The unique combination of knowledge, experience, innovation and systems that differentiate Exxaro



Financial capital

The financial assets that enable us to deliver on our strategy

- Five **mines** (including one joint venture), **one ferro-silicon manufacturing facility**, **one coal project** and **two windfarms**
- **Sustaining capital:** R1.4 billion (2021: R1.6 billion)
- **Expansion capital:** R0.3 billion (2021: R0.8 billion)
- **Investment in property, plant and equipment:** R1.7 billion (2021: R2.5 billion)

- Continued investment in **world-class digitalisation**
- **Business excellence** integrated into the business
- **Leadership and management training:** 264 people attended (2021: 322)
- Significant investment in **updating and aligning our strategy** to our purpose and long-term goals
- Continued investment in **leading governance structures:** changes in board and engagement with investors

- **Adjusted equity-accounted income:** R7.3 billion (2021: R9.8 billion)
- **Adjusted EBITDA:** R19.0 billion (2021: R10.7 billion)
- **Cash dividend paid to external shareholders:** R6.7 billion (2021: R9.6 billion)
- **Cash dividend paid to BEE Parties:** R2.2 billion (2021: R3.1 billion)
- **Revenue:** R46.4 billion (2021: R32.8 billion)
- **Balance sheet strength**

- Manufactured capital remains costly with delays in project completions hampering growth

- As the world evolves at an unprecedented pace, technologically and in terms of the operating context, rapid innovation and ideation is more important than ever and remains challenging

- In a low-growth environment, financial capital remains costly and scarce

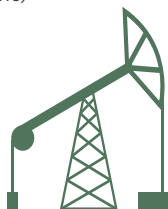
Our purpose guides our activities, ensuring we continue providing critical resources that support South Africa's sustainable economic and social development in a way that will accelerate change and ultimately safeguard the value we create for our stakeholders over time. We are committed to making a deliberate positive impact through our physical outputs and the way we do business.

Strategising for future relevance and a just transition

- Developing a roadmap for a just transition to a low-carbon economy

Diversified equity investments

- SIOC (iron ore)
- Black Mountain (zinc)



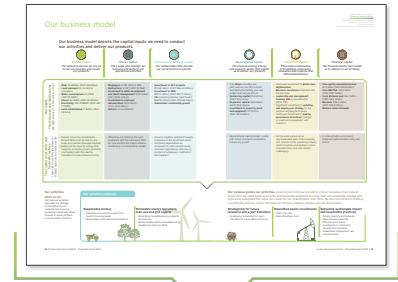
Delivering sustainable impact and responsible practices

- Driving diversity and inclusion
- Values-based leadership
- Effective governance
- Investments in community development initiatives
- Stakeholder engagement and communication



Our business model continued

Although we strive to create value through our business activities and our Sustainable Growth and Impact strategy, we have a negative impact on some capitals. We remain committed to negating these negative impacts while creating positive impacts beyond compliance by using our recognised ESG, brand and culture.



Our outputs
Our product



Coal
43.1Mt product volumes
(2021: 42.5Mt)



Renewable energy
671GWh wind energy
(2021: 724GWh)

Our outcomes

Creating, preserving or eroding value: To ensure sustainability, our positive impacts must reach far and wide. We must be a catalyst for meaningful change with our legacy measurable long after mining ceases.

Our outcomes



Natural capital

⊖ Despite a focused approach to environmental stewardship, we have an overall negative impact on the environment and thus erode natural capital. This is because we extract natural resources as part of our business activities and depend on these natural resources.

- Mine responsibly
- Minimise our environmental impacts
- Actively participate in the just energy transition to a low-carbon economy
- Reduce the risk of stranded assets
- Active land management
- Ensure biodiversity stewardship
- Increase the proportion of high-quality coal in our product mix
- Continue improving our good cost control and resource efficiency

- ⬆️ **Carbon intensity:** 0.5% increase (2021: 13% increase)
- ⬆️ **Water intensity:** 0.5% increase (2021: 9% increase)
- ⬆️ **Environmental incidents:** zero (2021: zero level 3)
- ⬆️ **Valid mining rights:** 100% (2021: 100%)
- ⬆️ **Safety stoppage directives:** seven (2021: two)

Affected SDGs



Human capital

⊕ As part of ensuring we have the right people to drive us forward, we invest in, upskill and offer our employees an attractive value proposition, thereby increasing our overall human capital. This investment extends to potential future employees and the communities who provide labour to our operations.

⊖ We preserve the value of our human capital by being mindful of the health and safety of our employees and host communities, and striving to achieve zero harm through collective responsibility, commitment and risk awareness.

- Remain committed to achieving zero harm
- Work with employees and contractors to eradicate any safety incidents
- Continue to invest in employees

- ⬆️ **Employee and contractor fatalities:** one (2021: zero)
- ⬆️ **Lost-time injury frequency rate (LTIFR):** 0.05 (2021: 0.08)
- ⬆️ **Occupational health incident frequency rate (OHIFR):** 0.16 (2021: 0.16)
- ⬆️ **Scarce skills retention:** 4.4% (2021: 3.7% (on target))



Social and relationship capital

⊕ We deliver value to our host communities through our impact at scale initiatives, SLP commitments, stakeholder engagements, attracting participation from black-owned suppliers and our commitment to the UNGC principles.

⊖ We are aware of the impact mining operations have on host communities, now and at the end of a mine's lifecycle. We aim to mitigate this by ensuring a just transition of our operations and our communities' long-term sustainability.

- Continuously seek ways to engage and maintain relationships of mutual respect and benefit with our stakeholders
- Maintain a robust ESG framework to enable strategic decision making and governance while considering our long history and purpose to guide our transition within the context of our local and global realities

- ⬆️ **Community incidents*:** 13 (2021: 14) with one day shift lost at Matla
- ⬆️ **Top-quartile mining performer in ESG governance structure**
- ⬆️ **ESG analyst rating:** 4.0 (2021: 3.7)
- ⬆️ **BEE level:** 3 (2021: level 2)

* Incidents are protests that did not lead to production stoppage.



Our business model does not operate in isolation. It impacts and is impacted by our:

- **Risks and opportunities** (page 26)
- **Strategy and resource allocation** (page 44)
- **Performance** (page 86)
- **Stakeholders** (page 36)

Impact on value

+ Net increase in value	= Net value preservation	- Net value erosion
▲ Positive increase	↔ Unchanged	▼ Positive decrease
▲ Negative increase		▼ Negative decrease



Iron ore (SIOC)
R4.9 billion adjusted equity-accounted income
 (2021: R9 billion)



Waste
1 624t hazardous waste
 (2021: 520t)
971ktCO₂e emissions
 (2021: 995ktCO₂e)

This should be embodied in creating opportunities and economies that sustain communities and broader society for future generations.

<p>Manufactured capital</p> <ul style="list-style-type: none"> + Our investment in our portfolio of quality assets to meet changing market demands increases our manufactured capital. - However, these investments decrease our financial capital and natural capital. 	<p>Intellectual capital</p> <ul style="list-style-type: none"> + We continue increasing our competencies across mining and renewable energy. Our focus on business resilience, investments in innovation, digitalisation and technology – for example, our renewable energy risk and opportunity domain analysis (RRODA) tool/platform – increase intellectual capital. + Our collective knowledge, skills and resources positively impact human, social and relationship, and manufactured capital. 	<p>Financial capital</p> <ul style="list-style-type: none"> + To ensure we positively impact financial capital and create value over time, we have a strong balance sheet and cash-generative coal business, a strategy that builds off our core purpose and capabilities, and a leadership team fully aligned with the need to create a carbon-resilient business. We deliver financial value and empower people to create impact and self-sustaining economic activity. = We invest and distribute our financial resources to support our strategy, increase efficiency, expand operations and maximise value.
<ul style="list-style-type: none"> • Optimise our manufactured assets • Fast track our decarbonisation and investments to generate predictable long-term cash flows and increase portfolio diversification 	<ul style="list-style-type: none"> • Maintain our competitive advantage through innovation and digitalisation • Build on an already successful business as we mature, using our intellectual capital and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company • Become a leading international renewable solutions provider by the end of the decade 	<ul style="list-style-type: none"> • Continue focusing on initiatives designed to lower costs, increase quality and manage our risk profile to deliver financial value • Carefully consider how we allocate capital to achieve our strategic goals and invest in our current operations and future growth plans • Create value for our broader stakeholders by continuously delivering solid returns to shareholders and ensuring we have the financial resources to implement our growth plans and social development objectives
<ul style="list-style-type: none"> ▲ Marginal timeline overruns in mega-projects ↔ Implementation cost for mega-projects on target 	<ul style="list-style-type: none"> ▼ Core system availability: 97.94% (2021: 99.55%) ▲ Secure scorecard: 76.35% (2021: 63.45%) 	<ul style="list-style-type: none"> ▲ EBITDA margin: 41% (2021: 33%) ▲ Return on capital employed (ROCE): 45% (2021: 36%) ▲ Adjusted HEPS: 6 016 cents per share (2021: 4 683 cents per share) ▲ Market capitalisation: R75.9 billion (2021: R53.4 billion)
<p>7 ENVIRONMENTAL AND CLIMATE 12 SUSTAINABLE PROCUREMENT AND PRODUCTION 13 CLIMATE ACTION</p>	<p>12 SUSTAINABLE PROCUREMENT AND PRODUCTION 13 CLIMATE ACTION 16 COMMUNITY ENGAGEMENT AND DEVELOPMENT 17 GOVERNANCE</p>	

Our material matters

Materiality considerations are a fundamental guide to our reporting. Our material matters reflect the factors that impact our ability to deliver and sustain value for ourselves, stakeholders and the natural environment.

Determining materiality

We annually assess our material matters. Since 2021, we have followed a detailed double materiality determination process to enable us to identify our impact materiality (our impact on society, communities and the environment) and our financial materiality (matters that impact our ability to generate revenue and preserve shareholder value over time). This approach reflects the combined guidance of the Integrated Reporting Framework and GRI, and results in matters that are prioritised and grouped into themes to inform our integrated and ESG report content.

Materiality determination process

- Assess the external context, including global, local and industry risks, opportunities and trends
- Critically assess stakeholder reports
- Analyse external sources, including materiality mappers
- Review and benchmark our peers' material matters
- Consider internal inputs, including risk registers, stakeholder surveys and strategy

- Prioritisation of material matters by senior management and executives
- Review and approval of matters by executives and those charged with governance
- Output: Material matters for reporting purposes

2022 material matters

The 2022 review confirmed that all our previous matters remain material and identified new matters for consideration under our themes. The materiality matrix that follows reflects 35 material matters grouped into seven themes, indicating their respective impact and financial materiality. 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.



- Adapting to a changing context**
 - Country risk*
 - Geopolitical context
 - Macro-environment
 - Supporting a just transition to a low-carbon economy**
 - Commodity price risk*
- Responsible environment stewardship***
 - Water stewardship*
 - Impact of climate change*
 - Managing our pollution*
 - Closure planning and rehabilitation management*
 - Carbon emissions reduction*
 - Waste management*
 - Biodiversity management*
- Building sustainable communities**
 - Social licence to operate*
 - 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
- Helping our people thrive**
 - Health, safety and wellness
 - Workforce: culture, capability, diversity, inclusion and innovation
 - Labour relations
- Executing our strategy**
 - Diversity into minerals
 - Build a leading renewable energy solutions business
 - Coal portfolio optimisation
- Driving business resilience**
 - Supply chain and logistical impediments*
 - Financial performance and resilience
 - Capital allocation
 - Cyber risk*
 - Innovation and digitalisation
- Principled governance**
 - Transparency, ethics and integrity
 - Embedding ESG in response to increased regulation and for sustainability*
 - Legal, regulatory and compliance excellence
 - Risk management*

* New matter or theme. ** Dual matter (across two themes).

Our material themes



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.

Material matters

- Country risk (failing infrastructure, institutions and service delivery in South Africa)
- Geopolitical context
- Macro-environment
- Supporting a just transition to a low-carbon economy
- Commodity price risk

Related risks

- Key dependency on Eskom as a key customer
- Inflationary pressures
- Water scarcity (medium to long term)
- Country risk (political)

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



Our operating context (page 12) and business resilience (page 88)



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.

Material matters

- Water stewardship
- Impact of climate change
- Managing our pollution
- Closure planning and rehabilitation management
- Carbon emissions reduction
- Waste management
- Biodiversity management

Related risks

- Key dependency on Eskom as a key customer
- Inflationary pressures
- Water scarcity (medium to long term)
- Country risk (geopolitical)

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



Our environment (page 103)



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.

Material matters

- 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

Related risks

- Unavailability of rail capacity
- Inflationary pressures
- Water scarcity (medium to long term)

Strategic response

- Empower people to create impact
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



Social licence to operate (page 101)

Our material matters continued



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 wellness and building trusting relationships.

Material matters

- Health, safety and wellness
- Workforce: culture, capability, diversity, inclusion and innovation
- Labour relations

Related risks

- Not achieving growth objectives
- Fatal risk incidents

Strategic response

- Make our minerals and energy businesses thrive
- Empower people to create impact
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our people](#) (page 92)



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.

Material matters

- Coal portfolio optimisation
- Diversify into minerals
- Build a leading global renewable energy solutions business

Related risks

- Unavailability of rail capacity
- Fatal risk incidents
- Not achieving growth objectives
- Inflationary pressures
- Country risk (geopolitical)
- Water scarcity (medium to long term)
- Legal and regulatory non-compliance

Strategic response

- Transition at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Our strategy](#) (page 44)



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.

Material matters

- Supply chain and logistical impediments
- Financial performance and resilience
- Capital allocation
- Cyber risk
- Innovation and digitalisation

Related risks

- Unavailability of rail capacity
- Key dependency on Eskom as a key customer
- Cybersecurity attacks impacting business
- Inflationary pressure
- Country risk (geopolitical)

Strategic response

- Make our minerals and energy businesses thrive
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



[Business resilience](#) (page 88)



Principled governance

We conduct ourselves so as to strengthen our business reputation as a good corporate citizen and resilience in a changing environment.

Material matters

- Transparency, ethics and integrity
- Embedding ESG in response to increased regulation and for sustainability
- Legal, regulatory and compliance excellence
- Risk management

Related risks

- Unavailability of rail capacity
- Dependency on Eskom as a key customer
- Cybersecurity attacks impacting business
- Inflationary pressure
- Country risk (geopolitical)

Strategic response

- Make our minerals and energy businesses thrive
- Become a catalyst for economic growth and environmental stewardship

Related capitals



Related SDGs



 [Governance for value creation](#)
 (page 51)



Exxaro maintenance team at work

Our business risks and opportunities

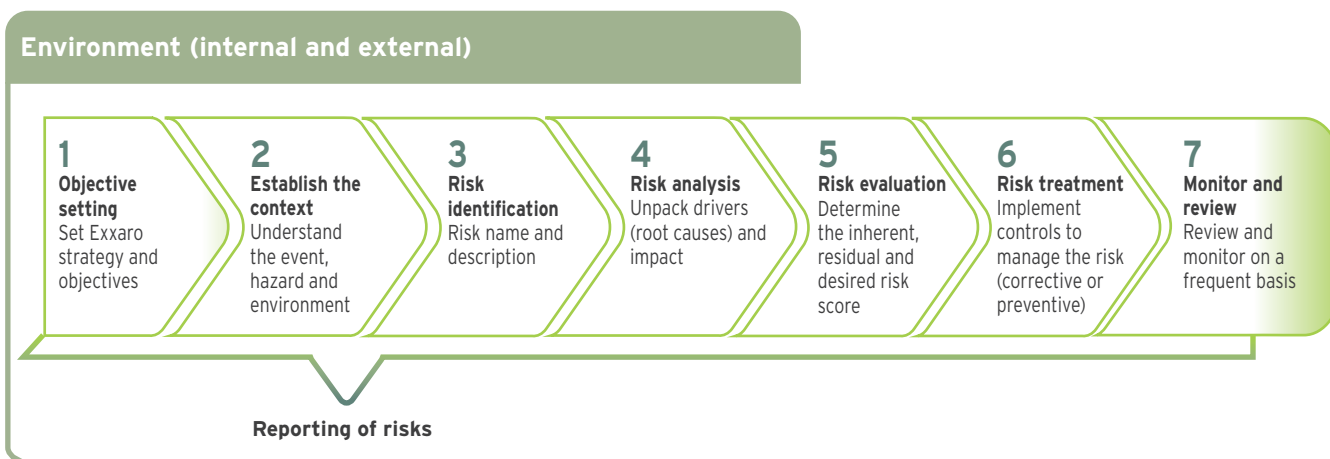
The mining industry has faced numerous challenges in the last three years. In an uncertain and volatile environment, we rely on our mature risk management strategies to make agile and effective decisions to mitigate risk exposure and leverage opportunities.

Our risk management approach and governance

In a volatile political and economic environment characterised by change and uncertainty, risk management is a critical success factor for us to achieve strategic and business objectives to remain sustainable and protect shareholder value. Embedding risk management into our daily activities and processes is key to making informed decisions and proactively planning for possible future unwanted events stemming from internal and external sources.

Our enterprise risk management (ERM) process is a strategic initiative fully supported by the board and executive management. The ERM framework provides a proactive, systematic and integrated approach to risk management. The principles outlined in the framework form the foundation for our risk management philosophy, mission and vision. The ERM framework and process illustrated below are based on principles published by the Committee of Sponsoring Organisations of the Treadway Commission, the ISO 31000 international guideline on risk management and King IV. It also considered applicable codes of best practice such as ISO 9001, 14001 and 18001. The ERM framework is regularly reviewed to ensure it remains relevant and effective.

Risk management process



We follow a cascade approach by identifying risk events at the organisation's strategic, tactical and operational layers. Significant risks from the strategic layer are filtered down to the tactical and operational layers and are supplemented by the identification of risks that have an impact across the organisation. Significant risks originating at an operational layer will also be elevated to a strategic or tactical layer if the residual risk and residual risk gap exceed certain thresholds. In this way, the process incorporates a top-down/bottom-up view of risks within the organisation.



Risk appetite and thresholds

Exxaro's risk management philosophy identifies risk management as a strategic enabler rather than being compliance-driven. This ensures that we think and act proactively at every layer to pursue the company's strategic objectives.

The board and executive committee monitor KPIs quarterly to ensure all risks and key metrics are within Exxaro's risk appetite. The risk appetite framework is updated annually or when deemed necessary as part of the strategic planning process.



[Performance against our strategy and future focus](#) (page 47)

Opportunities

We use the ERM framework to identify and realise opportunities – for example, early value coal extraction to maximise value in the short to medium term in view of the climate change risk. We believe that, for Exxaro to remain sustainable in the short term, it is important to adapt the minerals business to change and identify and pursue possible opportunities that ultimately create value, such as reducing stranded high-value Coal Reserve risk.

The opportunities we identified in 2022 informed our Sustainable Growth and Impact strategy.

Opportunity	Strategic objective
The drive for future-facing minerals presents opportunities to invest in exploration projects at various stages through our balanced portfolio approach towards capital allocation and managing risk and returns	Transition at speed and scale
Private-public participation in local rail operations is an opportunity for value unlock and vertical integration . We are currently investigating this opportunity	Make our minerals and energy businesses thrive
The multidimensional poverty index highlights the drivers of poverty and inequality in our communities, allowing us to focus our social impact efforts towards sustainable impact . We will focus on education, land use and local economic development	Become a catalyst for economic growth and environmental stewardship
The early value coal strategy and our ability to maximise resource to market opportunities by leveraging the low cost and flexibility of our coal assets and reserves	Make our minerals and energy businesses thrive
Accelerated expansion into renewable energy will support our low-carbon transition	Be carbon neutral by 2050 Make our minerals and energy businesses thrive
Impact investments provide an opportunity for Exxaro to leverage this financing market to support our just transition ambitions and align with our Sustainable Growth and Impact strategy	Empower people to create impact
The hydrogen economy was identified as a strengthening signal through our foresight process and market analysis conducted in 2021. Following this analysis, we concluded that hydrogen provides tailwind opportunities for our energy business and is not of significant interest to necessitate a horizon 2 shift at this stage	Make our minerals and energy businesses thrive
Nature-based solutions to mitigate the impacts of climate change were identified as an opportunity, especially in lieu of the vast amount of viable land that Exxaro has at our disposal. We intend to maximise this opportunity through our Sustainable Growth and Impact strategy	Be carbon neutral by 2050
Investing in self-generation facilities is an opportunity we are leveraging, which aligns with our renewable energy growth strategy. Exxaro will develop a 68MW photovoltaic farm, near Grootegeluk, through its SPV, Lephale Solar Proprietary Limited. This is our first self-generation project to expand and diversify within the renewable energy space, supporting low-carbon emissions, and long-term savings on electricity usage at Grootegeluk	Make our minerals and energy businesses thrive Be carbon neutral by 2050
The global energy transition provides an opportunity to mine and supply the minerals that support green technologies. Through a rigorous screening process, Exxaro identified copper, manganese and bauxite as being most aligned to our experience, capabilities and market forecast	Make our minerals and energy businesses thrive

Our business risks and opportunities

continued

2022 risk trend

The trend report indicates changes in the residual risk score when comparing the 2022 and 2023 financial years. Our risk scores are derived from the product of the likelihood and the impact of the unwanted event*. The top 10 risks are arranged from highest to lowest risk score.

The 2023 ranking represents the key possible unwanted events we anticipate having a potential impact on our ability to achieve our strategic imperatives in 2023. These risks are reviewed on a quarterly basis and could change significantly depending on the internal and external root causes that drive these risks to materialise. These risks are prioritised and treatment strategies have been designed and implemented. The effectiveness of these treatments will be monitored on an ongoing basis to ensure the risks are managed down to acceptable risk levels.

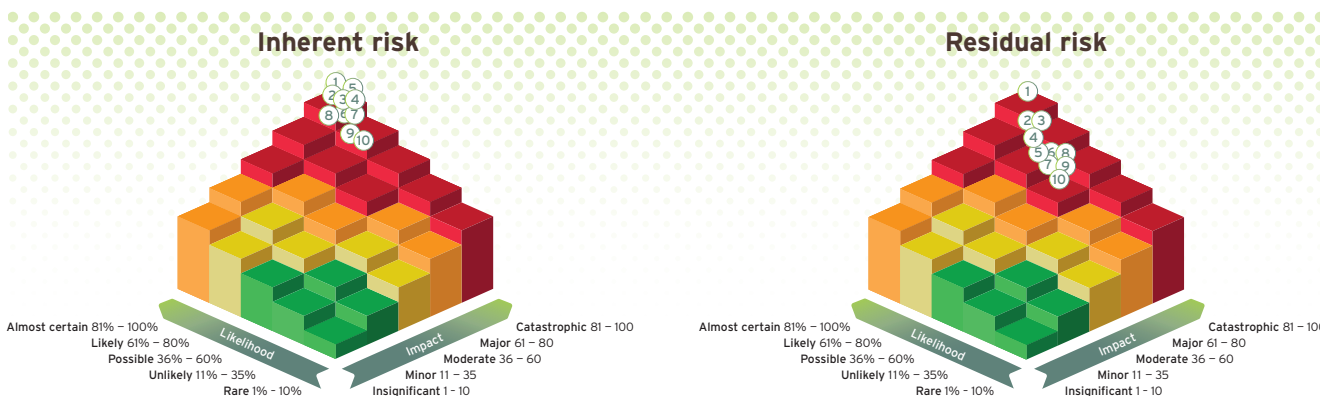
2022 top risks	Ranking	2023 top risks (forward-looking)	Ranking in top 10 trend	Comments
Unavailability of rail capacity	1	Unavailability of rail capacity	➤	TFR productivity remains a new challenge. Closing the gap initiatives implemented to reduce impact of TFR performance on exports (other optionalities and Free Carrier sales). High level engagements with TFR continue with view to find solutions to current challenges and improve train availability.
Eskom systemic risk	2	Key dependency on Eskom as a key customer	➤	The utility continues to have operational challenges. Some of the challenges experienced by Eskom require additional funding which will place the utility under financial strain.
Community unrest	3	Cybersecurity attacks impacting business	⚠	The risk of cyberattacks remains high. Following an incident in October 2022 and the outstanding items on the cybersecurity score, a comprehensive list of actions was compiled to lower the residual risk. There are two categories of actions: (a) actions from the forensic report received from the Microsoft Detection and Response Team and (b) a list of actions identified internally with service providers.
Cybersecurity threats	4	Fatal risk incidents	⚠	Exxaro's focus will be on our five strategic pillars: <ul style="list-style-type: none"> • Incredible leadership • Safety communication • Risk management • Safety training • Consequence management
Health and safety concerns	5	Not achieving growth objectives	⚠	The primary growth lever for the organisation is inorganic growth through acquisition. Possible contributing factors could also include: <ul style="list-style-type: none"> • Core merger and acquisition capabilities • Ability to structure and execute a deal • Risk appetite associated with making deals • Access to possible deals (beyond publicly listed) • Competition for assets • Speed at which we are able to process deals
Cost competitiveness of products	6	Inflationary pressures	➤	Higher than inflation increases in the cost of consumables (eg oil prices, logistical costs, etc) and lower production volumes result into an increase in unit cost.
Climate change concerns	7	Country risk (geopolitical)	⚠	The current political environment, slow economic recovery, deteriorating state infrastructure and other macro-economic factors have an adverse effect on the country risk assessment.
Loss of social licence to operate	8	Loss of licence to operate	➤	Ongoing monitoring of compliance with specific focus on licence to operate.
Unable to secure sufficient insurance cover	9	Legal and regulatory non-compliance	⚠	Changes to regulatory framework in mining and energy are constantly monitored. Awareness and training on compliance matters are planned for 2023. Ongoing monitoring of legal and regulatory compliance.
Country risk (geopolitical)	10	Water scarcity (medium to long term)	⚠	Additional augmentation of the Mokolo Crocodile Water Augmentation Project (MCWAP) scheme through sourcing additional water from Crocodile River system (MCWAP2) will strengthen the yield of the overall system and alleviate the medium to long-term risk at our Grootegeluk operation. Our Mpumalanga operations are less vulnerable to water scarcity as they have an overall positive water balance. Exxaro will set an internal price of water in 2023 to further drive water conservation awareness at our operations.

* Risk = f (likelihood of risk occurring x Impact of the risk).

- ⚠ Ranking in the top 10 is higher compared to previous year
- Ranking in the top 10 remained unchanged compared to previous year
- Ranking in the top 10 reduced compared to previous year

Top 10 heat map

Exxaro's top 10 risks are plotted inherently (before controls) and residually (after controls) on the heat maps below, followed by an outline of our key identified risks, the main drivers, their potential impacts and mitigating treatments. We have considered internal and external risks. Our mitigation strategies depend on the severity of impact and likelihood of occurrence.



Managing our risks

Various risk treatment strategies are evaluated, including risk avoidance, reduction, sharing, acceptance or transferring. When selecting risk treatment options, we consider the values and perceptions of stakeholders and the most appropriate ways to communicate them.

The decision to implement a treatment is based on risk tolerances, the effect the treatment will have on the impact and likelihood ratings, and the results of the cost versus benefit evaluation. Once a risk treatment is implemented, Exxaro develops ongoing mechanisms to monitor the implementation and effectiveness of the risk treatment.

Lines of defence	Risk trend
1 Management of risk (risk owner)	Residual risk increased compared to previous year
2 Management support and oversight	Residual risk decreased compared to previous year
3 Independent assurance	Residual risk remained unchanged compared to previous year
	New

1. Unavailability of rail capacity (2022: 1)

Drivers	Impacts	<p style="text-align: center;">Material theme</p> <p style="text-align: center;">Capitals impacted</p> <p style="text-align: center;">Line of defence</p> <p style="text-align: center; font-size: 24px;">1</p> <p style="text-align: center;">Risk ranking trend</p>
<ul style="list-style-type: none"> Cable theft and derailments Transnet's locomotive availability Inadequate fleet maintenance due to lack of spares at TFR Financial viability of Transnet TFR skills shortage to maintain operations 	<ul style="list-style-type: none"> Operational stoppages Financial loss Unable to meet contractual agreements and 2022/23 budget Unable to grow and execute the value extraction strategy Shareholder dissatisfaction on lower returns Impairment of RBCT investments 	
Treatments	Outlook	
<ul style="list-style-type: none"> Marketing and logistics team exploring options to evacuate export-bound coal Continuous engagement with TFR to understand issues and provide assistance Engage Transnet Port Terminals for a possible contracting to export via Richards Bay Transnet Port Terminals Implement a logistics solution (alternative options) 	<p>Operational and maintenance challenges are expected to continue to have a significant impact on Exxaro. Sustainable solutions to current challenges will be explored through proactive engagement with Transnet and the industry.</p>	
Strategic KPIs	Strategic objective impacted	
<ul style="list-style-type: none"> Core operating margin Annualised ROCE Annual core HEPS and net debt to annualised EBITDA 	<p>Make our minerals and energy businesses thrive</p>	

Our business risks and opportunities

continued

2. Key dependency on Eskom as a key customer (2022: 2)

Drivers

- Inadequate environmental financial provision at tied operations
- Environmental rehabilitation fund shortfall at Matla
- Realisation of approved funding for capital requirements (Matla capital project programme)
- Further delays in Eskom's Medupi power station operating at full capacity
- Eskom not honouring commercial rights and obligations as per coal supply agreements (Eskom liquidity)
- Eskom liquidity risk
- Commercial risk attached to long-term contracts

Impacts

- Cost of coal production becomes uncompetitive at Matla (lack of capital)
- Loss of revenue
- Reputational damage
- Operational constraints
- National grid failure
- Eskom declares force majeure

Treatments

- Enforce coal supply agreements and award arbitration in terms of environmental funding
- Stakeholder engagement
- Ongoing discussions on coal supply agreements

Outlook

Eskom's financial challenges will remain a concern in the short to medium term as government continues to reform South Africa's electricity sector and Eskom implements its turnaround strategy and restructuring.

Strategic KPIs

- Adjusted operating margin
- Annualised ROCE
- Annual adjusted HEPS and net debt to core EBITDA

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capital impacted



Lines of defence 1 and 2

Risk ranking trend



3. Cybersecurity attacks impacting business (2022: 4)

Drivers

- Large number of devices connected (especially in operations) to the corporate network that requires to be managed (security updates)
- Vulnerability due to lack of awareness. People exposing Exxaro to cyberattacks
- Most employees working remotely

Impacts

- Production loss and ransom resulting in financial loss
- Loss of information
- Business interruption
- Legal and regulatory impacts (Protection of Personal Information, 2013 (Act 4 of 2013) (POPIA) implications)

Treatments

- Ensure we have monitored security governance in place
- Data loss prevention strategy
- Stricter security practices
- Ensure regular and ongoing security awareness
- Monitor compliance with POPIA
- Business continuity management plan and disaster recovery testing

Outlook

The prevalence of cybersecurity attacks, specifically ransomware the most prevalent, is expected to increase. We will continue to improve the robustness of the cybersecurity posture.

Exxaro continues to benchmark its cybersecurity profile to enhance our efforts on vulnerability identification and management.

Strategic KPIs

- Microsoft Secure Score

Strategic objective impacted

- Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Line of defence 1, 2 and 3

Risk ranking trend



4. Fatal risk incidents (2022: 5)

Drivers <ul style="list-style-type: none"> Lack of fatal risk ownership and leadership support Under-classification of critical controls to manage fatal risk Inadequate resource allocation to implement and manage critical control management programme 	Impacts <ul style="list-style-type: none"> Fatal health and safety incidents Operational stoppages High insurance premiums Loss of licence to operate Decrease in quality of life Section 54 by the Department of Mineral Resources and Energy (DMRE) Loss of productivity (deaths, medical incapacity or sick leave)
Treatments <ul style="list-style-type: none"> Implementation of critical control management programme with strong emphases placed on the effectiveness of preventive controls Evaluate the effectiveness of the critical controls through compulsory quarterly verifications Identification of the critical control performance trigger for shutdown, critical control review or investigation 	Outlook <p>Our employees' safety remains a top priority. Although good safety performance (LTIFR) has been demonstrated in the recent past, we continue to implement our safety strategy with a focus on safety improvement in our quest for zero harm.</p>
Strategic KPIs <ul style="list-style-type: none"> Fatalities LTIFR OHIFR Number of health and safety stoppage directives in terms of section 54 of the Mine Health and Safety Act, 1996 (Act 29 of 1996) 	Strategic objective impacted <p>Make our minerals and energy businesses thrive</p>

Material theme



Capitals impacted




Lines of defence
1, 2 and 3







Risk ranking trend









5. Not achieving growth strategy (new top 10)

Drivers <ul style="list-style-type: none"> Volatile economic and market conditions Perceived increased business risk Regulatory uncertainty in South Africa Speed at which we are able to process deals Competition for assets Access to possible deals No risk appetite associated with making deals Unavailability of skills 	Impacts <ul style="list-style-type: none"> Reputational damage Unable to transition from coal to other minerals
Treatments <ul style="list-style-type: none"> Regular communication on strategy, capital allocation and returns against targets Disclosure of target and performance against strategy and capital allocation Build critical skills and capacity to achieve strategy Clarity of transition strategy to low-carbon future and expected returns 	Outlook <p>The primary growth lever for the organisation is inorganic growth through acquisition. We will continue to pursue opportunities for growth through mergers and acquisitions.</p>
Strategic KPIs <ul style="list-style-type: none"> All 	Strategic objective impacted <ul style="list-style-type: none"> Transition at speed and scale Make our minerals and energy businesses thrive Empower people to create impact Be carbon neutral by 2050 Become a catalyst for economic growth and environmental stewardship

Material themes









Capitals impacted

Lines of defence
1, 2 and 3

Risk ranking trend



Our business risks and opportunities

continued

6. Inflationary pressures (2022: 6)

Drivers

- Not achieving productivity indices (benchmark standards)
- Cost containment discipline not uniform
- Deteriorating mining conditions (decreasing yield and increasing stripping ratio)
- Not meeting production volumes
- Exchange rate volatility
- Commodity price decline
- Inaccurate financial modelling
- Higher fixed costs (corporate office costs charged to business units (BUs))
- South African geographical constraints

Impacts

- Financial loss
- Margin squeeze
- Premature mine closure and allocation of costs to other operations
- Reduced earnings will impact approval of capital projects

Treatments

- Embrace technology and innovation initiatives to improve productivity performance
- Optimise operating model and avoid duplicated activities
- Create strategic partnership to leverage economies of scale
- Ensure balance between capital optimisation and prioritisation
- Investigate and divest non-core and non-robust assets
- Review and monitor performance of suppliers and service providers
- Increased awareness of cost management
- Focus on sustainable cost reduction programmes and business improvement initiatives
- Planned reviews by coal operating company
- Rebalancing product chains for better use of infrastructure

Outlook

Inflationary pressure is expected to continue given challenges in the global economy exacerbated by the Russia-Ukraine conflict.

We continue tracking and monitoring production efficiency initiatives to manage ongoing volatile conditions and cost pressures, focusing on reducing consulting costs and continued focus on production efficiencies.

Strategic KPIs

- Adjusted operating margin
- Annualised ROCE
- Annual adjusted HEPS and net debt to annualised EBITDA

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence
1, 2 and 3

Risk ranking trend



7. Country risk (geopolitical) (2022: 10)

Drivers	Impacts
<ul style="list-style-type: none"> Lack of investment and low employment creation Uncertainty about land ownership and security of tenure Limited local government capacity to deliver services Potential for nationalisation sentiment Continued poor economic performance will influence policy and political outcomes Slow implementation of required reforms Corrupt practices (private and public sector) Rating agencies downgrade South Africa to junk status South Africa's real GDP growth forecast to be 0.6% for 2023 Limited fiscal capacity National party leadership elections every five years Nature of influence of opposition parties Political instability Policy uncertainty 	<ul style="list-style-type: none"> Possibility of community unrest for political support Stakeholder dissatisfaction Potential regulatory penalties/oversight Increased compliance burden Potential increase in royalties/taxes Reduced investment opportunities (increase in cost of capital) Increased cost of doing business (due to increased compliance burden) Fewer opportunities for co-investment with government in community development Breakdown in government relationships with Exxaro Higher expectation from society and government for more social investment Potential for junk status rating and/or downgrade of Exxaro's credit status due to link to Eskom Pressure on revenue

Treatments	Outlook
<ul style="list-style-type: none"> Align our purpose with governance and ethics Continuously monitor independent country risk assessment report Engage with shareholders on minerals business and capital allocation for new strategy Establish and participate in collaborative regional development platforms for community impact Develop renewables strategy that could result in new investment and electricity security Long-term investment perspective for growth, development and impact Municipal capacity building Ongoing engagement with Minerals Council and provincial and local governments Strive for full compliance with relevant legislation for business continuity Continued support of relevant business lobby groups to engage business and government Increased and improved analysis of dynamic political landscape and impacts on stakeholders Increased focus on provincial and local players and intensified engagement across local stakeholder networks to mitigate shocks "from above" 	<p>Socio-political risks, policy uncertainty and sluggish South African economy are expected to continue influencing this risk.</p>

Strategic KPIs	Strategic objectives impacted
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Transition at speed and scale Make our minerals and energy businesses thrive Empower people to create impact Be carbon neutral by 2050 Become a catalyst for economic growth and environmental stewardship

Material theme



Capitals impacted



Line of defence

1

Risk ranking trend



Our business risks and opportunities

continued

8. Loss of licence to operate (2022: 8)

Drivers

- Delays in approval of licences and authorisations
- Increased state interventions in the mining sector: expectations to invest and transform
- Unable to achieve SLP targets as approved (annual and five-year projects)
- Unable to meet legislative targets, eg Mining Charter and B-BBEE
- Lack of understanding of collaboration principles by other stakeholders
- Increased social activism

Treatments

- Adherence to commitments in the SLP as a minimum
- Implementation of human resource development programme
- Pursue identified initiatives to progressively improve Exxaro's B-BBEE rating
- Compliance performance management
- Conduct SLP audits

Strategic KPIs

- B-BBEE level
- Mining Charter III KPIs
- Compliance KPIs (safety, health and environmental)

Impacts

- Directives issued by DMRE to remedy
- Reputational damage
- Penalties and fines
- Financial loss
- Community unrest
- Production stoppages

Outlook

We will continue focusing on delivery of our commitments to our licence to operate. Furthermore, the implementation of the Social Impact strategy is expected to deliver greater impact on the communities where we operate

Strategic objective impacted

Make our minerals and energy businesses thrive

Material themes



Capitals impacted



Lines of defence
1, 2 and 3

Risk ranking trend



9. Legal and regulatory non-compliance (2022: 12)

Drivers

- Inability to influence legislative changes
- Lack of awareness/knowledge around regulatory requirement
- Culture of non-compliance in South Africa
- New laws and regulation enacted with high frequency in South Africa and globally
- Uncertainty around energy legislation

Treatments

- Conduct compliance awareness training on licence to operate requirements
- Early alerts on prospective changes in legislation
- Compliance programme
- Legal industry engagement through the Minerals Council about prospective changes
- Perform consequence management on deviations
- Internal and external compliance audits

Strategic KPIs

- Compliance KPIs

Impacts

- Operational stoppage
- Reputational damage
- Stoppage directives
- Penalties and fines
- Potential civil and criminal liability
- Delays in licence approvals

Outlook

Changes to regulatory framework in mining and energy are constantly monitored.

Ongoing awareness and training on legal and regulatory requirements

Strategic objective impacted

Make our minerals and energy businesses thrive

Material theme



Capitals impacted



Lines of defence
1, 2 and 3

Risk ranking trend



10. Water scarcity (medium to long term) (2022: 18)

Drivers

- Drought exacerbated by climate change
- Limited water resources in South Africa
- Delays in the building of water infrastructure by government
- Competing demands of agriculture, mining and general population
- Traditional areas of operation have little water especially in the Waterberg
- Mismatch of what is approved and what is required on the water use licence (WUL)

Impacts

- Operational stoppage
- Escalation of cost of water
- Legal and health impacts
- Opportunity loss of starting a new venture
- Net present value

Treatments

- Implement a water security and management strategy
- Board approved MCWAP2
- Recycling of water
- Water treatment plant ensuring water efficiency and treatment
- Liaison with government via the Chamber of Mines
- Engaging in industry forums for catchment management planning
- Establishment of public-private partnerships

Outlook

Additional augmentation of the MCWAP scheme through sourcing additional water from MCWAP2 will strengthen the yield of the overall system and alleviate the medium to long-term risk at our Grootegeluk operation.

Our Mpumalanga operations are less vulnerable to water scarcity as they have an overall positive water balance.

Exxaro will set an internal price of water in 2023 to further drive water conservation awareness at our operations

Strategic KPIs

- Water intensity

Strategic objective impacted

- Make our mineral and energy business thrive
- Become a catalyst for economic growth and environmental stewardship

Material themes



Capitals impacted



Lines of defence

1, 2 and 3

Risk ranking trend




Matla pollution control dam

Creating value through stakeholder engagement

We protect and maintain our licence to operate by building long-term, stable, mutually beneficial relationships, enabling us to create shared value with stakeholders. Our engagements also serve as a key treatment in the response to and management of organisational risks.

Our approach to meaningful stakeholder engagement


The value we create for our stakeholders is as important as the value we create for ourselves. We understand our social impact, as well as stakeholder needs and interests, which we identify through regular and ad hoc in-person engagement as well as through social impact assessments and a variety of surveys. This understanding enables us to respond appropriately during the course of business. We live our purpose to strengthen and maintain our stakeholder relationships, facilitating shared, sustainable value creation and impact.

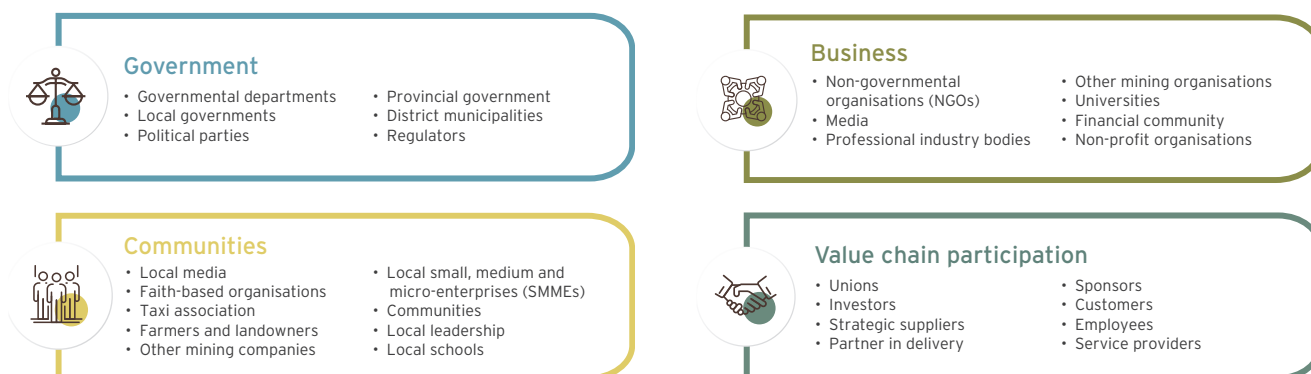
 Refer to the ESG report for more information about our approach to [stakeholder management](#) (page 24) and engagement planning.

We have differentiated the layout of the stakeholder report between the ESG report and the Integrated Report. For this report, we describe our stakeholder management through the lens of our enterprise risk framework – that is, where stakeholder management was instrumental in responding to a key risk in 2022. However, in the ESG report, we have maintained a stakeholder lens to describe key stakeholder relationships and the issues we addressed during our engagements.

Stakeholder universe

We use our ERM process and regular BU and project workshops to identify our stakeholders and assess our impact on them, and their impact on our business. We categorise our stakeholders into four main clusters of government, communities, business and value chain participants and identify relevant engagement strategies and engagement objectives as required.

 [Stakeholder management](#) (page 24) in the ESG report explains the nature and quality of our relationships with strategic stakeholder groups discussed on the pages that follow.



Assessing engagement effectiveness

Engagement effectiveness is assessed through assurance and audits on our procedures and changes in risk ratings. We also measure perceptions of our engagement performance as part of a stakeholder survey. We conducted our first reputation tracking survey in 2022 following a baseline study in 2018.

Material engagements in 2022

Exxaro has many stakeholders but for the purpose of this report, we have focused on engagements most material to value creation and preservation. The related stakeholders and the detail of specific engagement are unpacked accordingly.

Quality of relationship	
☆☆☆☆	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

2022 risk: Unavailability of rail capacity

Engagement purpose: Collaborate in finding solutions to improve logistics

Stakeholder: Transnet

Quality of relationship: ☆☆☆☆

Further reading

 [Our business risks and opportunities](#) (page 26)

Key engagements and outcomes

- Continued engagement through the Minerals Council South Africa (Minerals Council) with TFR and the Department of Public Enterprises to set up a collaborative forum between the mining industry and TFR. This is envisaged to take off in 2023

Strategic objectives

- Make our minerals and energy businesses thrive

Stakeholder expectations and issues

- TFR performance: Cable theft and security, train and driver availability, locomotive spares and derailments, force majeure

Material themes



2022 risk: Key dependency on Eskom as a key customer

Engagement purpose: Eskom continues to be a key customer for Exxaro. In 2022, 75% of Exxaro's sales was attributed to Eskom. The long-term agreements with Eskom at Matimba and Medupi place the coal business in a defensive position. We engage regularly in light of the challenges facing Eskom.

Stakeholder: Eskom

Quality of relationship: ☆☆☆☆

Further reading

 [Our business risks and opportunities](#) (page 26)

Key engagements and outcomes

- Matla:** Engagements to renegotiate the Matla cost plus agreement, due to expire mid-2023, are underway
- Grootegeeluk:**
 - Medupi power station:** Engagement on Exxaro's support regarding Eskom's emissions abatement obligation
 - Matimba and Medupi coal supply agreement contracts:** Regular planning and operational alignment engagements

Strategic objectives

- Transition at speed and scale
- Make our minerals and energy businesses thrive

Stakeholder expectations and issues

- Coal supply agreements

Material themes



Creating value through stakeholder engagement continued


2022 risk: Community unrest

Engagement purpose: We aim to build relationships and our understanding of community needs to enable collaboration and the successful delivery of socio-economic development projects. Engagements enable us to proactively resolve any issues or concerns raised before protest action occurs. We further aim to communicate how we create shared value through local employment and procurement, community development initiatives, skills development and ESD.

Stakeholder: Communities

Quality of relationship: ★★☆☆☆

Further reading

 [Our business risks and opportunities](#) (page 26) and [social licence to operate](#) (page 101)

 [Communities](#) (ESG report, page 78)

Key engagements and outcomes

- Continue engaging with communities and local municipalities through existing platforms such as stakeholder engagement forums to address local recruitment and procurement expectations. Regrettably we continue to experience interference in our supply chain processes
- The board held a follow-up community stakeholder engagement day in Limpopo
- We initiated engagements with key representatives of the Department of Cooperative Government and Traditional Affairs with the objective of strategic alignment on supporting socio-economic development in traditional authority areas
- Our new Social Impact strategy was approved by the board in November 2022. This will enable us to identify and develop impact projects
- Continue our efforts to reflect South Africa's diversity in the development and outcomes of all our projects

Strategic objectives

- Become a catalyst for economic growth and environmental stewardship
- Empower people to create impact

Stakeholder expectations and issues

Our communities expect Exxaro to employ, uplift and empower locally, enabling South Africa's development. Communities highlighted infrastructure, service delivery, procurement and youth and skills development as key issues during the year.

Material themes



2022 risk: Fatal risk incidents

Engagement purpose: Align employees' focus with our health and safety strategy and culture for competitive advantage and resilient business performance.

Stakeholder: Employees

Quality of relationship: ★★☆☆☆

Further reading

 [Our business risks and opportunities](#) (page 26) and [our people](#) (page 92)

 [Employee engagement](#) (ESG report, page 68), [health and wellness](#) (ESG report, page 64), and [safety](#) (ESG report, page 62)

Stakeholder expectations and issues

- Health and safety standards.

Material themes



Key engagements and outcomes

- Continued implementation of the COVID-19 awareness and vaccination programme with an average vaccination rate at our BUs of 90% against the industry target of 80%
- Daily reminders on safety issues at operational level, annual BU safety indabas and regular communication of safety messages across a variety of platforms
- Annual leadership safety day and sustainability summit
- Ongoing safety and safety risk management training
- Our employee wellness programme (EWP) is communicated on multiple internal platforms alongside daily inspirational SMS messages and weekly mental health masterclasses
- Engaged with employees about Exxaro's code of conduct

Strategic objectives

- Make our minerals and energy businesses thrive
- Empower people to create impact

2022 risk: Climate change concerns

Engagement purpose: Understand regulatory policy, empower employees, communities and value stream participants to manage climate change impacts, contribute to thought leadership and communicate our decarbonisation plan.

Stakeholders

- Government and regulators
- Employees and unions
- Communities
- Investors
- Customers
- Suppliers
- Trade and research associations

Quality of relationship: ★★★★★

Further reading


 [Our business risks and opportunities](#) (page 26)

[TCFD](#) (page 112)

[Our people](#) (page 92)

[Social licence to operate](#) (page 101)

[Our environment](#) (page 103)

 [Climate change resilience](#) (ESG report, page 38) and [social](#) (ESG report, page 59)

Stakeholder expectations and issues

- A just transition
- Climate change adaptation and mitigation
- Carbon pricing
- TCFD and decarbonisation plan
- Green procurement
- Biodiversity, waste and water
- Policy

Material themes



Trade and research associations

As a member of the **Industry Task Team on Climate Change**, we worked with government and other businesses to address South Africa's international climate change obligations, supporting the low-carbon transition, carbon price merits, collaboration and the just transition.

Our **NBI** membership enables us to contribute to thought leadership on issues such as the just transition and the role of business in ensuring the transition to a low-carbon economy, preparation for COP meetings and alignment with the SDGs.

Through the **Minerals Council**, we were involved in discussions with government on the implications of environmental policy, carbon tax, and waste and water management in a changing climate.

We engaged with other businesses through **Business Unity South Africa** on macro-economic and high-level issues that affect the country at national and international levels.

Exxaro was also among the **Business Leadership South Africa** members focused on securing energy supply.

As part of the **Energy Intensive Users Group of South Africa**, we worked with government, power utilities, industry and other stakeholders to ensure a financially viable, technically healthy and well-managed energy supply sector for South Africa. We discussed energy efficiency, energy strategy and policy implementation with government and other businesses through the **Energy Efficiency Leadership Network**.

We also engage with various stakeholders such as government, NGOs, communities and industry, on air quality management in priority areas through multi-stakeholder reference groups and implementation task teams for the Highveld and Waterberg-Bojanala priority areas.

Strategic objectives

- Transitioning at speed and scale
- Make our minerals and energy businesses thrive
- Empower people to create impact
- Be carbon neutral by 2050

Key engagements and outcomes

Government and regulators

Engagements with leading national authorities on climate change and carbon budgets included effective application of instruments designed to meet South Africa's international climate change obligations, particularly the NDC. We engage with the Department of Forestry, Fisheries and the Environment (DFFE) (lead department on climate change) and National Treasury (lead department on the Carbon Tax Act). Discussions with the Department of Energy included our renewable energy strategy and potential future investments in renewable energy.

Employees and labour unions

Our energy management efforts and implementation of cleaner energy sources at our operations drive carbon emissions reductions. Reducing and offsetting our footprint in line with the NDCs is a priority.

Communities

We are engaging with communities on climate change mitigation, adaptation and resilience with the aim of increasing the adaptive capacity of host communities. We are also communicating our decarbonisation plan.

Investors

We have shared our strategic approach to climate change mitigation, adaptation and business resilience as well as risks and opportunities, carbon pricing, TCFD recommendations and broader ESG issues.

Customers

We engaged with downstream customers who impact our carbon footprint, business strategy and ambition to be carbon neutral by 2050 about our Sustainable Growth and Impact strategy, decarbonisation plan and divestment from some coal operations. Engagement explored collaboration in emissions reduction, aiming to reduce our scope 3 emissions and customers' scope 1 and 2 emissions.

Suppliers

Our green procurement strategy prioritises sustainable supplier engagement with critical objectives including increasing the adoption of environmentally friendly, natural resource-efficient equipment, products and technology at Exxaro's operations.

Creating value through stakeholder engagement continued

2022 risk: Loss of social licence to operate and country risk

Engagement purpose: Proactive engagement supports our efforts to drive business resilience and manage risk. Collaborating and partnering with government is how Exxaro plays a role in finding solutions to socio-economic challenges and contributes to shaping government policies.

Stakeholder: Government

Quality of relationship: ★★☆☆

Further reading

 [Our business risks and opportunities](#) (page 26)

 [Social](#) (ESG report, page 59)

Material themes



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
- Life after mining, job development, community upliftment*
- TFR performance*
- COVID-19 response support*
- B-BBEE level – net profit after tax (NPAT) impact
- Socio-economic development*
- Municipal service delivery*
- Local procurement*

** This is a multi-stakeholder issue.*

Key engagements and outcomes

- Department of Public Enterprises – continued engagement through the Minerals Council regarding TFR
- Departments of Health in Limpopo and Mpumalanga to support COVID-19 response strategies, and vaccine and booster vaccine roll-out programmes
- Engaged dtic regarding changes in NPAT and double treatment of dividend income. The challenges and proposed solutions were well received by the dtic. The dtic confirmed that these are areas of concern they are aware of, but that changing the codes is a lengthy process
- Engagement with the Department of Cooperative Government and Traditional Affairs, the Municipal Infrastructure Support Agency 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 and their economic growth agencies to discuss development priorities and provide feedback on Exxaro’s socio-economic development initiatives
- Engagement with the Presidential Climate Change Commission regarding our just transition response strategy

Strategic objectives

- Become a catalyst for economic growth and environmental stewardship

Case study: Reputation management top of mind

Perceptions of Exxaro’s reputation and business ambitions have improved significantly since 2018 among the majority of Exxaro’s key stakeholders, according to the stakeholder reputation survey conducted in 2022.

The survey reached out to 1 487 participants (government, investors, media, civil society, customers, suppliers, organised labour, communities and employees) online, by phone and in group sessions.

The survey was conducted against a global climate of generally declining trust in business to operate in the best interest of society. However, among Exxaro’s stakeholders, trust in mining companies to operate in the best interest of society was up from 2018. The overall results show significantly improved trust and reputation indicators for the company compared to the baseline survey conducted in 2018.

Key findings

While all stakeholders agree that Exxaro delivers on its purpose, they also feel that there is an opportunity for us to increase the intensity of feedback, especially to communities. It is interesting to also note that other than communities, all stakeholders believe that we have a role to play in South Africa’s transition away from fossil fuels.

Expectations from Exxaro on the community front remain very high. While our community development efforts are acknowledged, “more and better” is expected from the company given the increasing level of social and economic distress among our local communities.

Reputation resilience

The survey outcome shows that, while our overall relationships with stakeholders (measured through stakeholder engagement efficiency) are good, additional effort is required in relation to civil society and communities. In response, we have developed strategies for each stakeholder group to guide future engagement that will address concerns and reinforce mutually beneficial areas.